



A TRAVEL, HOSPITALITY & LEISURE SERIES:

# Staying Power – Optimize Hotel Operations to Combat Uncertainty

## Part 1: Addressing Labor Challenges Without Sacrificing Service

### The Current Macroeconomic and Industry Landscape





Across economic sectors, the labor market is tight. With more than 30 percent of former hospitality workers [reporting](#) they have left the industry for good, the sector has been hit especially hard. Inflation is disproportionately affecting the hourly workers who make up most hotel staff, and other societal factors attributed to COVID-19 (e.g. the “Great Resignation”) are fueling labor shortages and driving costs up for hoteliers, putting pressure on profitability.

Although RevPAR is at [75 percent of pre-pandemic](#) levels and higher in some markets, hotels are operating with fewer employees. According to the AAHOA Hospitality Labor Report, 76 percent of hotels are struggling to return a significant proportion of their workforce. Additionally, there is a backlog of development projects that are resulting in diminished service levels across segments.

In the near-term, hoteliers fear an erosion of pricing power will further impact the bottom line. If the labor market and inflationary pressures do not ease soon – which would allow hotels to refurbish, re-staff and restore service levels – there is fear of long-term harm to brand equity, pricing power and loyalty to major brands.

### Drivers of Employee Retention and Engagement:

There is no silver bullet for systemic and potentially permanent shifts in the labor market, but research points to several critical factors that drive service worker engagement:

-  **Shift Reliability:** With rising food and fuel costs adding pressure to budgets, hourly workers want income certainty and visibility beyond the next pay period
-  **Shift Flexibility:** [86 percent of hourly workers](#) want a measure of control over the timing and length of shifts, and the ability to easily swap with co-workers
-  **Recognition and Rewards:** In addition to higher wages, hourly workers want to understand the impact of their work and receive real-time feedback through interaction with management
-  **Meaningful Work:** Managers in particular want to spend less time on administrative tasks such as scheduling, and more time interacting with employees and guests

### Four Steps Hoteliers Can Take to Address Service Challenges:

Although labor management is multi-dimensional and varies significantly across different markets and property types, there are common actions hoteliers can take to address labor shortages while maintaining service levels for guests:

1

**Provide more opportunity for employees to work across hotel departments and locations:** Rationalize role and skill definitions across departments and modify HR systems to enable employees to have multiple potential roles. Some cross-training will be required but many roles in different departments have significant overlap in skills – for example, a busser could readily work as a bellman, or a housekeeping attendant could be trained as a server.

2

**Automate planning and scheduling activities to free up manager time for more employee and guest interaction:**

Managers are spending 10-20 hours per week manually creating schedules and handling callouts. By investing in the technology integration needed to fully automate the labor planning and scheduling process, more than 10 percent of manager time could instead be focused on engaging with guests and staff.

3

**Use data and analytics to provide transparency into scheduling and performance for owners, managers and hourly employees:**

By having a clear view of performance and expected demand, hotels can make more effective decisions and communicate to employees a sense of their contribution and what's to come. In most cases this will require work on both systems and processes, but building a foundation of reliable data will generate trust in systemic recommendations and enable value-added advanced analytics like demand sensing and what-if scenario analysis.

4

**Use new data and technology to improve service without increasing staff numbers:** In addition to reducing attrition and driving customer engagement, hoteliers must find ways to create additional leverage with their existing staff. There are currently numerous technologies that can be implemented including sensors that alert staff to service needs, robotic agents that perform non-customer-facing tasks such as vacuuming or folding linens, and self-service technologies that handle low-value transactions like ordering room service.

## Next Step: Define Your Path Forward

Although nominal returns to pre-pandemic room revenues are expected in the next year, it will take longer to achieve true, inflation adjusted recovery. Additionally, the nearly \$50 billion in revenue from ancillary spending including meeting space and F&B, is recovering slower than room revenues.

Nobody can predict exactly how long changes to the labor market and the hospitality industry will last, and some changes are likely to be permanent. There is no "one-size fits all" answer. Join us for future installments of Staying Power to explore how hotels can optimize operations to profitably deliver outstanding service and experiences to guests as they navigate the current market.

### Key Contacts:


**Philip Rothaus**

Managing Director

+1 914 610 0300  
[prothaus@alvarezandmarsal.com](mailto:prothaus@alvarezandmarsal.com)


**Sooho Choi**

Managing Director & THL Leader

+1 847 501 0526  
[sooho.choi@alvarezandmarsal.com](mailto:sooho.choi@alvarezandmarsal.com)

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