

EXPLORING TRAVEL FAVORITES AND FRONTIERS

# TRAVEL AGE WEST

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where the air is fresh,  
the water is warm and  
a thousand WORRY-FREE moments  
are waiting to unfold



*Sandals*

*cover story*

Labor shortages, limited services and dramatically higher room rates, oh my! Here's how hotels are doing what it takes to meet demand

BY SHANE NELSON

*Between a*  
**ROCK**  
*and a* **HARD**  
**PLACE**



*Longtime travel advisor Joshua Bush is speaking differently these days with clients about hotel bookings.*

*“In the past, they might say, ‘Oh, we’ll figure it out on property,’ and that would be fine,” said Bush, the CEO of Avenue Two Travel in Philadelphia. “The dialogue we’re having with clients today is, ‘No, we need to make these decisions now because there won’t be any availability when you get there.’”*

Bush said he and other Avenue Two advisors are now working with clients to make reservations at resort restaurants, finalize dates for spa treatments and even reserve chairs by the pool for some — all at the same time they book a client’s room nights.

Soaring demand combined with a global staffing shortage has led to a diminished level of services and experiences at many now extraordinarily busy domestic and international hotels, according to Bush, who noted that average daily room (ADR) rates have surged ahead of 2019 pricing at many properties. Bush said managing clients’ expectations has been absolutely critical for his agency over the past few months.

“The role of the advisor here is to give them the real scoop.”

Bush said. “Everybody understands the tumultuous situation the world is in right now. Even though there’s a higher rate and sometimes a diminished service level, that isn’t having too much of an impact on interest or dissuading people from traveling. And particularly when people work with an advisor — who is their advocate and able to set those expectations ahead of time — they’re still having fantastic stays.”

### **An Unusually Shallow Labor Pool**

An American Hotel & Lodging Association (AHLA) report released earlier this summer estimated that the U.S. hotel industry will employ 1.8 million employees at the end of 2021, a decline of 500,000 workers from the 2.3 million the industry employed in 2019. And AHLA doesn’t expect the U.S. hotel industry will return to those 2019 employment levels before 2023.

“All industries are looking for people,” said Chip Rogers, CEO and president of AHLA. “We’re not in a situation where we’re the only one out there seeking to find employees. It’s across the board — from McDonald’s to Amazon. And the competition is fierce.”

Rogers noted that, as a result, many hoteliers have increased employee pay since January 2021.

“Housekeepers in our industry have seen a 25% average wage rate increase since the beginning of the year,” he said. “Our industry has really become much more competitive on pay; flexible hours and paid time off have increased; and there are almost universal health care benefits pretty much everywhere you want to work. But there’s still a challenge right now. There



just are not enough people working.”

Michelle Woodley, president of Preferred Hotels & Resorts, said the labor shortage has been an issue for hotels not only on the operations front, but it has also impacted sales and marketing as well as revenue management teams.

“There’s no general manager you talk to who says they are fully staffed,” Woodley said. “Many people left to go to different industries that maybe weren’t as hard hit last year, or they moved on to other things where they see a more stable future.”

Woodley said some Preferred hotels have changed pay periods, signing checks to employees once a week instead of bi-weekly or even paying employees daily right after they complete their shifts. Other Preferred hotels, meanwhile, have simply chosen not to reopen 100%.

“If their staffing’s only at 70%, they’re only opening to 70%,” Woodley said. “But then they might get into the struggle between an owner and an operator, with the operator understanding guest satisfaction has to be a No. 1. If you have an unhappy guest who posts about it, that could be a long-term hit. It’s a tricky balance between service of the customer and ensuring your reputation stays intact, versus cash flow and the bottom line.”

### Room Rates on the Rise

**F**ack Ezon, founder and managing partner of Embark Beyond, said the staffing-related service downgrades at hotels in recent months have been upsetting for many of his higher-end clients. Travelers Ezon works with are not thrilled about paying high room rates they have encountered over the summer, but he said they have been willing to pull the trigger if certain service expectations are met.

In some cases, hotels are pulling it off. In others, however, Ezon said they are not.

“You can go to Miami, for example, where there’s a huge issue with staffing,” Ezon said. “You might be paying \$2,000, \$3,000 a night for a deluxe room, but you can’t even get a drink on the

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beach. Instead of having 700 staff at the hotel, there’s 350. Clients are not happy with that.”

Recognizing demand in many U.S. markets has sent domestic ADRs through the roof, Ezon said many of his clients have canceled their U.S. trips and opted instead for better value in Europe, where he said the staffing challenges have not been quite so bad.

“After Europe opened, we had about 22% cancellation in our domestic travel that went instead to Europe this summer,” he said.

Helen McCabe-Young, senior vice president of marketing at Virtuoso, said the luxury consortium has seen ADRs through the end of August jump 40% domestically this year when compared with the same eight-month period in 2019. And that same metric has soared 47% internationally this year.

“In previous crisis situations, rates have typically fallen in order to try and drive demand back up,” McCabe-Young explained. “With the pandemic, though, there’s just been a tremendous amount of

pent-up demand, and it’s not about convincing people to travel. They already want to go, and they’re asking, ‘Where can I travel?’”

McCabe-Young was quick to note Virtuoso’s ADR reflects, at least in part, the trend of affluent individuals having more money today than when the pandemic started. But 2021 ADR growth overall is also evident in data collected by STR, a hospitality analytics firm.

Domestic ADR in the U.S. was up 6% from July 2019 to 2021, according to the firm, and the metric was up more than 2% over the same time span in Europe.

“People who are double vaccinated and who have not spent any money in 2020 on travel are saying, ‘Let’s go. This is the time,’” said Jan Freitag, senior vice president of lodging insights at STR. “We’ve been home for a year and a half, let’s go out, meet our family, meet our friends. And let’s spend good money on a nice room.”

Freitag was far less bullish, however, about overall domestic ADR continuing to outpace 2019 for the rest of this year.

“Is it sustainable? The answer is absolutely not,” Freitag said, noting that leisure travel demand will be dampened dramatically as kids return to school. “September, October is traditionally the meeting season. Are there going to be corporate group travelers picking up the slack? There will be some, but how much is the question.”

### Bad News for Business?

**W**hile Freitag may not have been overwhelmingly optimistic about business travel this fall and winter, AHLA’s Rogers was downright grim.

“We’ve had a great summer with leisure travel, but it’s important to remember that more than 50% of all hotel revenue comes from business travel or meetings and events, and those things are not back to where they were,” Rogers said. “As COVID-19 cases resume and increase, we’re seeing more events get canceled. The fourth quarter is looking bleak.”

Rogers pointed to the results of a new national survey conducted by Morning Consult in mid-August on behalf of AHLA, which found that 60% of the business travelers polled said they likely would postpone trips in months ahead amid concern over rising COVID-19 cases.

Still, not everyone shares that bleak outlook. Julius Robinson, Marriott International’s chief sales and marketing officer for the U.S. and Canada, was quick to note his company’s business segment has not yet returned to anywhere near 2019 numbers, but he did say the space was showing signs of improvement.


“Our corporate bookings rose 23% in June over the month prior,” Robinson said. “And then they rose another 27% in July over June, which is very, very encouraging.”

In the past 60 days, Marriott has also seen a substantial increase in browsers searching the company’s websites for hotels in U.S. cities, according to Robinson.

“Cities such as New York, Chicago, San Francisco — markets that have been depressed for quite some time — are urban destinations where over the past 60 days we’ve seen increased interest in leisure travel, and in many cases, business travel,” he said.

Ben Trodd, senior vice president of sales and hotel marketing for Four Seasons Hotels & Resorts, said demand for many of his company’s resorts located in remote destinations is higher right now than it has ever been. The same has not been true for Four Seasons’ urban hotel properties, but like Marriott’s Robinson, Trodd said the city segment of his company’s portfolio has been performing better as of late.

“In Los Angeles, for example, where I’m based, the city hotels



One upside is that hotels have improved their in-house tech.





Clients should have everything booked before they arrive, including, at times, their pool seating.



are actually very busy and are having a very, very good summer season," he said, conceding that improvement in some other cities has been more delayed.

"But it is starting to come back," Trodd said. "And corporate meetings absolutely are coming back. Most of those are on a smaller scale and in a lot of cases what we call hybrid meetings, where there's an element of the meeting taking place in person and a certain part of the meeting taking place virtually."

### Innovations in Tech and Sustainability

In February, Marriott International released a redesigned version of its Bonvoy mobile app, offering members access to a mobile-key function for more than 4,000 of the company's properties. App members can also make mobile requests for things such as more towels, dry cleaning arrangements or simply to chat with hotel staff.

Prior to the pandemic, use of the app's mobile-key function was somewhat limited, according to Robinson, who noted that's not been the case in recent months.

"The pandemic has certainly sped up mobile check-in and mobile room-key," he said.

Four Seasons' Trodd said his company's staff members responded to more than 6 million text messages from guests in 2020 on its mobile app, and they have already fielded more than 10 million of those texts from guests in 2021. Average response time by Four Seasons staff has been under two minutes, according to Trodd.

"It's certainly designed to be a service enhancement that really enables guests to prescribe their own level of service," he said.

Ignacio Maza, executive vice president of Signature Travel Network, said it's increasingly important for hotels to provide travelers with a range of both in-person and tech-driven options "because every traveler is different."

"There are some people who love technology," Maza said. "And when they arrive on property, they have already checked in electronically. There are other people who want that human contact, who want to speak to somebody at the front desk and want to be welcomed personally."

Travelers are also increasingly interested in sustainable vacations, according to Virtuoso's McCabe-Young, who noted 82% of travelers polled in a recent survey conducted by the luxury network said the pandemic has made them want to travel more responsibly in the future.

And 78% of the survey's respondents said it's somewhat to very important to choose travel companies that have a strong sustainability policy.

"What that means is hotels need to be communicating and sharing — particularly with advisors — what they are doing," McCabe-Young said. "I don't think the traveler is looking for any hotel or travel company necessarily to be the purest of pure and to have every answer for everything. But the consumer does want to know that hotels are doing something meaningful and that it's aligned with their own ethos or their own values." •