



A Hotel Owner's Perspective: The Coronavirus Emergency

BY MICHAEL SHINDLER, PRESIDENT

Over the last week, sadly, the depth and breadth of the Coronavirus Emergency on the world and, in our case, on the global hotel community have revealed themselves. Sitting in Phoenix as I write this, it is clear that no market has been spared from cancellations, postponements and deferrals of meetings, conferences, conventions and leisure reasons to travel (e.g., the remainder of MLB Spring Training, the NBA Season, the NCAA Men's and Women's Basketball and other Championships, the NHL Season, Golf and Tennis tournaments, etc.). Both my experience and the communications I have received from a number of brands and other conversations tell me that the major brands are acting responsibly, flexibly and empathetically; they may be scouring their agreements in the background to see what each agreement's definition of force majeure might be, but that is not, so far as I can tell, guiding their actions. The brands whose communications I have seen and heard from should be commended. A young woman whom I am proud to call a mentee and who works for an emerging branded management company asked me to provide some insight into what owners might be thinking and what they want from their managers. Having just concluded a call on Friday with the representatives of the hotel ownership entity whom I serve as an advisor and our asset manager, I was able to share some thoughts with her, and I thought I would share them here as well. I do not submit these as universal or applicable to every situation and every owner; some may not apply where others do, but they are a short guide to what an owner might be thinking (and hoping for from its hotel management company):

- 1) Communicate, communicate, communicate
- 2) Be open and transparent with owner and let them know of any public announcements or press releases before they go out; if the manager is so inclined, issue the announcements or releases jointly
- 3) Do everything to protect the hotel's reputation in its community, especially if the owner is prominent there; do more than the minimum
- 4) Make sure potential layoffs, if necessary, are minimized; spread them across all levels of employees as equally as possible; communicate possible layoffs with the owner and explain the rationale (and the savings) before they happen

- 5) Take steps to reduce costs - close rooms/floors, reduce outlet hours, cut shifts proportionally to avoid layoffs, turn off electricity and turn down heat or turn up air-conditioning, require people to take vacations
- 6) Cancel unnecessary meetings; postpone or cancel sales trips, manager training sessions and departmental meetings
- 7) Train in-house on and set an example regarding virus transmission protocols and recognition
- 8) There is no one-size-fits-all solution; be flexible and creative with suggestions or steps that suit the hotel in question
- 9) Managers should share some pain — waive/defer brand standards, reduce or defer FF&E Reserve contributions and capital expenditures, try to preserve and extend working capital; if things get worse, consider some fee relief
- 10) Remember that owners have lenders, who may have something to say about anything to be undertaken; be reasonable with owners who need lender consent

When the manager and the owner get on the same page and work for the good of the hotel and the community, they both benefit. Many of us – and, on occasion, including me – are quick to criticize the brands for pushing their own agenda. When a crisis hits, it's good to see them acting so professionally and with such concern as I have seen.

And, regarding this emergency, it is good to remember the universal four-word truth for every challenge: This, too, shall pass.