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Hotel Survival Guide: How to Reopen Profitably

RESOURCES FOR HOTELS PLANNING RELAUNCH
MAY 2020



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INTRODUCTION

The following guide is designed to help hotel operators deliver a safe, functioning, cash-flow positive hotel upon reopening. We're in a time of profound uncertainty — but we believe the following contains crucial guidance that will help hotels reemerge as successfully as possible.

- First, we introduce our thinking on how hotels can best prepare for a recovery and gradually enter a new normal. Key forecast data from our partners at CBRE outlines recovery models for hotel occupancy, and highlights the varied impacts across hotel segments, locations, and rate classes.
- Then, our phased approach to hotel relaunch ties together adjustments required for key services — with recommendations designed to protect both guest safety and hotel profit — across various recovery scenarios.
- Next, we outline a critical reopening path for hotels to implement relaunch plans department by department, paving the way for a successful, phased revival, as well as provide an outline for Streetsense's more robust offering to support hotels through their relaunch.
- Finally, for hotels looking for a greater level of engagement and detail, we have created a full suite of tools to get your hotel back on its feet in a thoughtful, efficient and profitable manner.



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Understanding the Economic Recovery Models



THE POST-PANDEMIC ENDGAME

No one currently knows how or when the COVID-19 pandemic will subside and the economy will rebound. Your best bet is to familiarize yourself with the most-likely scenarios and prepare plans for each. Below is a summary of the expected economic models for recovery; there are many unknowns, but we can look to some historical data to guide us.

To forecast an economic recovery model for COVID-19, we looked back at the economic impact of previous pandemics such as SARS, MERS, bird flu, and Spanish flu to see the arc of the economy coming out of these crises. According to an article in the *Harvard Business Review*, COVID-19 recovery will likely fall into one of three economic models, referred to as the “V,” “U,” or “L.”¹

¹Carlsson-Szlezak, Phillipp, Reeves, Martin and Swartz, Paul. “What Coronavirus Could Mean for the Global Economy.” *Harvard Business Review*, 3 March 2020, <https://hbr.org/2020/03/what-coronavirus-could-mean-for-the-global-economy>

THREE MODELS FOR ECONOMIC RECOVERY



MODEL



MODEL



MODEL

*Read on to learn
about these models*

THREE MODELS FOR ECONOMIC RECOVERY



MODEL

The V Model represents an economic recovery similar to what China experienced following recent epidemics similar to COVID-19. This model is represented by a dramatic dip in the economy as the virus hits, followed by a relatively narrow trough and a quick recovery over a period of three to four months — a classic V-shaped recovery. Uncertainty around a reemergence of the virus in the fall and winter of 2020/2021, or whether people who have contracted the virus can become reinfected, make many experts question whether or not COVID-19 recovery will take this classic four- to five-month V-shaped recovery. A resurgence in the fall may result in a double V shape or push the economy into the following scenario.



MODEL

The U Model represents a similar precipitous drop in the economy followed by an extended trough before an eventual and gradual upswing. In this model, social distancing measures would remain in place through the summer and fall of 2020 as we continue to “manage the curve” of infections to keep health care facilities with manageable volumes of patients. By mid-fall, enough of the population should have immunity from the virus that the restrictions can be slowly and carefully lifted for lower-risk populations. This much slower return to normal may require restaurants or bars to wait much longer after governmental restrictions are lifted before reopening.



MODEL

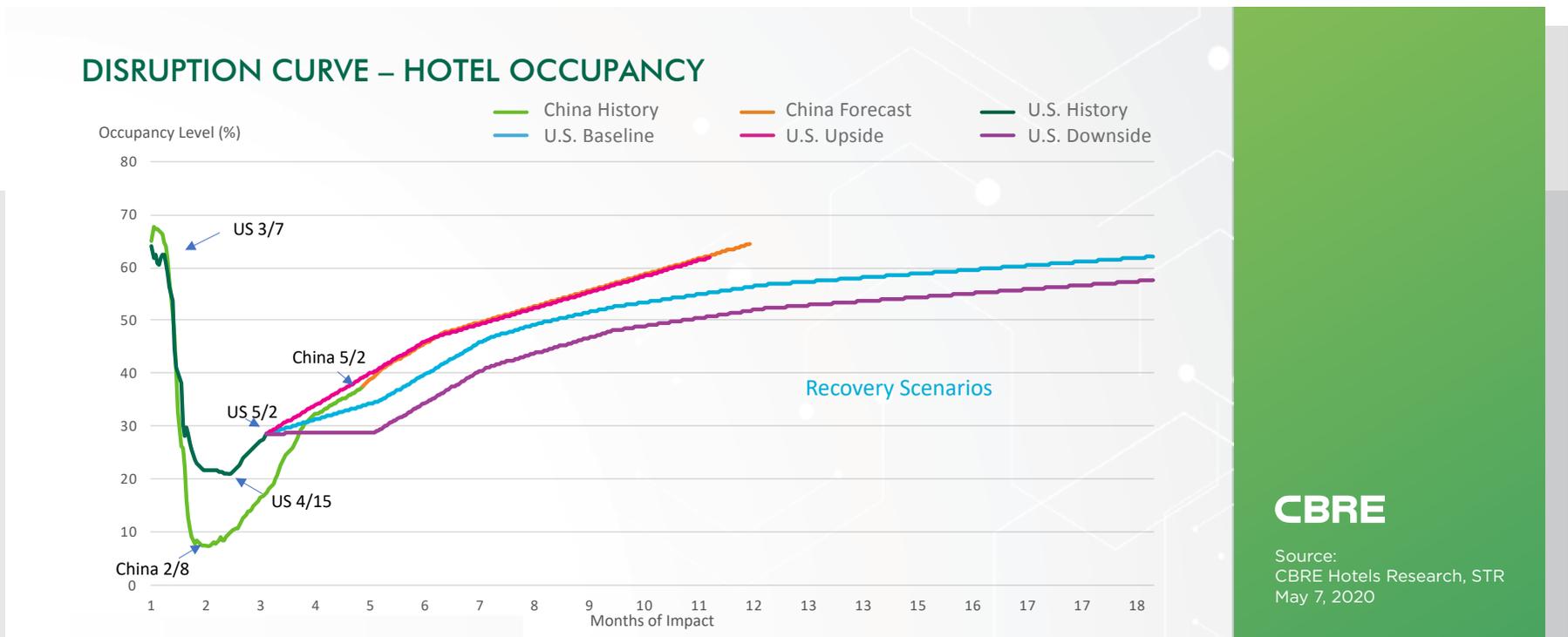
The L Model is the most dire — and we believe is also the least likely. The L-shaped recovery model here shows a dramatic dip in the economy followed by a very long period of minimal, incremental improvement. The L Model is a highly unlikely scenario that may be triggered if reinfections occur or if a vaccine is not possible. This is the worst-case scenario for a recovery and is not a model that economists find likely.

Carlsson-Szlezak, Phillipp, Reeves, Martin and Swartz, Paul. “What Coronavirus Could Mean for the Global Economy.” *Harvard Business Review*, 3 March 2020. <https://hbr.org/2020/03/what-coronavirus-could-mean-for-the-global-economy>

CBRE HOSPITALITY RECOVERY MODELS

Our partners at CBRE Hotels ran an analysis of the impact that the pandemic is likely to have on [hotel occupancy in China and the United States](#). For the U.S. market, CBRE developed a good, better, and best model for a rebound to pre-pandemic levels.² This model shows an optimistic rebound in occupancy to pre-COVID-19 levels within 12 months and a more realistic rebound in occupancy in roughly 18 months.

Overall, the recovery forecast for the hospitality industry falls somewhere between a U-shaped recovery and an L-shaped recovery, with steady improvement reaching pre-COVID-19 levels in 12–18 months.



² Lane, Jamie. "An Updated 2020 Outlook: Expectations for the Year Ahead." *CBRE Viewpoint Hotel*, 7 May, 2020

LEADING INDICATORS OF THE RECOVERY

While this global forecast is a significant projection of long-term recovery, each market will come back differently.

Hotels looking to come out strong on the other side of the pandemic need to be extremely cautious with their available capital, shrewd with their timing of the market, and vigilant in following the news for indications that signal a restart of the hospitality industry and the return of consumer confidence. Here's what to listen for:

- **Lifting of Government Restrictions:** While certainly a positive sign that a recovery is in progress, it does not signal a wholesale return to normalcy. This will be an indicator that people are beginning to reenter the market and may come slowly and in isolated segments rather than an immediate reversion to normal.
- **Recovery in Other Markets:** China, South Korea, and Japan are beginning to emerge from the pandemic and can serve as indicators as to what an eventual recovery looks like. At present, early indications show a very tentative return of available business followed by slow and gradual recovery lasting several months.
- **Antibody Testing:** Tests to determine who has contracted (and recovered from) the virus are just beginning to enter the market. When these tests become widely available, national health organizations will be able to establish a timeline for the likely end of the crisis.
- **Immunity for People Who Have Been Infected:** If this virus is similar to other flu-like infections, those who have been infected may not be able to get reinfected for a number of months. However, if people who have recovered from the virus are still susceptible to getting it again, the economic outlook will not fully improve until there is a vaccine.
- **Timing of a Vaccine:** Real and credible evidence of the widespread production of a vaccine will be the strongest signal of a return to relative normalcy following the crisis.

The key to successfully navigating the end of the crisis is to time the market right with the capital available to you to ensure the long-term success of your business.

Understanding the Post- Pandemic Consumer Mindset



THE PANDEMIC MINDSET

As you think about reopening your business, it's important to understand the psychological realities driving guest behavior and consider ways to mitigate guest concerns. We've summarized high-level considerations for how customers returning to the market may respond to the crisis.

Clear Sanitation Procedures Will Drive Consumer Confidence

Wary consumers will come back into the market highly sensitive to cleanliness and sanitation, and businesses will be required to articulate and demonstrate the lengths they go to ensure sanitation. Small lapses in cleanliness, staff grooming, organization, and practicing social distancing will be met with greater scrutiny than ever, and disapproving guests will perceive your offering as unsafe. Returning to market with your safety and sanitation processes writ large is crucial for your relaunch.

Crowded Spaces May Make People Anxious

With one-way lanes in grocery stores and six-foot separations now the norm, the appeal of buzzy, crowded bars or restaurants will likely take a long time to return. What was once a sign of success is likely now a warning sign — customers' concerns about contracting the virus or giving it to others will outweigh their desire to be in a pleasantly populated area. This is a hard reality that bars, restaurants, nightclubs, and food halls will likely have to contend with until a vaccine (or viable treatment) for the virus is found.

Travel Will Change Significantly

Being crammed on a train or plane for several hours with a group of strangers will cause real trepidation for consumers. While the appetite for travel will come back strong after regional restrictions are lifted, it's more likely that travelers will choose to scratch that itch in destinations within driving distance, as well as destinations in secondary and tertiary cities. Business travel will change dramatically, too — the past two months have demonstrated to companies that virtual meetings can be successful, and they might look to save on expensive travel in the future.

We're already seeing this change in action, as [planned travel spending over the next six months has fallen dramatically across all groups](#).³ The good news: half of consumers — particularly those in younger generations — may be willing to resume some travel activity within a few months of government restrictions lifting.

Generational Differences are Affecting Responses to the Pandemic

Because the risks and effects of the virus appear to vary from one age group to the next, there will inevitably be a different response by age group to restrictions and mitigation efforts to control the pandemic. Higher-risk groups will likely be more sympathetic to strong restrictions and safeguards, where lower-risk groups may be more anxious for a return to normalcy and the lifting of the restrictions. In the U.S., we are also seeing different responses based on political, economic, and informational biases, with some groups expressing hostility toward the restrictions while others are more willing to embrace restrictions for the public good.

Financial Considerations Will Affect Consumer Spending

Furloughs and job losses hit the economy hard, and the aftershocks of this will be felt for quite some time to come. Despite the desire to reengage, connect, and socialize once the restrictions are lifted, many consumers will be more cautious about their spending and likely to limit many of their pre-COVID-19 activities, including leisure travel, dining, and entertainment. In addition, anxiety about COVID-19's long-term effects on the economy could affect consumer spending significantly.

³ Koslow, Lara, Lee, Jean and Dangles, Julien. "COVID-19 Consumer Sentiment Snapshot #6: Hitting the Straightaway." *Boston Consulting Group Featured Insights*, 20 April, 2020, <https://www.bcg.com/en-us/publications/2020/covid-consumer-sentiment-survey-snapshot-4-20-20.aspx>



The Need to Reconnect is Strong

The feeling of isolation caused by stay-at-home restrictions will result in a pent-up need to get back into the world, socialize, and reconnect with friends and loved ones. While we can't predict all of the ways this demand will manifest itself, it's clear that the demand is very real and very strong.

Consumers Will Look for Signs of Visible Sanitation

The psychological impact of the pandemic will stay with your guests long after the crisis has passed. It's important to not only perform a rigorous regimen of cleaning and disinfecting to prevent the spread of the virus, but to demonstrate to your guests that the hotel is doing everything it can to keep them safe. You must impart confidence to your guests and demonstrate safety and sanitation in every aspect of the hotel.

We recommend that hotels overcommunicate efforts, staging cleaning and disinfecting procedures in ways that are obvious to the guests. This may include signage at the entrance of the hotel stating the hotel's efforts for safety, sanitation, and social distancing, or adding additional public space cleaning and disinfecting staff to conduct visible public space cleaning on a set schedule and within sight of guests. In guest rooms, we recommend a laminated card that can be disinfected and placed on each bed describing the steps of the in-room cleaning and disinfecting procedure. In food and beverage outlets, we recommend a timer that sounds every 20-30 minutes to remind all staff members to stop what they are doing and wash their hands.

These visible, slightly theatrical details are intended not only to reinforce the behavior required to keep your guests safe, but also to clearly show your dedication and efforts to your guests.

Messy Equals Dirty

Guests will be very sensitive to the perception of hygiene everywhere, and anything that looks messy or unkempt will read as "unclean" in the mind of the guest. This includes uniforms and personal hygiene (e.g., hair, nails, shoes), as well as any messy surfaces or randomly placed furniture pieces. It's essential to keep things spotless and orderly to give your guests confidence in the operation as a whole.

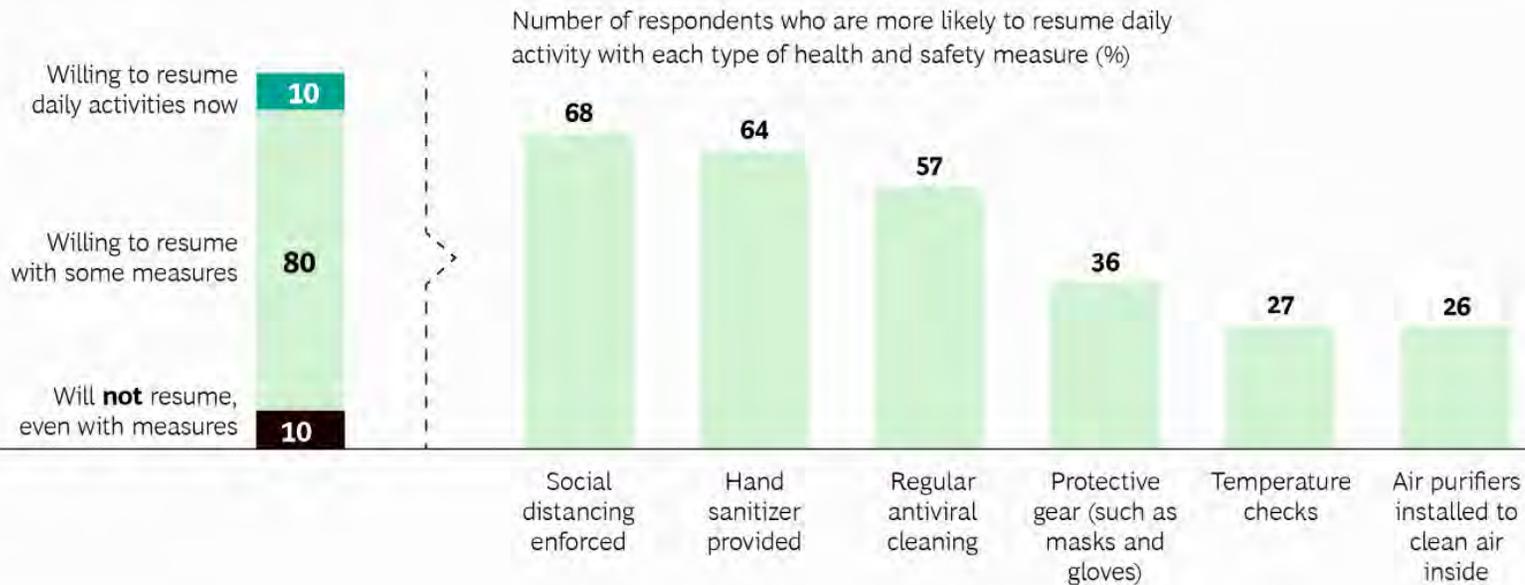
Visible sanitation practices are more than just good ways to build consumer confidence — they are the fastest way to accelerate the recovery in your market. Adopting various health measures like social distancing enforcement, adding hand sanitizer stations, antiviral cleaning, wearing protective gear, and conducting temperature checks will increase consumer willingness to resume travel activities.⁴

⁴ Koslow, Lara, Lee, Jean and Dangles, Julien. "COVID-19 Consumer Sentiment Snapshot #6: Hitting the Straightaway." *Boston Consulting Group Featured Insights*, 20 April, 2020, <https://www.bcg.com/en-us/publications/2020/covid-consumer-sentiment-survey-snapshot-4-20-20.aspx>

GLOBAL – WEEK 6 – APRIL 10–13, 2020

Exhibit 9 | Countries May Be Able to Accelerate Recovery by Adopting Various Health and Safety Measures

Example: Canada (trend is consistent across developed markets)



Koslow, Lara, Lee, Jean and Dangles, Julien. "COVID-19 Consumer Sentiment Snapshot #6: Hitting the Straightaway." *Boston Consulting Group Featured Insights*, 20 April, 2020, <https://www.bcg.com/en-us/publications/2020/covid-consumer-sentiment-survey-snapshot-4-20-20.aspx>

Source: BCG COVID-19 Consumer Sentiment Survey, April 10–13, 2020 (N=2,827 Canada), unweighted; representative within $\pm 3\%$ of Canada census demographics.

Note: "Other" excluded. Question text: "Would any of the following measures make you more likely to start going out again once things reopen (e.g. to restaurants, stores, public spaces)? Select any that apply."

Deciding When to Reenter the Market



REENTERING THE MARKET

State and local authorities will soon be making decisions about when social distancing restrictions will be lifted and businesses can reopen. It's an important milestone in the pandemic recovery, but not necessarily the most strategic time to reopen your hotel. Below are the key considerations we are sharing with our clients regarding the reopening of their hotels post-pandemic.

Be Careful + Conservative

While predictions for the end of the COVID-19 crisis are just now coming into focus, it's clear that the hospitality industry won't return to previous levels quickly. The lifting of local government regulations may not be the best guideposts for when the time is right to reopen your hotel. Operating with discipline and a relentless focus on long-term success will set your property apart and will exude a confidence that will prepare your team and guests for the bumpy road ahead.

Key Indicators

While the lifting of the stay-at-home restrictions in your area is a great sign, the market may not rebound significantly enough in the weeks that follow to allow you to run your hotel with a positive cash flow. To time the reopening of your hotel properly, carefully watch for the following signs in your area:

- How is your competitive set reacting?
- Have they started to take reservations? If so, for when?
- Have your competitors altered their distribution strategy in significant ways?
- Who is changing rates, and by how much?
- What services are other hotels offering at reopening?
- Are they opening the entire hotel or just a portion?
- Are they opening all of their restaurants?
- Do they offer room service?

Gather as much data about your market as possible and keep on top of the situation as it changes. Carefully monitor your local Convention and Visitors Bureau (CVB) for cancellations or rescheduling of city-wide events and regional activities. There has been a dramatic decline in convention and event business across the U.S., with many companies canceling all events until the spring or summer of 2021. As other properties open, watch them carefully for actual signs of life.

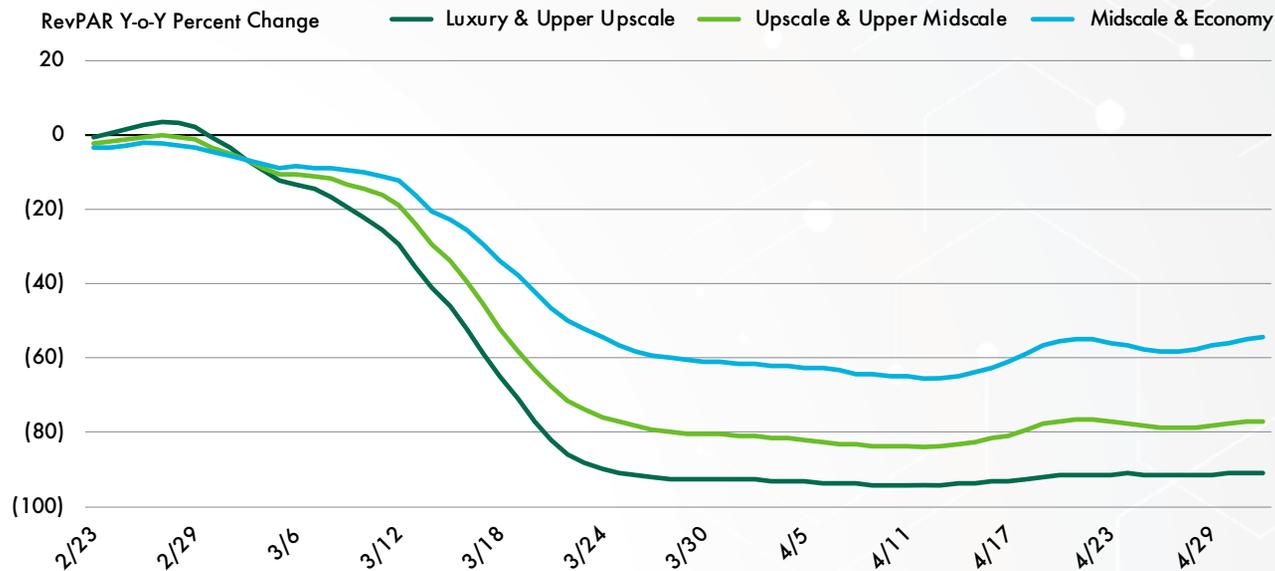
Some will be willing to operate at a loss — but that doesn't have to be your strategy.

Segment and Tier Considerations

Your reopening strategy could also depend on the segment in which your hotel competes. Early indications have shown that lower- and moderate-tiered hotels have fared better in this crisis than their upscale and luxury counterparts. A CBRE analysis of revenue per available room (RevPAR) in the U.S. during the COVID-19 crisis showed that properties with the highest average daily room rate (ADR) have seen the highest year-over-year decline.⁵

While this information does nothing for the owner of a single upscale property, it may be very useful to a portfolio of hotels competing in a variety of price tiers. These multi-unit operators may want to consider focusing their more moderately priced brands before reopening the luxury properties in their portfolio.

HIGHER THE ADR, LARGER THE Y-O-Y PERCENT DECLINE



CBRE

Source:
CBRE Hotels Research, STR
May 7, 2020

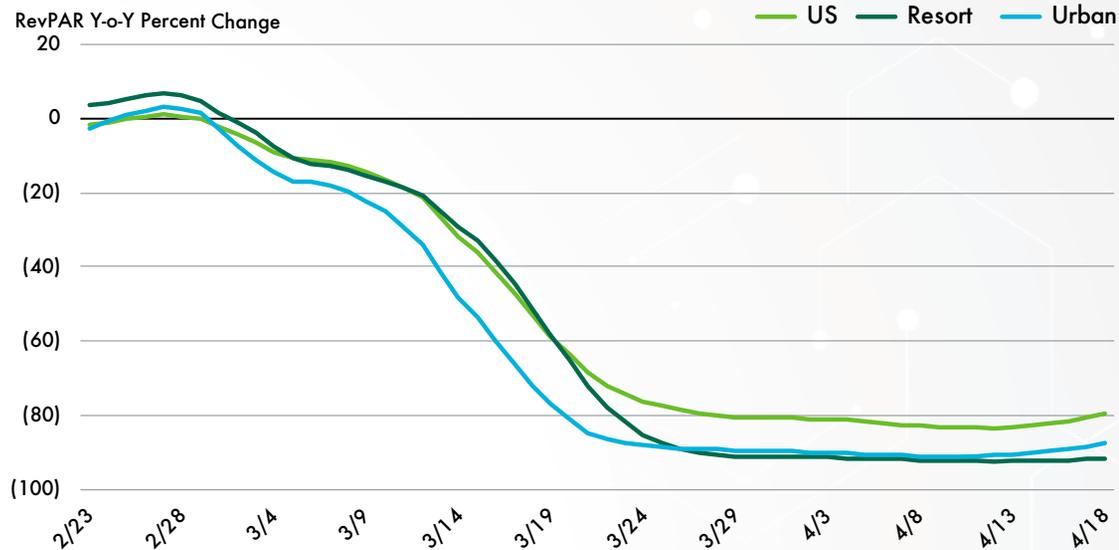
⁵ Lane, Jamie. "An Updated 2020 Outlook: Expectations for the Year Ahead." *CBRE Viewpoint Hotel*, 7 May, 2020

Location Considerations

The pandemic has also had a very different impact on urban and resort locations than on secondary and tertiary markets. Data from CBRE Hotels indicates that urban and resort locations are feeling the impact the most (see below). This data — combined with the decline in convention and event business and the restriction of international travel — may indicate a more rapid recovery in secondary and tertiary markets, as well as in drive-time vacation destinations.

There will be a significant decline in traditional long-stay international and resort vacations, spurring a demand for transient leisure business to “drive destinations,” staycations, and shorter getaways. Early indications also show a faster recovery in lower density secondary and tertiary cities before urban or resort locations.

IMPACT WORSE IN URBAN AND RESORT LOCATIONS, NO REAL GAINS



CBRE

Source:
CBRE Hotels Research, STR
May 7, 2020

Lane, Jamie. “An Updated 2020 Outlook: Expectations for the Year Ahead.” *CBRE Viewpoint Hotel*, 7 May, 2020

A Phased Approach to Reopening



A PHASED APPROACH TO RELAUNCHING YOUR HOTEL

The key to successfully emerging from the global crisis is cash management — hotel owners should keep the mantra “cash-flow positive” in mind. To do this, you must understand the long-term impact of this economic crisis, as well as develop a phased approach to reentering the market (with limited service in response to different levels of occupancy and RevPAR recovery).

As we have seen in the earlier analysis, the return to 2019 occupancy levels is forecasted to take between 12-18 months. The best-case scenario would be a somewhat-complete recovery in occupancy by April 2021 — a more conservative estimate forecasts complete recovery by October 2021. In the interim, hotels need to adjust their services, staffing, and operating model to meet the diminished demand.

This interim operating model will likely require the following adjustments:

- Staffing limitations and cutbacks
- Suspension of standard services
(e.g., dining, meetings and events, bell staff)
- A more rigorous safety and sanitation plan and training
- A significant reduction of seating and capacity in public spaces, restaurants, and bars
- A new revenue management strategy
- A near-term elimination or reduction of meetings and events
- A new communication platform for your guests
- A new service style to meet post-pandemic mindsets and anxieties

This is a lot for a hotel to absorb in a very limited period of time, but essential for long-term survival. To do this, we suggest working with a qualified hospitality consultant to walk you and your team through a variety of scenarios to see which is most impactful for your hotel.

A Phased Approach

The slow rebound of occupancy over the next 18 months, combined with post-pandemic concerns about safety and the potential for infection (or reinfection), will make it impossible for hotels to resume business as usual when restrictions first begin to lift. We recommend a phased approach to reopening the hotel, with the goal of creating positive cash flow from the moment the doors reopen. Below are two examples of a multi-phased approach to reopening a hotel in the wake of the crisis — one for a full-service operation and another for select service.

Full Service Hotels

PHASED APPROACH



PHASE 1

Emergency Minimum Staffing Services

The hotel is on an emergency minimum staffing model based on significantly reduced occupancy.

The goal in this phase is to achieve a positive cash flow as quickly as possible, adding staffing and services back only as the occupancy rebounds to certain thresholds. We recommend creating a daily break-even analysis combined with your standard occupancy forecasting tools to help you carefully and judiciously bring back additional headcount. In this first phase of operations, we recommend utilizing as many remote services as possible for things like accounting and finance, sales, and reservations. Any positions that do not need to be physically on property to serve guests should be performed remotely. We also anticipate hotels experimenting with alternative sources of revenue generation and interim business strategies to maximize their available space and required infrastructure.

While every hotel is different, consider keeping this emergency minimum staffing model in place until the occupancy rebounds to 55–65% of the previous year’s occupancy for that month. At that point, you can comfortably begin to add services back into the operation.

PHASE 2

Interim Service Model

When occupancy reaches between 65–75% of the previous year’s levels, it may be time to add back in some of the guest services that your guests expected in the pre-pandemic era.

The decision to move beyond emergency measures should also be informed by guidance from your local and state authorities. In some instances, a rebound in hotel occupancy may happen sooner than the lifting of social distancing and emergency guidelines, but it’s important to not get ahead of the emergency measures in an attempt to rebound your business. Becoming the epicenter of another outbreak would be your worst-case scenario and would have a much longer negative impact than the benefit of quickly adding back a few services.

PHASE 3

“Soft” Full-Service Model

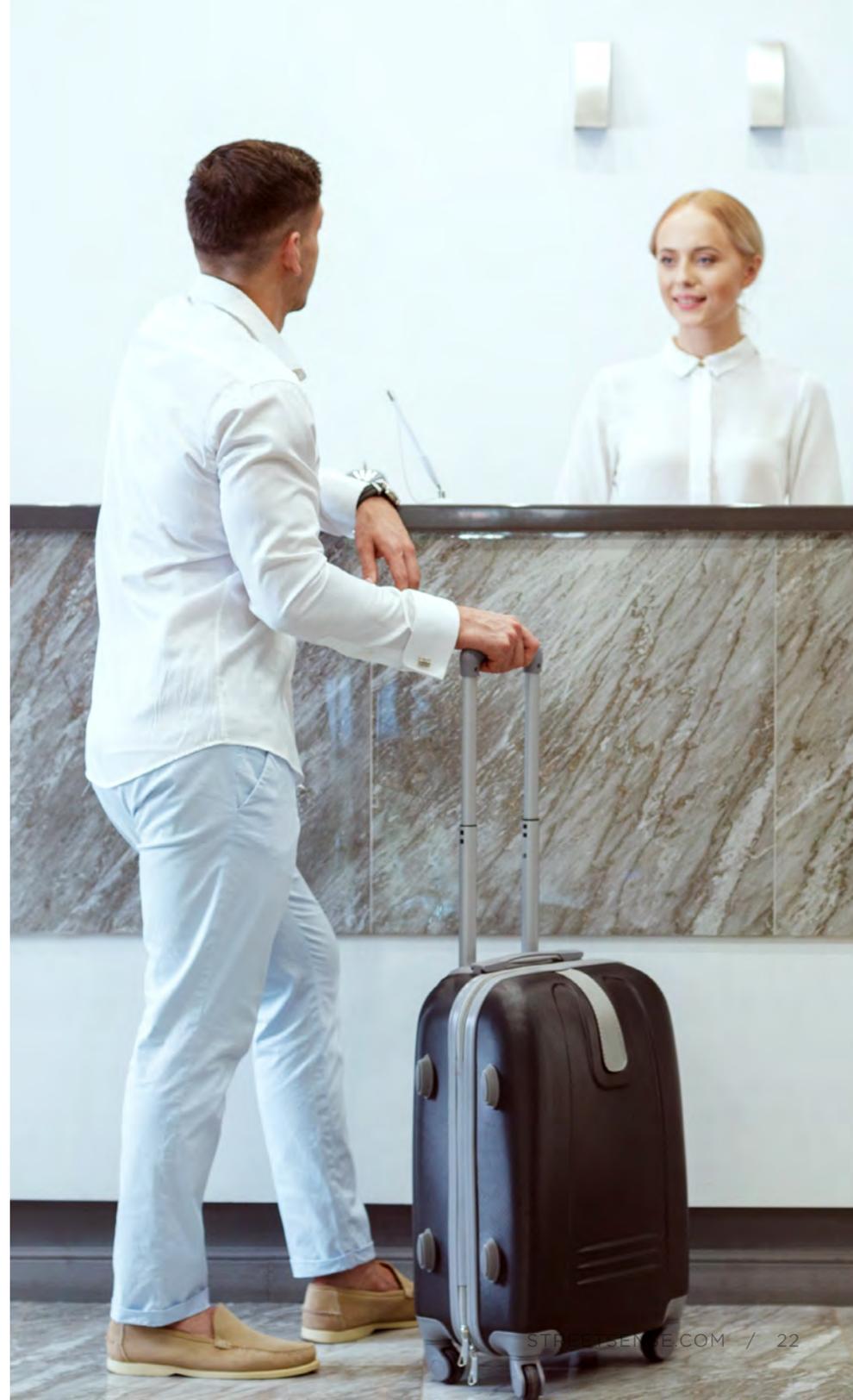
We refer to this phase as “soft” because there’s no certainty around what the long-term impact of this crisis will look like for the hotel industry. However, once occupancy hits 75–80% of the previous year’s occupancy, we recommend hotels reopening all of their core services.

Full Service Hotels	Phase 1 — 0-55% Previous Year Occupancy <i>1-3 months</i>	Phase 2 — 55-65% Previous Year Occupancy <i>3-6 months</i>	Phase 3 — 65-75% Previous Year Occupancy <i>6-18 months</i>
	Front Desk		
Housekeeping			
Safety + Security			
Purchasing + Receiving			
Room Service	LIMITED	DISTANCING	
Valet	OPTIONAL	OPTIONAL	
Concierge	OPTIONAL	OPTIONAL	
Bell Staff	OPTIONAL	OPTIONAL	
Accounting/Payroll	REMOTE	OPTIONAL	
Reservations	REMOTE	OPTIONAL	
Sales + Marketing	REMOTE	OPTIONAL	
A La Carte Dining	SUSPENDED	LIMITED	DISTANCING
Bars, Lounges, Nightlife	SUSPENDED	LIMITED	DISTANCING
Buffet Services	SUSPENDED	SUSPENDED	DISTANCING
Coffee Kiosks	SUSPENDED	LIMITED	DISTANCING
Meetings + Events	SUSPENDED	LIMITED	DISTANCING
Pool + Fitness	SUSPENDED	OPTIONAL	DISTANCING
Spa	SUSPENDED	SUSPENDED	
Newspaper Delivery	SUSPENDED	SUSPENDED	

Note: Each hotel is different — the decision about services to offer or not offer should be based on your market, demand, and the flexibility and willingness of your staff to adapt to a new reality. Use the above as a broad guide. There will be variations based on your unique situation.

Select-Service Hotels

PHASED APPROACH



PHASE 1

Emergency Minimum Staffing Services

For many select-service hotels, there is little potential savings from adjusting the staffing model or available services. Because the offerings are already limited and the staffing is inherently lean, the best chance these businesses have to preserve available capital is to properly time their reopening based on the return of some level of demand. Nonetheless, each hotel should look for opportunities to eliminate any unnecessary labor and modify the current offerings to match the significant near-term decline in occupancy.

For hotels that offer a la carte or counter-service dining, consider suspending these services until your occupancy reaches at least 70% of your pre-crisis levels. If you need additional staffing to operate the pool or fitness center, consider closing these amenities until occupancy recovers. However, remember that staycations and drive-destination

travel will be the first to resume, so don't eliminate amenities that would normally attract transient leisure or family business for very long.

As with full-service hotels, the goal is to achieve a positive cash flow as quickly as possible, adding staffing back only as the occupancy rebounds to certain thresholds. We recommend creating a daily break-even analysis combined with your standard occupancy forecasting tools to help you carefully and judiciously bring back additional headcount.

While every hotel is different, think about keeping this emergency minimum staffing model in place until the occupancy rebounds to 70-75% of the previous year's occupancy for that month. At that point, you can carefully begin to add services back into the operation.

PHASE 2

Full Staffing

When occupancy reaches between 75-80% of the previous year's levels, it may be time to move to full staffing and ensure that all of your amenities and offerings are at their pre-COVID-19 levels.

Select-Service Hotels	Phase 1 — 0-70% Previous Year Occupancy <i>1-8 months</i>	Phase 2 — 70-75% Previous Year Occupancy <i>8+ months</i>
Front Desk	[Green Bar]	[Green Bar]
Housekeeping	[Green Bar]	[Green Bar]
Safety + Security	[Green Bar]	[Green Bar]
Purchasing + Receiving	[Green Bar]	[Green Bar]
Valet	[Yellow Bar] OPTIONAL	[Green Bar]
Accounting/Payroll	[Yellow Bar] REMOTE	[Green Bar]
Reservations	[Yellow Bar] REMOTE	[Green Bar]
Sales + Marketing	[Yellow Bar] REMOTE	[Green Bar]
A La Carte Dining <i>(if applicable)</i>	[Brown Bar] SUSPENDED	[Yellow Bar] MODIFIED
Bars, Lounges, Nightlife	[Brown Bar] SUSPENDED	[Green Bar]
Buffet Services	[Yellow Bar] MODIFIED	[Yellow Bar] MODIFIED
Coffee Kiosks	[Yellow Bar] MODIFIED	[Green Bar]
Meetings + Events	[Brown Bar] SUSPENDED	[Yellow Bar] MODIFIED
Pool + Fitness	[Brown Bar] SUSPENDED	[Green Bar]

Note: Each hotel is different — the decision about services to offer or not offer should be based on your market, demand, and the flexibility and willingness of your staff to adapt to a new reality. Use the above as a broad guide. There will be variations based on your unique situation.

Staffing + Rehiring Considerations



STAFFING + REHIRING CONSIDERATIONS

Minimum Staffing Guide + Break-Even Analysis

Once you have determined your phased strategy for bringing your hotel back online following the lifting of local restrictions, you need a smart strategy for managing your cash flow and reengaging your staff. For that reason, we recommend all hotels create an emergency minimum staffing guide and a break-even analysis to better understand when the hotel is in a positive cash flow position and when it is appropriate to reopen non-emergency amenities and reengage furloughed team members.

Emergency Minimum Staffing Guide

Based on a phased approach to reopening your hotel, we recommend creating a staffing guide for delivering the minimum services and amenities that guests will require while staying at your hotel. This is not a “nice-to-have” staffing model — it’s an absolutely essential staffing model that eliminates all non-essential positions at the start, and it applies to all disciplines in the hotel. From the front desk to the executive committee to the heart of the house, this model eliminates all positions that are non-essential and leaves only the team required to fulfill guest needs in one of the above limited service scenarios. This staffing model should be priced out to achieve a daily and weekly labor cost for the hotel.

Break-Even Analysis

Once your team has established the minimum daily labor cost for the hotel, the next step is to plug that labor cost into an overall break-even analysis for the hotel. This model should include the daily labor costs plus your fixed and variable expenses to determine a minimum daily operating cost for the hotel.

This simple analysis will provide your team with the room count and top-line revenue needed to achieve a positive cash flow for the hotel. This will also give the hotel a clear understanding of the room count required to add new services and bring back staff to the operation.

It may also be helpful to calculate a break-even analysis per room and calculate the cost at which the hotel starts making money off the rooms. Knowing this may allow you to be more flexible with your pricing for some potential alternative uses for the room, such as day rates for using rooms as work spaces or the cost of converting a room into interim storage for extra furniture from the hotel’s public spaces. Clearly understanding the specific point at which the hotel makes money and the carrying costs for each room will help you make smarter financial and operational decisions.

REHIRING STAFF

Because cash flow management will make or break many hotels coming back online after the shut down, it's important to be analytical about how and when you bring back your furloughed workforce. A delay in reactivating furloughed employees could cause some valued employees to leave you, but bringing your team back too soon may result in a negative cash flow for the hotel that may not be sustainable for the long 12-18 month path back to previous levels of business. There are a number of key considerations to rebuilding your staff and returning your business to its pre-pandemic level of service. Some considerations include:

Bring Back Top Performers

Focus on maintaining or rehiring your core team of top performers — an essential service team who will be receptive to change, willing to take on multiple roles and responsibilities, and flexible enough to help the business evolve as the environment shifts.

Respond to New Business Levels

Once you have gotten your core service and management team back on board, carefully bring back staff only as the levels of the business increase. There will be a rush from service staff eager to get back to work, but be as careful as possible with available capital and only bring back the remaining team as the business dictates.

Adhere to PPP Requirements

Businesses who are taking advantage of the Paycheck Protection Program (PPP) from the stimulus bill (see specifics below) have to adhere to the specific requirements of the loan, which includes using 75% of the borrowed funds for payroll over a certain period of time. Failure to adhere to these guidelines may prevent some or all of the funding from being forgivable.

Continue Remote Work Practices

For positions that do not need to be on property, continue as much remote work practices as possible. Positions such as revenue management, sales, marketing, social media, and finance/accounting are good candidates for an extended remote work plan.

Maintain Staff Culture + Loyalty

As restrictions are lifted, there will be a glut of service staff in the market. This is not a time to take advantage of employees eager to get back to work or a time to race to the bottom with wages. While the long-term success of the business involves being prudent with capital, it is important for operators to maintain the culture and loyalty that will inspire your core staff and make your most important team members want to come back to work.

Convert Contract Labor to In-House

In order to protect as many of your loyal employees as possible, convert your outsourced/contract labor to in-house labor whenever possible. Review any outsourced cleaning, maintenance, landscaping, housekeeping, or security positions that you leveraged pre-pandemic to see if you can temporarily convert them to positions that can be held by furloughed full-time employees on an interim basis.

Consider Organized Labor Agreements

It's too early to tell what impact COVID-19 will have on the organized labor market or how it affects pre-pandemic agreements. Assuming that the agreements remain in place, do your best to communicate clearly with your local union representatives, and share your occupancy levels, suspended services, and proposed recovery plan with them. The industry has experienced a historically unprecedented blow, and all partners, vendors, and employees will experience the impact.

Critical Path to Relaunch



CRITICAL PATH TO RELAUNCH: FULL SERVICE HOTELS

Taking a hotel from a dead stop to live operations with a new service model and a barrage of new safety and sanitation procedures is a daunting task that will require considerable planning and coordination.

However, this process is not dissimilar to opening a new hotel for the first time. Though the timeline will be more compressed than for a new hotel, this highly coordinated, step-by-step process offers a helpful model for seamlessly reopening your business. It will require property leadership to take the reins, act strategically, and be incredibly coordinated throughout the process.

Because a property opening is a relatively uncommon occurrence for many operators, Streetsense has put together a high-level relaunch critical path document that properties can use as a foundation for rebooting their operations. This detailed checklist is intended to guide the property leadership through the relaunch process and cover as many disciplines as possible. We broke the process down into four phases.

Week One: Financial Planning + Strategy

In this phase, the hotel leadership works with ownership to review the financial plan for reopening, set an opening date, establish the pandemic service model, determine the relaunch staffing levels, and create a model for a positive cash flow operation.

Week Two: Operationalizing the Relaunch Strategy

During this phase, the executive committee begins the process of developing training plans, a staff rehiring plan, a purchasing plan, a maintenance plan, and an overall communications strategy for staff and guests. The sales and marketing teams also begin to plot out the recovery plan for the rest of the year.

Week Three: Management Team Activation + Train-the-Trainer

In this phase, the department heads and supervisors are brought in to finalize the safety and sanitation training materials by department. Discuss cross-training opportunities, order final supplies for each department, and make preparations for line staff training.

Week Four: Line Staff Rehire, Retraining + Deep Cleaning

In this phase, line staff are brought back on board in accordance with the reopening strategy. Retrain staff on new safety and sanitation procedures, coordinate deep cleaning in each department, and stage the hotel for opening.

While the timeline, complexity, and specifics of each pre-opening plan will be different for every full-service hotel, this critical path checklist provides a good foundation for the relaunch.

Note for Select-Service Hotels

While the specifics and complexity of the pre-opening process will be different, select-service hotel leaders may benefit from much of the phase one procedures and components of the other phases. It may be worth walking through the checklist to see if there is anything helpful for your hotel.

WEEK ONE

Financial Planning + Strategy



Review Cash Position + Available Emergency Capital

Review Phased Approach to Reactivating Services

› Establish Phase One Limited Service Offering

› Develop a Minimum Staffing Model + Break-Even Analysis for Phase One

› Establish an Occupancy Threshold for Positive Cash Flow Operation

› Establish Occupancy / Safety / Revenue Thresholds for Relaunching Phase Two + Phase Three Services

Model Cash Flow Scenario Based on Limited Services + Occupancy

Develop a Pre-Opening Staffing / Retraining Plan

› Calculate Pre-Opening Labor Costs

Develop a Reopening Purchasing Budget

› Create a Safety + Sanitation Reopening Budget

› Create Reopening Budgets by Department: Food + Beverage, Rooms Division, Housekeeping, Maintenance, Spa + Fitness, etc.

Organized Labor Properties: Communicate with your local union representative. Explain the position of the hotel and discuss your reopening strategy. Negotiate appropriate labor reactivation plan.

WEEK ONE (CONTINUED)

Operationalizing the Relaunch Strategy



Reengage the Hotel's Executive Committee

Discuss Reactivation Strategy + Phase One Service Offering

- › Establish Weekly Relaunch Meetings
- › Create a Relaunch Action Plan for the Hotel
- › Formalize Timeline for Rehiring Department Heads + Line Staff
- › Formalize Timeline for Rehiring Department Heads + Line Staff
 - » Ensure Rehire Plan is Within Established Phase One Cost Parameters

Formalize HR + Guest Interaction Strategy

- › Rehiring Policies + Procedures
- › Updated Sick Leave Guidelines
- › Establish Employee Monitoring + Pre-Shift Health Check Protocols
- › Establish Cross-Training Guidelines
- › Outline Retraining Requirements
- › Determine the Guest Interaction / Screening Policy for the Hotel

Initiate Pre-Opening Purchasing Plan

- › Source and Specify Safety + Sanitation Requirements
- › Create Departmental Pre-Opening Par Sheets

Establish Hotel Communications Plan

- › Employee Communications
- › General Guest Communications
 - » Targeted Client Communications (*e.g., Repeat, Booked, Meetings, and Event Guests*)
 - » Determine Signage Needs (*Front + Back of House*)

WEEK TWO



Develop a Pandemic Sales + Marketing Strategy

- › Adjust Sales Materials for Available Market Segments
- › Review Advertising + Marketing Strategy
- › Survey + Update Sales Collateral For New Strategy
- › Cull Previous Client List for Potential Near-Term Business
- › Develop In-House Pandemic Social Media Strategy

Create Safety + Sanitation Retraining Taskforce

- › Develop Hotel-Wide Training Plan
 - » Employee Safety + Sanitation
 - » Guest Interaction
- › Develop Housekeeping Retraining Plan
- › Develop Food + Beverage Retraining Plan
- › Develop Fitness, Spa, and Recreation Retraining Plan
- › Create an Internal Employee Training Plan — In Person or Remote

Develop a Maintenance Reopening Plan

- › Test All Core Hotel Systems
- › Evaluate HVAC Systems to Ensure COVID-19 CDC Compliance
- › Replace / Upgrade all Filters to meet guidelines
- › Reactivate Support Services (e.g., Trash, Recycling, Reservations)

(Organized Labor Properties: Ensure that all new HR processes and procedures, training schedules and pay, safety + sanitation guidelines, and employee health and safety checks are clearly explained and discussed with union representatives prior to reengaging line staff and supervisors. Discuss potential cross-training opportunities.)

WEEK TWO (CONTINUED)

Management Team Activation + Train-the-Trainer



Department Heads Meeting

- › Plan Review + Tactical Discussion
- › Reopening Hotel Processes + Procedures
- › HR / Rehire Strategy
 - » Establish Pre-Opening Training / Deep Cleaning Dates

Conduct Leadership Safety + Sanitation Train-the-Trainer Sessions

- › Conduct Hotel-Wide Safety + Sanitation Training
- › Conduct Hotel-Wide Social Distancing Training

Assign the Development of Departmental Training Tools (*Departmental Assignments*)

- › Food + Beverage Training Guide
- › Housekeeping Training Guide
- › Fitness, Spa, and Recreation Training Guide
- › Public Spaces/Arrival + Check-In Training Guide
- › Back of House/Support Staff Training Guide

Discuss Bringing Outsourced Labor Back In-House + Cross-Training

Departmental Supplies + Pre-Ordering

- › Create Detailed Lists for Emergency Reopening
- › Activate Pre-Opening Purchasing
- › Finalize Signage Specifications + Purchasing

Departmental HR + Partner Outreach

- › Contact Furloughed Staff
- › Contact Vendors + External Partners

Create Departmental Deep Cleaning Plans for Reopening

WEEK THREE

Line Staff Rehire, Retraining + Deep Cleaning



Conduct Online Hotel-wide Safety + Sanitation Training for All Staff

Rehired Staff Return to Work

Practice Daily Work Arrival + Testing Procedure

Attend Departmental Retraining on Safety And Sanitation

Finalize Pre-Opening Purchasing Requirements

Conduct Departmental Deep Cleaning + Guest Readiness

Conduct Cross-Training Sessions for “Insourced” Jobs

Conduct Digital Pre-Opening Hotel-Wide Communications

Install Plexi-Glass Partitions + Safety Barriers

Set-Up Guest + Staff Screening Stations *(if required)*

Post Back of House Signage

Place Guest Facing Signage + Social Distancing Wayfinding

Place and Stock PPE's, Sanitizer Stations, and Other Safety + Sanitation Equipment

Reopen Hotel for Phase One Business

Hotel Survival Program: Customize Your Relaunch Plan

Get started now — email Jay Coldren
at jcoldren@streetsense.com



STREETSENSE'S HOTEL SURVIVAL PROGRAM:

While the above guide represents our best recommendations for all full-service and select-service hotels, we've developed a full program for our clients that provides essential details on adapting hotels to the next normal. In this program, the Streetsense team of hospitality experts will prepare your staff to protect the health and safety of guests, identify critical adjustments to programming, and provide creative solutions to maximize revenues as occupancy gradually recovers. Clients receive a comprehensive program that covers the following crucial areas.

Section 1: Guest Journey

Arrival and Check In
In-Room Experience
Check Out
Transportation

Section 2: Revenue Management

Revenue Management Strategies
Revenue Enhancements

Section 3: Safety + Sanitation Guidelines

Staff Protocols
Guest Room Best Practices
Food + Beverage Best Practices
Public Spaces
Infection Plan

Section 4: Food + Beverage Strategies

Room Service / Minibar
Coffee Kiosks
A La Carte Dining
Buffet Alternatives

Section 5: Marketing + Communications

Short- and Long-Term Sales Strategies
Digital Comeback

Section 6: Meetings + Events

Adaptations and Alternatives
Banquet Services

Section 7: Communication + Direction

Guest Signage and Wayfinding
Back of House Signage
Sanitation Signage

Section 8: Pool, Fitness, and Recreation

Safety and Sanitation
Social Distancing
Amenities

Interested in the Hotel Survival Program?

Contact Jay Coldren at jcoldren@streetsense.com for more information.

Thank You, Be Safe

streetsense.

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Need help developing
your relaunch strategy?

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Jay has spent over 30 years in the restaurant and hospitality sector and has served as Managing Director for Dean & DeLuca, Global Brand Leader for EDITION Hotels, VP of Lifestyle Brands for Marriott International, and has held key leadership roles at iconic properties such as The Inn of the Anasazi, La Mansion del Rio, and the Inn at Little Washington. As an independent restaurateur, Jay has co-developed concepts in Santa Fe, Baltimore, and Washington DC.



Alex Barrow

Senior Project Manager

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Alex brings nine years of experience to his role as Senior Project Manager on the Eat + Drink team. With a background in training, new store development, culinary strategy, and operations, Alex worked as the COO of the DC-fan favorite Taylor Gourmet, and built Simple Food Consulting to provide systems and launch support to other fast-casual and full-service concepts. Before diving into the restaurant industry, Alex earned his bachelor's at VCU and worked toward his master's at the Elliott School of International Affairs whilst studying, living, and working in Belgium, Hungary, and Italy.