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THE LEADING HOTELS
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Marketing During the Covid-19 Pandemic

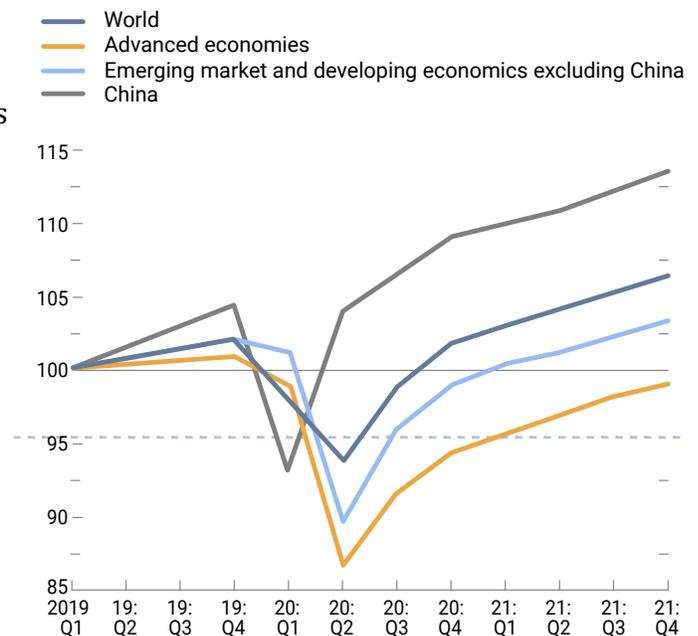
Phil Koserowski, *CMO of LHW*
Michael Wong, *Author of Corporate
Agility*



Introduction

Within the past year, the Coronavirus Pandemic (Covid-19) has affected nearly every nation in the world with case numbers rising over 140 million people worldwide, leaving nearly three million dead and countless countries in economic despair.¹ According to studies, the global GDP for 2020 decreased 3.4 percent - advanced economies saw the largest decline of 4.7 percent.² Some of the largest impacted economies were Spain (-11%), United Kingdom (-9.9%), Italy (-8.9%), and France (-8.2%).³ Overall, the pandemic has led to the concurrent shock to demand, supply, and financial markets. It has fostered the worst global economic downturn since the Great Recession.⁴

While all industries were impacted from the pandemic, one of the most notably affected was that of Transportation and Hospitality - an industry that has thrived, specifically in the years leading up to the pandemic. In the United States, this industry made up 7.8 million jobs and 2.8% of the US GDP, a small percentage compared to that of other countries where the same industry makes up about a third of the total GDP.⁵ In the United States, the outlook for 2020 had hotel occupancy ranging from 50-80 percent, a stark contrast to what actually transpired. Through the end of 2020, hotel revenue declined by 50%, a \$124B loss in a \$270B revenue industry.⁶ In countries like Spain, where tourism is a top industry by GDP, total hotel bookings declined by 73%, resulting in hundreds of millions in losses.⁷



World GDP by Quarter

The COVID-19 Pandemic impacted all economies between Q1 2020 & Q2 2020.

¹ "COVID-19 Dashboard by the Center for Systems Science and Engineering at Johns Hopkins University." <https://coronavirus.jhu.edu/map.html>. Accessed 28 April, 2021.

² "Forecasted global real Gross Domestic Product (GDP) growth due to the coronavirus (COVID-19) from 2019 to 2022" <https://www.statista.com/statistics/1102889/covid-19-forecasted-global-real-gdp-growth/>. Accessed 28 April, 2021.

³ "Managing Divergent Recoveries" <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>. Accessed 28 April, 2021.

⁴ "Ten facts about COVID-19 and the U.S. economy." <https://www.brookings.edu/research/ten-facts-about-covid-19-and-the-u-s-economy/>. Accessed 28, April 2021.

⁵ "Countries with the highest share of GDP generated by direct travel and tourism worldwide in 2019" <https://www.statista.com/statistics/1100368/countries-highest-gdp-travel-tourism/#:~:text=In%202019%2C%20Macau%20generated%20the,GDP%20coming%20from%20this%20sector>. Accessed 28 April, 2021.

⁶ "AHLA Front Desk Feedback Survey on Hotels on Financial Crisis." <https://www.ahla.com/covid-19s-impact-hotel-industry>. Accessed 28 April, 2021.

⁷ "Spanish Hotel Industry Expected to Fully Recover by 2022." www.tourism-review.com/spanish-hotel-industry-to-recover-within-2-years-news11516. Accessed 28 April, 2021.

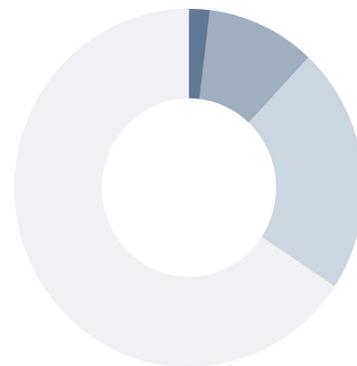
Negative booking revenues are just one aspect of the total impact on hospitality. As hotels are often partnered with restaurants, bars, and other local attractions, the decline in hotel traffic has led to a steep decline in revenue from these services and attractions. Experts in the United States have found that this domino effect culminated in \$1 trillion and 4.8M job loss.⁸

Of all hotels with attached restaurants, bars and attractions, Luxury hotels were identified as the most impacted by the pandemic. The distinct branding and characteristics of these hotels—higher quality products and services, higher cost destinations, amenities on premises, and reliance on non-essential or professional travel—come at a higher cost, aspects that are usually attractive to clientele, but less so in challenging times.⁹ For example, comparing the occupancy rates from May 2020 in luxury hotels (15% occupancy) to economy hotels (40% occupancy), while neither are great, at 40% the need for staff is higher and there is still some revenue. This low occupancy rate is fairly stagnant across all luxury branded hotels as well. In a mid-2020 Forbes study surveying 430 luxury hotel General Managers and hotel executives from 64 countries, only 2% of hotel leaders reported “solid occupancy rates” at 76-100%. Nearly two-thirds of respondents could only manage 0-25% occupancy rates.¹⁰



Hotel Occupancy Trends

The 2020 occupancy trends were forecasted to be similar to 2019, but the COVID-19 Pandemic resulted in a heavy decline in Occupancy Rates.



● 76-100% Occupancy ● 51-75% Occupancy ● 26-50% Occupancy ● 0-25% Occupancy

Reported Occupancy Rates

About 2/3 of hotels surveyed reported 0-25% Occupancy in the early summer of 2020.

⁸“State of the Hotel Industry Analysis: COVID-19 Six Months Later.” <https://www.ahla.com/press-release/report-state-hotel-industry-six-months-covid-pandemic>. Accessed 28 April, 2021.

⁹“COVID-19: Implications for business.” <https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business#>. Accessed 28 April, 2021.

¹⁰ Ibid

All hotels had to find a way to weather the pandemic, but it's not hard to argue luxury hotels were challenged in ways others were not. Although the outlook of the pandemic appeared bleak and for some, maybe even fatal, some experts feel luxury hotels can be the leaders in the revival of the hospitality industry. "[Luxury hotels] can provide more confidence in travelers [with] respect to procedures and cleaning services."¹¹ While this advantage may be valid, the messaging of these advantages will need to be effective for potential customers.

Evolution of Marketing Campaigns during COVID-19

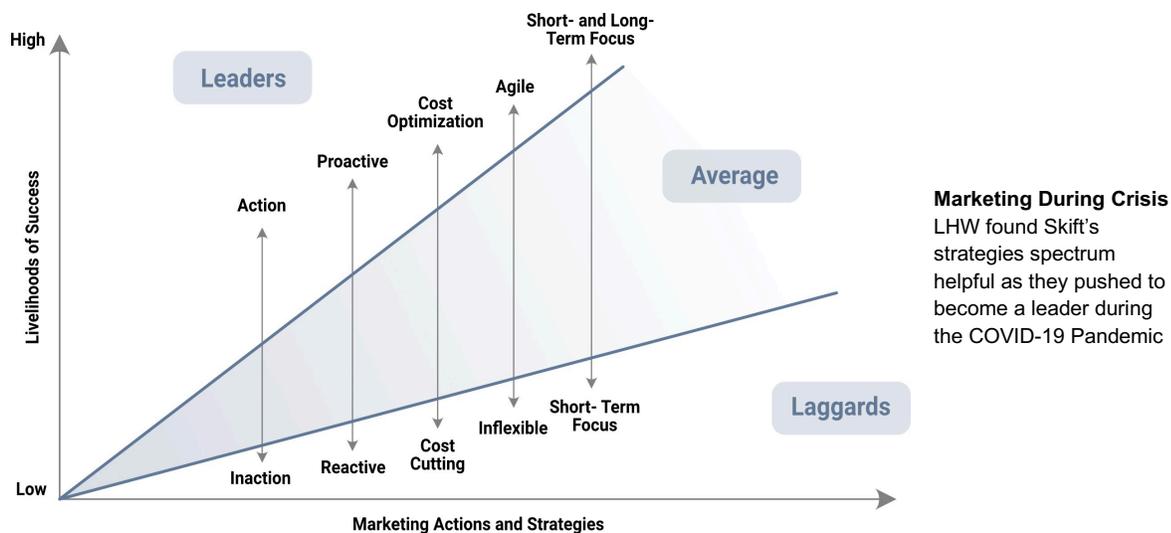
A well-planned Marketing Strategy and Road Map is critical for global organizations operating in a dynamic industry like hospitality. Within the industry there are continuously evolving customer expectations, a crowded competitive landscape, and daily emergence of new opportunities to engage with current and potential new customers. As digital and other emerging platforms become mainstays in the hospitality industry, it is crucial to have a clear focus on goals, objectives, strategies, and investment approaches to guide marketing campaigns and activities for marketers. However, in March of 2020, companies had to reassess their marketing strategy and shift their focus toward survival rather than growth. The Leading Hotels of the World (LHW), a global leader in luxury hospitality focuses on connecting and empowering luxury hoteliers and travelers. Comprised of more than 400 hotels in over 80 countries, LHW's curated collection covers the globe and promises a broad range of destinations and uncommon experiences for guests who value individualized experiences and warm hospitality. Through the collection, guests can stay at converted former palaces, countryside retreats run by families for generations, gleaming skyscrapers in dynamic urban centers, serene private island escapes, glamorous tented camps – and beyond.

When the pandemic began, LHW knew their portfolio of hotels would not be able to operate as normal as government restrictions and safety concerns drastically reduced the volume of travelers. Part of LHW's original 2020 Marketing strategy was to grow off the success of their recent relaunch of the customer loyalty program, driving revenue through customer acquisition and traveler engagement. However, once the true impact of the COVID-19 pandemic became clear, LHW and the Marketing team quickly reassessed, realigning focus from revenue growth, customer acquisition, and engagement to the essential services its hoteliers and travelers needed in this new reality. Phil Koserowski, Chief Marketing Officer for LHW, sought to balance the essential services focus with a proactive and forward-looking approach that would strengthen LHW's ability to thrive as the crisis continued - "As we optimized our investments and priorities, we wanted to take a

¹¹ "COVID-19: Implications for business." <https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business#>. Accessed 28 April, 2021.

proactive approach that would guide our Marketing plans and activities that favored agility, as well as short-term and long-term goals.”

This approach aligns with research released by Skift, a hospitality intelligence company. Skift looked at strategies of marketing teams during times of crisis. Each of the different strategies were measured on a spectrum: Leaders, Average, and Laggards.¹² Companies that found themselves in the Leaders category, positioned themselves in ways that could withstand a crisis. This is the category LHW desired to be in, and the Marketing Team was determined to make sure they emerged as a leader at the end of the pandemic. The team adjusted their approach to focus all activities and support based on market conditions created by the COVID-19 Pandemic.



Approaching Essential Services in an Agile Manner

Prior to COVID-19, Koserowski piloted an integrated Agile approach within the Marketing team—embracing quick wins, a ‘failure as growth’ mentality, and short sprint cycles. The initial pilots demonstrated success by creating a new means of working together resulting in faster time to market, more focused team members, and higher employee satisfaction. “We were able to short-circuit existing processes and execute an end-to-end campaign in one two-week sprint, which had taken us months to accomplish in the past,” Koserowski shared. However, the early pilots also had some challenges. There were still members of the Marketing team that were not on an Agile team, and others that had to balance their Agile team work with their other responsibilities. These challenges were noted, and a strategy was developed to circumvent them.

¹² “Travel Marketing During COVID-19.” <https://research.skift.com/report/travel-marketing-during-covid-19-crisis/>. Accessed 28 April, 2021.

This all changed at the onset of the pandemic. As with all other hospitality organizations during the pandemic, LHW was forced to furlough a large number of employees. “We became a much smaller team that had to continue to offer the essential services our hoteliers and travelers needed at the time, while also creating new marketing programs to respond to the challenges brought by COVID-19,” Koserowski shared. This was further complicated by the highly varied market conditions around the world due to COVID-19’s differing impact at a regional/country level.

The marketing team turned to Agile, the way of working they had found some success through the pilot program. Koserowski and the rest of his team knew Agile provided a framework for the global and regional marketing team members to come together, redefine how they collectively worked with each other, and answer the many challenges posed by the pandemic. “It started with the commitment of each of the Agile team members. They each demonstrated a personal accountability to their team, flexibility, adaptability, and a growth mindset. The Agile approach provided a methodology for how the teams would work together.”

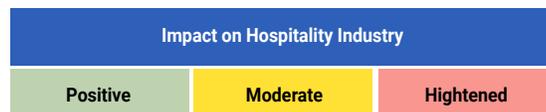
At its core, Agile encourages a hands-on approach and cross-functional working, something organizations don’t often see as departments or teams are siloed. By embracing these benefits, LHW’s leadership saw the Marketing team deploy more campaigns during the critical 3Q20 travel season when restrictions had been lifted than they had in years past. This was with fewer resources and a more complex regional market driven approach. It was not just about volume and efficiency. The teams defined new concept ideas informed by customer insights and regional market conditions, then executed the new programs and campaigns within 1-2 sprints.

An added benefit the LHW Marketing Team saw was the ability to make and maintain new connections across the company. As the physical offices closed temporarily, the team was dispersed and had fewer personal interactions. However, with Agile and stand ups, team members were able to interact more during daily standups. “Team members really looked forward to our daily stand ups as an opportunity to connect with each other via Microsoft Teams,” Koserowski continued “We often were able to share a moment of humanity - whether it was a shared personal story of the weekend, or even a colleague’s child or pet making an impromptu cameo during our meetings.”

Maintaining those collegial relations with the team made every working day a bit more enjoyable. The strategy and planning of each of their initiatives was difficult especially in the early days of the pandemic as the teams were operating in unprecedented times. However, the new Agile framework coupled with the focus and dedication of each member of the team quickly produced results. They were able to create flexible and relevant campaigns at a global level when applicable, and on a regional or drive to market level as appropriate. The campaigns needed to flex between inspirational when travel was not possible, to informative as markets began to open.

To successfully implement these marketing plans, the team needed to stay apprised of all the changes that could impact business in the market. They took a data driven approach tracking specific metrics closely to know exactly when, where and how marketing should begin to engage with clientele based on specific market conditions. Collecting these different insights, LHW created a dashboard, like the one below, to track leading and lagging indicators and restrictions for different markets and to identify target markets.

	Travel Restrictions	Open Hotels	COVID Case Decline	Ratio: Booking to Cancellations	Outbound Flights
Market 1	Green	Green	Yellow	Yellow	Yellow
Market 2	Yellow	Green	Red	Red	Red
Market 3	Yellow	Green	Red	Red	Yellow
Market 4	Red	Yellow	Red	Yellow	Yellow



Insights Dashboard

As different countries and governments changed their travel restrictions, the LHW marketing team needed to stay apprised of those decisions on tailor their marketing efforts to adhere to current restrictions and to be conscious of the impact the COVID-19 Pandemic had had specifically to that region.

While the insights revealed by this dashboard were invaluable to the campaign planning process, it could only be successful if it was constantly monitored, updated, and actioned in a timely manner. With the new mindset of cross-functional communication and the frequent planning sessions, teams were able to revise plans quickly and action them in an upcoming sprint. This highly coordinated effort empowered global marketing colleagues to identify macro trends and broader customer needs complimented by hyper targeted/relevant regional campaigns specific to the current travel conditions in their markets.

Conclusion

Prior to COVID-19, through a short Agile pilot program, LHW’s marketing team saw a sneak peak of the benefits Agile had to offer. When the Pandemic accelerated across the world in 2020, LHW committed to the Agile methodology - they had seen some of the successes and felt like it was a prime opportunity to use Agile at a larger scale. Through that decision, LHW launched more campaigns in 3Q20 than they had in years past, the team increased their cross-functional collaboration allowing more opportunities for new and

innovative ideas, and the team grew closer to each other despite being scattered across the world resulting in increased productivity and employee satisfaction.

As the world starts to climb back from a challenging 2020, the IMF is predicting a 5.2% recovery growth to the global GDP in 2021. Vaccination programs are deploying around the world, doses are administered every day, and the idea of digital health passports is gaining traction. As these continue to expand, travelers will be searching for their next vacation. As LHW prepares for the impending release of pent-up travel demand and busy travel seasons over the next few quarters, they will continue to work in the Agile manner. If LHW found success during a health crisis, they're looking forward to even greater success as the world slowly returns to normal.



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