



The Leading Edge of Luxury

How Luxury Hotels Are
Adapting to COVID-19

September 2020

Forbes Travel Guide's second global survey of luxury hotel general managers and hospitality executives reveals an industry adapting to seismic changes and sobering realities in the travel landscape. Luxury hotels are finding creative ways to provide luxury service amid health restrictions – with guests and staff both becoming more comfortable – while adjusting to the possibility of a longer-than-expected recovery.

Forbes Travel Guide is the only independent, global rating system for luxury hotels, restaurants in spas, honoring more than **1,800** properties annually with its prestigious Five-Star, Four-Star and Recommended awards.

The survey was fielded over a two-week period from August 26 to September 2, 2020, gathering **418** responses.

Key findings:

- **84%** of luxury hotels that participated in the survey are now partially or fully open to the public, compared to **56%** in our July survey. **25%** report that they never closed.
- Occupancy is still low for three-quarters of hotels; however, **25%** of hotels now report that more than half of their rooms are full, up from only **12%** in July reporting occupancy at that level.
- More than half of hotels (**56%**) say that Average Daily Rate is equal to or above ADR at this time last year. However, COVID-19 has crushed event business, with **91%** of hotels reporting that event bookings “below” or “well below” typical levels.
- Guests are more likely to welcome visible service additions (such as additional room cleaning procedures, which **70%** of executives say guests like) than service deletions (such as the suspension of housekeeping, which **43%** of executives say guests dislike).
- Respondents feel that recovery might take longer than originally expected. In this month's survey, **55%** of respondents expect to return to sustainable business levels within the next 12 months, a decrease from **70%** in July. The number expecting recovery to take two years or more climbed from **26%** to **41%**.
- There is a degree of cautious optimism among respondents, with **54%** saying the worst of the crisis is over. However, there are some pronounced regional variations; only **40%** of respondents in Central/South America, Caribbean & Bermuda agree that the worst is over, while Middle East, Arabian Peninsula & Africa was the most optimistic region, with **65%** saying the worst of the crisis is over.

While there are some positive signs emerging as hotels reopen, the potential for a difficult winter weighs heavily on the industry. Indeed, a recent sharp rise in cases in parts of Europe and at least 22 US states is tempering optimism.

Many respondents cite the desperate need for a COVID-19 vaccine to truly revive business. It's worth noting, however, that none mention saliva-based rapid testing, which could help restore safety and consumer confidence in airline travel, hotels, events, and indoor dining – possibly well before a vaccine is fully distributed. Though such “point-of-care” tests are not yet widely available, they could be instrumental in enhancing guest comfort and convenience.

In total, the survey shows an industry that is finding its footing in a rocky landscape – and adapting to the possibility that it might be a long road to the other side of today's challenges.

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Stronger Together

webinar series

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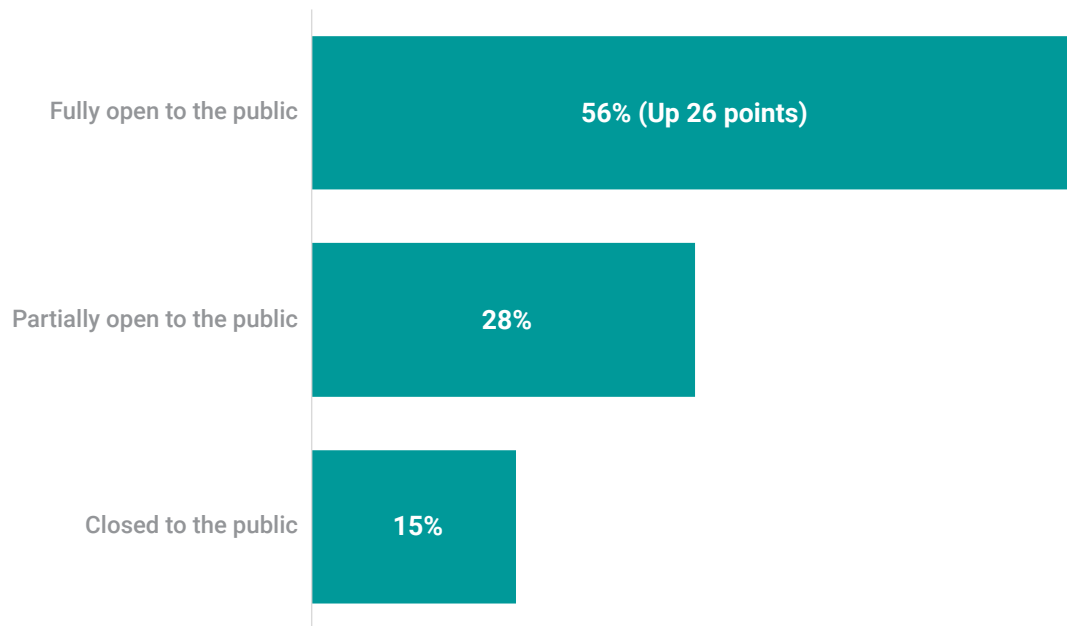
Survey Respondents by Region

	COUNT	% OF TOTAL
North America (US, Canada, Mexico)	205	49%
Asia Pacific	93	22%
Europe	83	20%
Central/South America, Caribbean & Bermuda	20	5%
Middle East, Arabian Peninsula & Africa	17	4%
Total	418	100%

Reopening

Most luxury hotels have reopened, and a quarter never closed. In our July survey, **41%** of hotels were closed. In September's survey, that dropped to just **15%**.

What is the current status of your hotel?

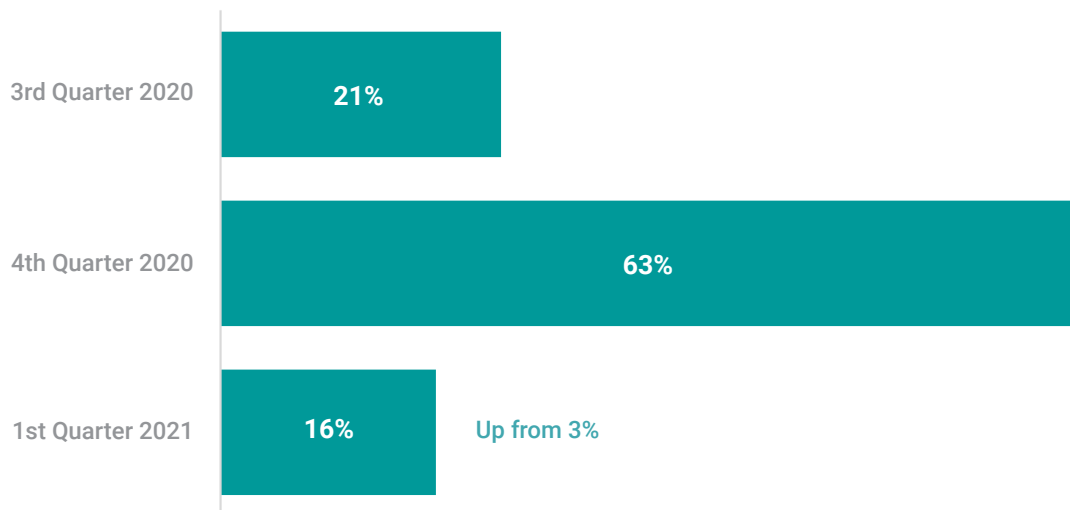


Overall, a quarter of luxury hotels report that they never closed due to the pandemic, with wide regional variation.

REGION	NEVER CLOSED
Asia Pacific	47%
Middle East, Arabian Peninsula & Africa	29%
North America	21%
Central/South America, Caribbean & Bermuda	20%
Europe	11%

Of those that are currently closed, the majority (**63%**) are planning to reopen in the fourth quarter. However, the number delaying until the first quarter of 2021 has risen from **3%** in July to **16%** today.

When are you planning on reopening your hotel to the public?



More than a third of hotels (**38%**) have, at some point, delayed their reopening by a few days to more than a month. Lack of demand and government travel restrictions are the most common – and likely inter-related – reasons. A quarter of respondents (**26%**) cite government-mandated closures for derailing their reopening plans.

Why did you delay your planned reopening?

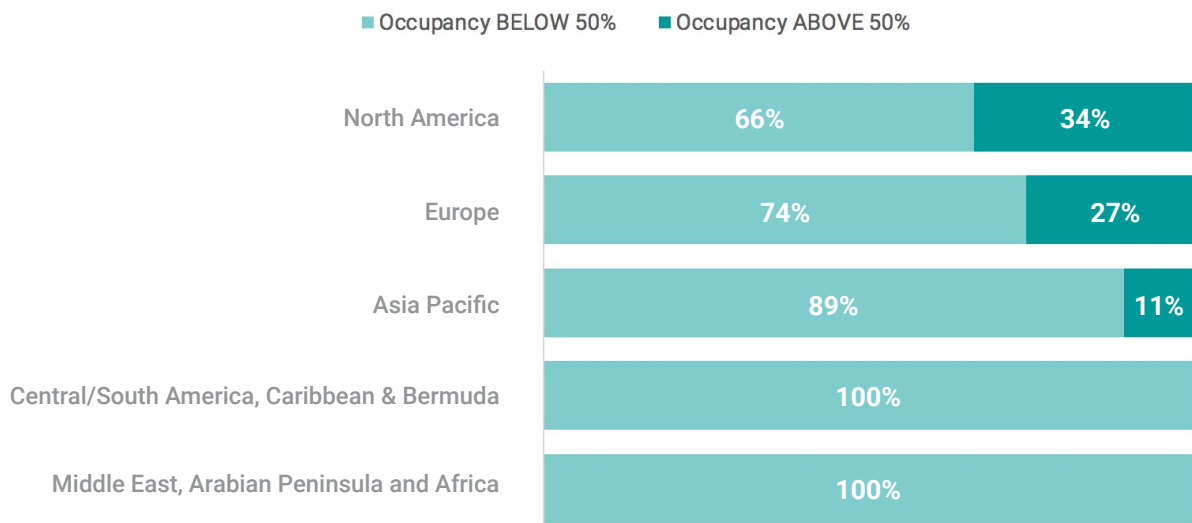
Not enough demand yet to be worth it	54%
Government travel restrictions	49%
Government mandated closure	26%
Waiting to see trend of infection rates	21%
Current government regulations for our business are too onerous	13%

Occupancy & Average Daily Rate

For open hotels, occupancy has improved slightly, with a quarter of hotels globally now reporting occupancy of 50-100% (up from **12%** of hotels in our previous survey). In almost three-quarters (**74%**) of luxury hotels, however, at least half of rooms remain dark.

It's worth noting that capacity is capped in many locales, preventing hotels from filling all rooms, even if demand exists. And some hotels are voluntarily restricting capacity for guest comfort. As one respondent notes, "We have limited our guest count from 125 to 75, and [we] also keep all accommodations open for one night between guests."

What is your current occupancy? (By region)

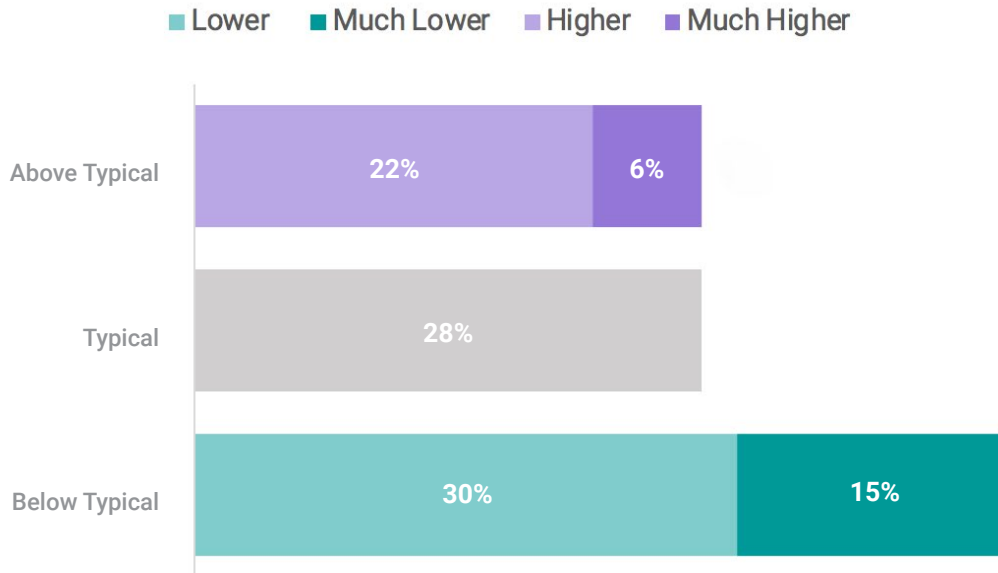


More than half of luxury hotels (**56%**) are achieving an Average Daily Rate that is equal to or higher than what they charged at this time last year.

Of those, **28%** report typical ADR, matched by **28%** that are "higher" or "much higher" than they were last year, while **45%** of respondents report that ADR is below typical compared to this time last year. (Due to rounding, the total adds up to 101%.)

One hotel that reported much higher than typical ADR says, “We have capped occupancy and significantly increased our average rate to guarantee quality of service and availability of amenities,” adding that there has be a “great response” from guests.

Average Daily Rate



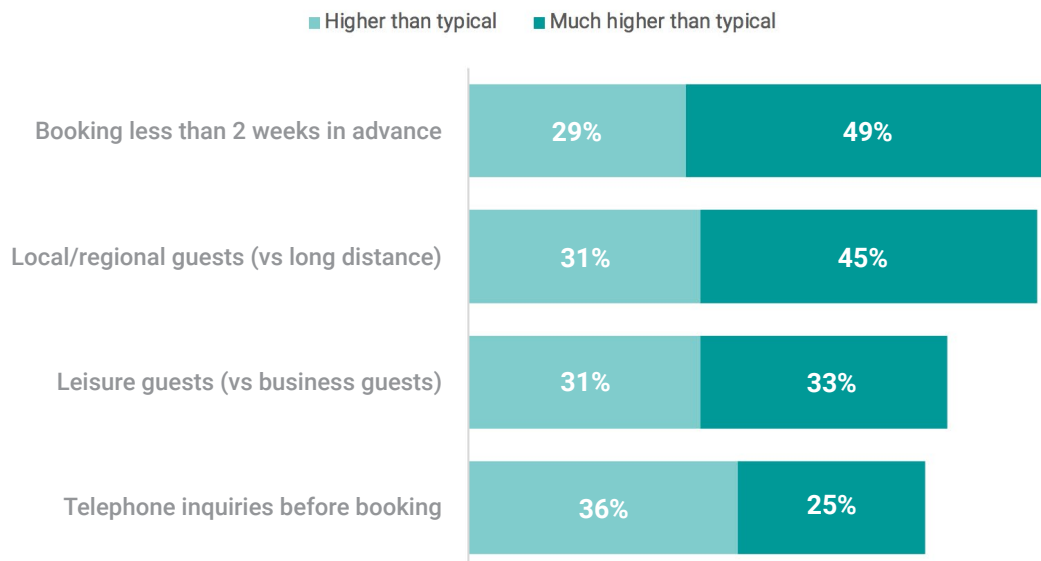
Booking Trends

The mix of guests and guest booking behavior have changed substantially, compared to this time last year.

Most hotels report a higher proportion of leisure guests from the immediate vicinity than they would typically see, corresponding to the decimation of airline travel and business travel.

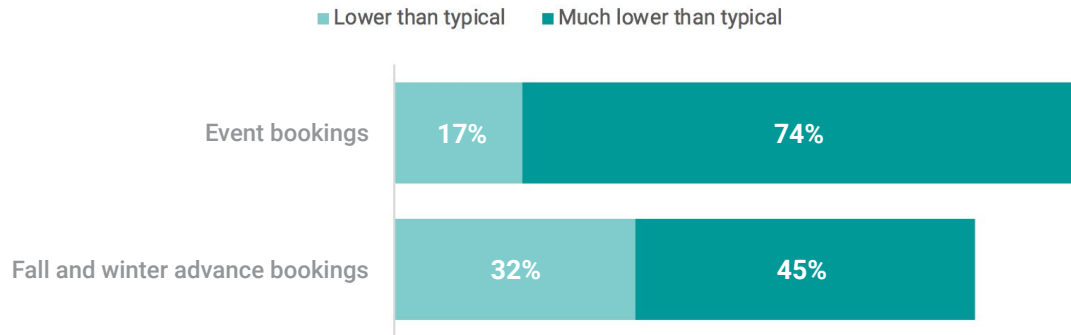
Due to uncertainty, guests are opting for shorter booking windows and seeking more information before they book.

Higher Guest Trends



The pandemic has gutted event bookings for nearly all respondents (**91%**). And holiday traffic remains uncertain, with more than three-quarters of hotels (**77%**) reporting lagging advance bookings.

Lower Guest Trends



“Until international travel resumes ... and until events [and] conferences resume, there will be no meaningful resumption of business,” notes one respondent.

Guest Sentiment

The survey asked hotel leaders to characterize guest sentiment on a variety of COVID-19 related service changes. Their responses show that guests are particularly receptive to the addition of visible health and safety measures, while they are less accepting when services are curtailed.

“I believe most guests are adapting to new procedures,” reports one hotelier. “A certain percentage seem to not care at all, and yet others are critical that more social distancing is not being done. It appears that some have a great deal of anxiety, yet they still travel to hotels and restaurants.”

Another says, “We have better understanding now – and less fear. Our guests are still demanding full service, wanting to enjoy their vacations.”

“Luxury is being re-defined,” says another. “Most of our guests understand, but for high-expectation guests, the restrictions are difficult.”

The three **most LIKED** changes, according to hotel executives

71% report that guests like
Staff wearing masks

70% report that guests like
**Enhanced room cleaning
procedures**

54% report that guests like
**Social distancing measures
in public areas**

The three **most DISLIKED** changes, according to hotel executives

43% report that guests dislike
**Suspension of services such as spa,
buffet, entertainment, etc.**

28% report that guests dislike
**Limited or suspended
housekeeping services**
However, **36%** report that
guests are fine with it

18% report that guests dislike
Guests wearing masks
However, most are unbothered
(**44%**) or like it (**35%**)

We also asked about **guest temperature checks** and **touchless options** for check-in, room service, etc. – with guest sentiment numbers about evenly split between “like” and “neutral” on both; there was virtually no “dislike” for either.

Out of all options, guest temperature checks are the least used by hotels, with more than one-third (**37%**) not implementing them. Temperature checks are ultimately just one tool in the arsenal of health security; though they can help identify symptomatic guests, it is well-documented that people who have COVID-19 can be contagious before showing symptoms.

Staff Sentiment

Respondents were also asked to characterize staff how staff is coping with a variety of COVID-19 related service changes. In all four categories, the strong majority of executives say their staff are doing “well” or “very well.” However, two categories stand out as causing stress at a notable percentage of hotels.

The changes staff are **handling BEST**, according to hotel executives

93% report staff are doing just fine with
Extra cleaning procedures

86% report staff are doing just fine with
Staff wearing masks

The **most DIFFICULT** changes for staff, according to hotel executives

36% report staff are struggling with
**Extra responsibilities due
to reduced staffing**

However, **60%** report staff are doing just fine

20% report staff are struggling with
**Enforcing health and
safety measures with guests**

However, **80%** report staff are doing just fine

Creative Service Changes

We asked respondents to tell us about the most creative service modifications their property has implemented. Popular changes include contactless check-in/check-out, outdoor gyms/spa/dining, and digital menus for dining venues. We have highlighted a few comments below.

Cleanliness & Sanitation

“[We are] offering **Roombas** to clean the room, if the guests prefer no humans to enter their room during their stay.”

“[Our hotel is] **vacuum packing** the tv and a/c remotes after sanitizing them.”

“[We have installed] **UV lights** in HVAC systems in public spaces.”

“All guest luggage is sanitized with **alcohol spray** before returning to the guest for both check-in and check-out.”

Special Staffing

“[We] added **‘We Care’ staff** that ensures that we are following our protocol established, with daily reports to departments.”

“[We designated] a staffer in the role of **‘awareness ambassador’** who monitored our safety protocols throughout the property [and] helped with temperature checks on employees, sanitization, mask-wearing etc. [The ambassador was a] visible presence to answer guest questions and remind us all.”

Food & Beverage

“To replace our bottomless cookie jars we have a **‘Cookie Hotline.’** When guests call it, cookies are delivered to their door.”

“We created the Car Café, which was a **drive-in diner**, in April and May before we were able to reopen the restaurants. We made as much revenue with that as we did the restaurant the year before.”

“[We offer] **craft cocktails in to-go pouches** with the purchase of food to-go.”

Moving Outdoors

“We modified our spa to be able to do **private outdoor treatments.**”

“[We created the concept of a] **‘theater wedding,’** with the couple on lawn surrounded by guest rooms. Wedding attendees watch the ceremony from their balconies and have drinks/canapés served to their rooms after.”

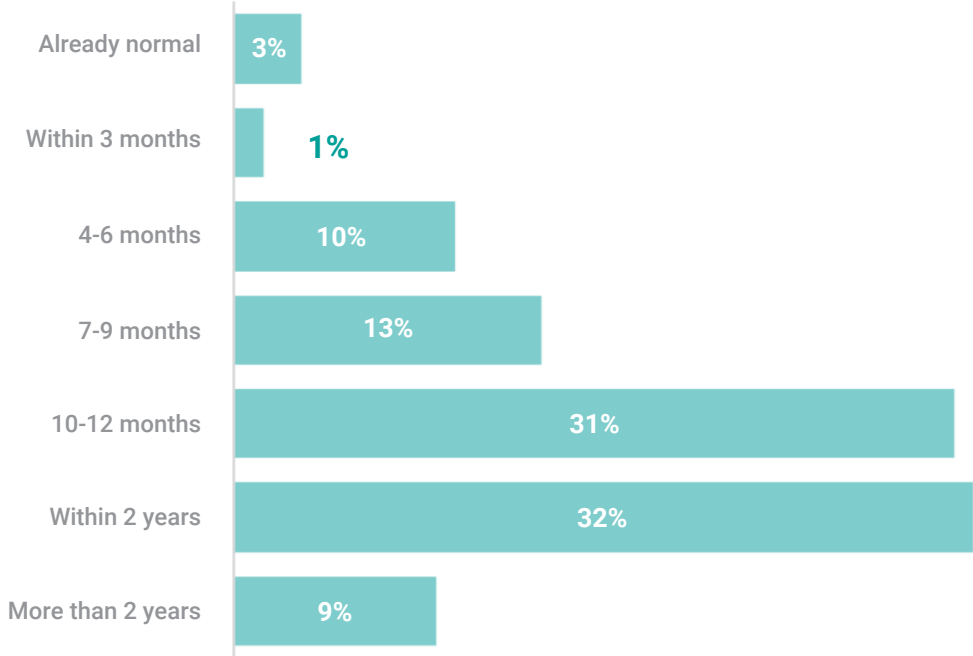
“[We] rented tents and outdoor heaters and **moved the entire restaurant** onto an outdoor patio due to state health restrictions.”



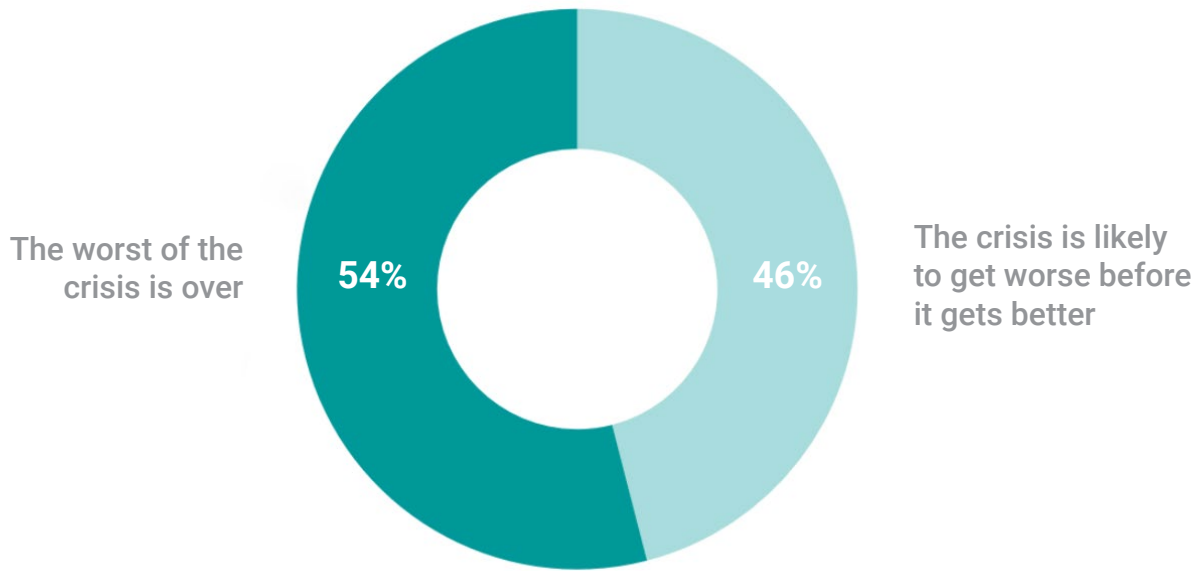
Recovery Timeline

The majority of respondents (55%) expect to return to sustainable business levels within the next 12 months, a decrease from 70% in July. The number expecting recovery to take two years or more climbed from 26% to 41%.

From today, when do you expect to return to sustainable levels of occupancy, staffing and operations?

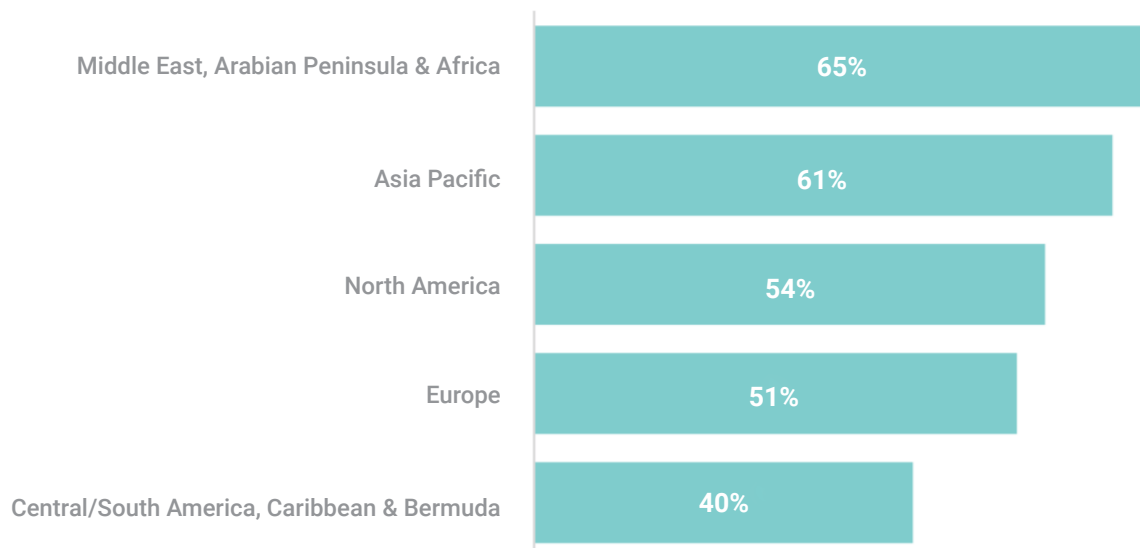


There is a degree of cautious optimism among respondents, with 54% saying “the worst is over,” and 46% saying the crisis is “likely to get worse before it gets better.” But the choice wasn’t clear-cut for many; several respondents point out that the truth is “somewhere in between,” and for others, “both are possible” and it’s “difficult to say.” As one cautions, “This isn’t over and will probably be with us for a long time.”



There are some pronounced regional variations in responses; only 40% of respondents in Central/South America, Caribbean & Bermuda agree that the worst is over, while Middle East, Arabian Peninsula & Africa is the most optimistic region, with 65% saying the worst of the crisis is over.

“The worst is over”



The hoteliers were invited to offer their comments on their recovery outlook. Many point out that response to the virus is improving, but that economic recovery may be protracted.

Recovery Outlook

“It cannot get any worse. **The world is adapting** to the pandemic.”

“The worst is over in terms of impact, but the **recovery time is going to take very long**. Expect recovery Q4 in 2021 and back on 2019 figures by Q1 2022.”

“The crisis is clearly **not over until vaccines are introduced**. It is difficult to say when we can see a gradual easing worldwide, but [it] could well be that we continue to experience a series of waves repeating in the coming several months until vaccines are confirmed, introduced and widely distributed.”

“The worst is over; however, **the expected slow recovery time may be worse** than the outbreak.”

Regional Perspectives

“It is very uncertain given **spikes in other European countries** as to how the pandemic will unfold this winter, but we are now better prepared than we were before this crisis struck the globe.”

“It’s highly regionalised. F&B is booming in some places, dead in others. Staycations are creating a regional boom as well as a parallel regional recession. **London and many city centres are in real trouble**.”

“**In China (Beijing), the worst of the damage I believe is past**, and areas are seeing a slow but steady recovery on domestic leisure and corporate business. International business is nonexistent.”

“**Macau and China have taken very early and decisive steps** to control the situation with measures which were painful at the beginning; however, now the initial pain is paying off.”

“Here in the U.S. Northeast, leisure travel will diminish once the Fall foliage season comes to an end, and with little to no group business, I expect things to be worse before they get better.”

“Our industry will not start to recover until the USA get their act together in regard to the virus.”

Challenges

“[We] need a vaccine and the return of customers to the airlines. We are not viable as an industry without travel and business returning to work.”

“Evidence would suggest that the corporate market will not truly ramp up again until at least the Spring of 2021.”

“Consumer confidence and corporate confidence are needed before travel will return to pre-Covid levels. A vaccine will be need to be widely distributed and be effective to renew this confidence.”

“Group and special events/weddings will not return in full and at full counts till at least 2022 at best.”

“Since reopening in June, we have seen better than expected improvement in July and August. Our greatest obstacle is not being able to service groups (conferences) over 10 [people] indoors.”

“With the lack of international staffing; and the unemployment incentives, the hardest to deal with is the short staffing issues, far worse than COVID.”

Hope for the Future

“The COVID situation has ... changed our industry for good, and we have to realize that guests will want to know much more as it pertains where our food comes from, if our team members are healthy and how we do clean and maintain our operations just to name a few.”

“If people **keep wearing masks and remain considerate of others** via social distancing, we should be on the upward trend.”

“People are **adjusting to the new way of traveling** and seem to be gaining more trust to book future travels.”

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