SIX ACTIONS TAKEN BY CHINESE HOTELIERS AS IMMEDIATE REMEDIES FOR THE CORONAVIRUS CRISIS

"Cities in China are carefully easing strict prevention measures and access restrictions based on advancements in local public health conditions", citizens' have shared and announced in their social media profiles

The Hospitality sector remains one of the hardest-hit industries, the hoteliers in China have demonstrated resilience and creativity through their countering measures towards the Covid-19 crisis. Today, as hoteliers from all over the globe are facing a similar unprecedented situation, it has become ever-more crucial to pass on the experience to design new scenarios, after-COVID19.

We have gathered six relevant actions that have already been taken by the hoteliers of China as immediate remedies as regards the crisis. From here, we aim at providing inspirations for hotel asset managers, owners and operators through the sharing these ideas. The challenge you may face is how to act depending on your own countries government policies.

1. PROVIDE FOOD DELIVERY SERVICE FROM HOTELS

The key motivation behind this action is cost-saving as well as to recover revenue. As the raw material cost represents 45%-50% of five-star properties' daily food sales in normal days, food delivery would at least cover the cost of the existing inventory which would otherwise perish for nothing.

For implementing this measure, we have the following pieces of advice:

A. As you are going to compete with other restaurants which usually have significantly lower per-cover cost, it is necessary to adapt the menu accordingly.

B. It is crucial to find suitable partners for making sure appropriate pick-up procedure and ensuring seamless online delivery service so high-quality food is delivered to customers. The choice of partner will also impact the per-cover margin, as the food delivery hoteliers in China reported that the average commission fee could be up to 20%.

C. If your hotel has a unique selling proposition food item, which has relatively low material cost and these food items are suitable for packaging and delivery, this can be an opportunity for strengthening your relationship with the local community. For example, some five-star properties in Shanghai and Nanjing have reported success stories of enjoying high demand over their dim-sum products when their restaurants were closed.

You may provide food delivery service to individual guests, but also to other businesses that remain open the production, such as hospitals, laboratories, police and fire stations whose canteens need to close but the companies must find practical alternatives. Before going into, is highly recommended: to

analyse if it is suitable for your F&B operations, to pay high attention because what you deliver must be in conformity with your hotel image and to be attentive to the local regulations.

2. RENEW THE SERVICE PROCEDURE THROUGH "CONTACTLESS SERVICE"

Two leading hotel chains in China, the Huazhu Hotel Group and the Beijing Hotel group have both published major press releases about their "contactless service" using Apps, kiosks and robots to attract customers during the past two months.

During the epidemic, Huazhu Group requested more than 5700 hotels to utilize robots to avoid dealing with people at a high density. Besides self-check-in/ out, robots with standardized disinfection methods can deliver goods to guest rooms, such as room service, newspaper, parcels as well as other guests' amenities requested from guests' order via APP.

As implementing similar procedures may require major capital investment, hotels can also minimize cross-infection through "low-tech" measures. Such actions would include equipping employees with hand sanitizers, minimizing cash payments, and setting up occupancy quotas per floor to ensure the distance between two occupied rooms. Signs and reminders about maintaining social distancing and personal hygiene can also be both helpful and reassuring. Ultimately, the most pragmatic way is to use existing resources at a minimized cost to reformat the service procedure, to reduce the points of contacts in the process.

3. Negotiate Cancellation Policy with the OTAs

The massive influx of cancellation requests will impose great pressure on your hotel cash flow. One way to make your days easier is to negotiate with the OTAs and let them convince the guests to change request for cancellation into a request for delaying reservation. Even if only 10% of the guests accept this suggestion, you will be able to save significant cash flow. In this time of crisis, when hotels and OTAs are offering free cancellation arrangements, you can expect that the kindness will be mutual.

4. Have affable labour cost-savings measures

It is crucial to slash labour cost while maintaining motivation among the employees. Here are the suggested actions that you can take:

A. Ask different operational departments to list the minimum staffing based on rental rates. Allow the flexible transfer of staff between departments, and try to let the office staff work from home.

B. Collect the list of employees who resigned and approve resignations without the notice period requirement.

C. Cancel outsourced staff and program in-house staff to cover the outsourced work.

D. Require departments to rearrange the shift schedule, clear out the annual leaves and overtime hours. At this term of the year, you may advance the summer holidays.

E. Use shared employees through arrangements such as a strategic alliance with other businesses, to convert certain fixed labour cost to variable labour cost. For example, the demand for logistics industry such as delivery service of supermarket and food delivery largely increased in China.

"The Best Oriental", which is the biggest hotel-focused recruitment platform in China, allied with Cainiao, which is a Supply Chain and Logistics Company. More than 30 hotels participated in the plan.

5. COMMUNICATE WITH YOUR EMPLOYEES, AND PREPARE FOR THE REOPENING

During the epidemic, most of the staff are asked to stay at home to slow the spread of the virus and to save operation cost. While your employees are having extended breaks or furloughed, organizing online training is the best option. On one hand, it can help to maintain employee motivation when the workload is below-par or non-existence; on the other hand, it can prepare the employees for the sheer competition during the subsequent recovery phase. The human resources department can start to work with the tool, procedures, content, lecturer and assessment standards of the online training sessions. Useful topics include:

- ✓ Revenue Management
- ✓ Online marketing
- ✓ Channel management
- ✓ Leadership
- ✓ Social media marketing
- ✓ Operational hygiene standards after-COVID19

Regarding the staff management for the re-opening stage, the human resources team should work daily on gradual re-employment scheduled to encounter the surging demand after the epidemic. It is crucial to dimension the team according to the services planned to provide at the beginning, including estimation of staff vacancy and involvement of partial staffing.

For example, to plan the number of staff needed and what skills are required if the re-opening is in one week or two weeks ahead. But also human resources should consider a downside scenario, in which temporary lay-offs should be implemented.

Finally, we learned hotels reinforced the communication systems with the staff following first of all the health status and making sure they have the time occupied developing further hospitality skills.

6. GOVERNMENTAL AUTHORITIES POLICY MONITORING

The battle against COVID 19 is not finished yet and hotels are still taking temporary precautions due to the uncertainty.

Nowadays, to reinforce the security procedures against the epidemic and to guarantee guests' safety, new surveillance tools have been put into place. By monitoring visitor's temperature, smartphones and making use of facial-recognition cameras, hotels are cooperating and reporting to the authorities the health status of their guests, as requested by the local regulation.

Recently, Embassies warned of hotel restrictions in China from listed countries and pieces of evidence that the guests remained in the same city for at least 14 days might be requested. But the last policy is a total travel ban in China until the outbreak overseas is under control, to prevent and control potential risks. Therefore, as government policies are volatile now, you have to monitor them closely to project an after-COVID19 business plan.

CONCLUSION

During the 2003 SARS crisis, the Chinese hotel industry experienced a V-shape recovery with an 11% drop followed by an 11% increase. Although this time we are expecting a different V-shape, with a stronger decline followed by a weaker recovery, it still should be noted that the countermeasures taken by hotel operators will significantly influence the recovery post the virus. Hoteliers should not let the panic get over your strategy and leadership. After a period of economic decline, now you need to control the losses in the short term and adapt fast as the recovery time comes.

In the face of an unprecedented crisis, tales from the battlefield are always valuable. Our further publications will include a more detailed version of action checklists of Chinese hoteliers and asset owners for managing the COVID-19 situation.

We encourage you to start to plan for a self or government-imposed temporary cessation. Please contact us at info@globalassetsolutions.com, we would be delighted to offer you our assistance and tailor-make an action and implementation plan for optimal closure and future reopening.

SOURCES OF INFORMATION

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Global Asset Solutions, your key partner in hotel asset management, has partnered with a team of five students and one alumna from Ecole hôtelière de Lausanne, recognized by industry leaders as the best hospitality school in the world. Together, we are working on compiling the best practices to help hotel owners and operators navigate through the COVID-19 crisis. By combining diligent research, expert opinions, and our own experiences, we will be publishing the best practices on the most current topics facing our industry. Team APAC is composed of Paloma Guerra, Mingze Li, and Zhaoyu Zhu, while Eliana Levine, Larina Maira Laube, and Vani van Nielen make up our Team EU & US and Remy Rein (EHL Lecturer).

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