

HVS Monday Musings: Being Frugal in 2021 – Is this One of the Lessons We Learned from the Pandemic?

📅 January 10, 2021 / 👤 By Ajay Mehtani

A crisis is often needed to make drastic changes and the ongoing pandemic is one of the most challenging crises that the world has faced since the Second World War. The COVID-19 outbreak came in suddenly, swept across the world and changed us in an unprecedented way – not only our businesses but even the way we live.

Pandemics are a reality, they have happened in the past and whether it will happen again or not, no one can predict for sure. However, are we better prepared now? Have we, as a business or individual, learned from the current crisis to be able to manage it better, if and when it happens again? Are we willing to make the required changes and live by them?

The hospitality sector saw unprecedented revenue loss, as business came to a halt and several hotels were shut down during the pandemic for a long period of time. It led to job losses and adjustment in salaries at a scale never seen before by industry professionals. The sector struggled to make operating profits let alone pay debts.

To survive the pandemic, we learned to be “frugal” in every way possible and realized that money saved is money earned. Even in 2021, when we are still unsure of what the future holds for us, we need to keep this thinking close to us, as we cannot predict the virus or its impact on people’s travel habits in the current context; for instance, travel restrictions across the world have been increased again due to the new UK strain.



During the last one year, hoteliers have made several changes for good and should continue them in 2021 as well:

- Hotels were operated with leaner teams with higher productivity. Can this model be continued even if it means giving overtime when business is good?
- Hoteliers explored options for good quality hourly resources. Going forward can we create a database of hourly models as many professionals who are today sitting at home may be open to few hours of work daily?

Summary

Being frugal in every way possible is a key lesson learned by the hospitality sector during the pandemic. This article discusses some of the changes made at hotels during the pandemic.

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- Every cost was looked at line by line minutely. Can we make this a habit even when we are in a situation of abundance to ensure strict discipline around cost management?
- Hotel management looked at holding inventories lower than what is required, taking that risk to free up cashflows. Can we do this on an ongoing basis?
- Hotel facilities that were not giving enough returns were shut down. Can we continue this exercise during good times and try not to cross subsidize?
- Hotel management explored new vendors and alternate products and optimised on costs. Is it possible to review this practise every three months with the kind of discipline we showed during the pandemic?
- Hoteliers negotiated with original equipment manufacturers (OEMs) or created alternate solutions for the annual maintenance contracts (AMCs) that may not have been a norm earlier.
- Touchless technology was implemented at hotels wherever possible to remain relevant in the COVID era.

I am sure just like hotel owners, hotel brand parent companies have also learned to be leaner, with lower overheads, smaller corporate structures, and better ways of doing business. How can brands pass some of these benefits back to the hotels and add to their ROI both in the near and longer term? Hotel brand parent companies should take a target every year to reduce the cost structure for the hotels as they build scale, source locally rather than import and build more efficiently, by ensuring that the allocation of revenue generating areas is higher than back of the house. Brands can also bring in models that help to reduce built-up area where multiple hotels can use a common facility.

Many of the above have been implemented in some degree depending on the external factor. The question we need to ask now is - do we really need an external factor to create these efficiencies or should we make internal targets each year to look at both smaller gains and drastic changes, which will help us to build a better model for the industry as a whole?