



A TRAVEL, HOSPITALITY & LEISURE SERIES:

Staying Power – Optimize Hotel Operations to Combat Uncertainty

Part 3: Combat Uncertainty and Drive Value with Automation

Hotel companies have been pressed hard on many sides. Since facing forced shutdowns at the onset of the pandemic, the industry is now dealing with rising wages and prices, as well as a major labor shortage just as travel is beginning to recover.

While domestic travel is near pre-COVID levels, international travel levels are inconsistent. China's pandemic lockdown is preventing many travellers with discretionary spending capability from leaving the country. Meanwhile, the lucrative group business segment is nowhere near where it was two years ago.

Given the margin pressure imposed by the macro environment, many companies have had to make hard pricing decisions to remain competitive. Inflation and supply chain issues for food and other goods are cutting into the margins of hotel companies, who must pass costs onto consumers, potentially reducing demand. Rising wages impact both associates and the vendors and suppliers to the industry, creating a double impact.

The economic pressures and the continued presence of the pandemic are not going away soon. So how can hotel companies navigate uncertainty and be resilient enough to close the gaps?

The current state of travel is a mixed bag.

Traffic levels may be returning, but international travel and group business are still down. This mixed bag of circumstances demonstrates how far hotel companies must go to make up for the gap and account for the uncertainty ahead.



-18%

The decrease in August group bookings compared to 2019



36%

The share of Americans planning to travel in the next three months, down from 39% in April 2022



104%

The percentage of total domestic travel spending is just above 2019 levels



-35%

The reduction in overseas visitors to the U.S. in August compared to 2019

Usatravel.org

Automation Can Be a Key Factor to Reducing Uncertainty and Creating Value

In this moment of uncertainty, hotel companies must find new approaches to operating their business. One of best ways to combat the pressures of the current environment and future uncertainty is to embrace automation. Applied in the right areas of business, automation can create value and provide a return on investment between 30 percent and 200 percent, depending on the level of scale.

Automation improves efficiency, quality, and data and insights. An effective strategy will help mitigate workforce shortages, combat rising wages and position hotel companies to buttress their business from today's uncertainties with maximum flexibility.

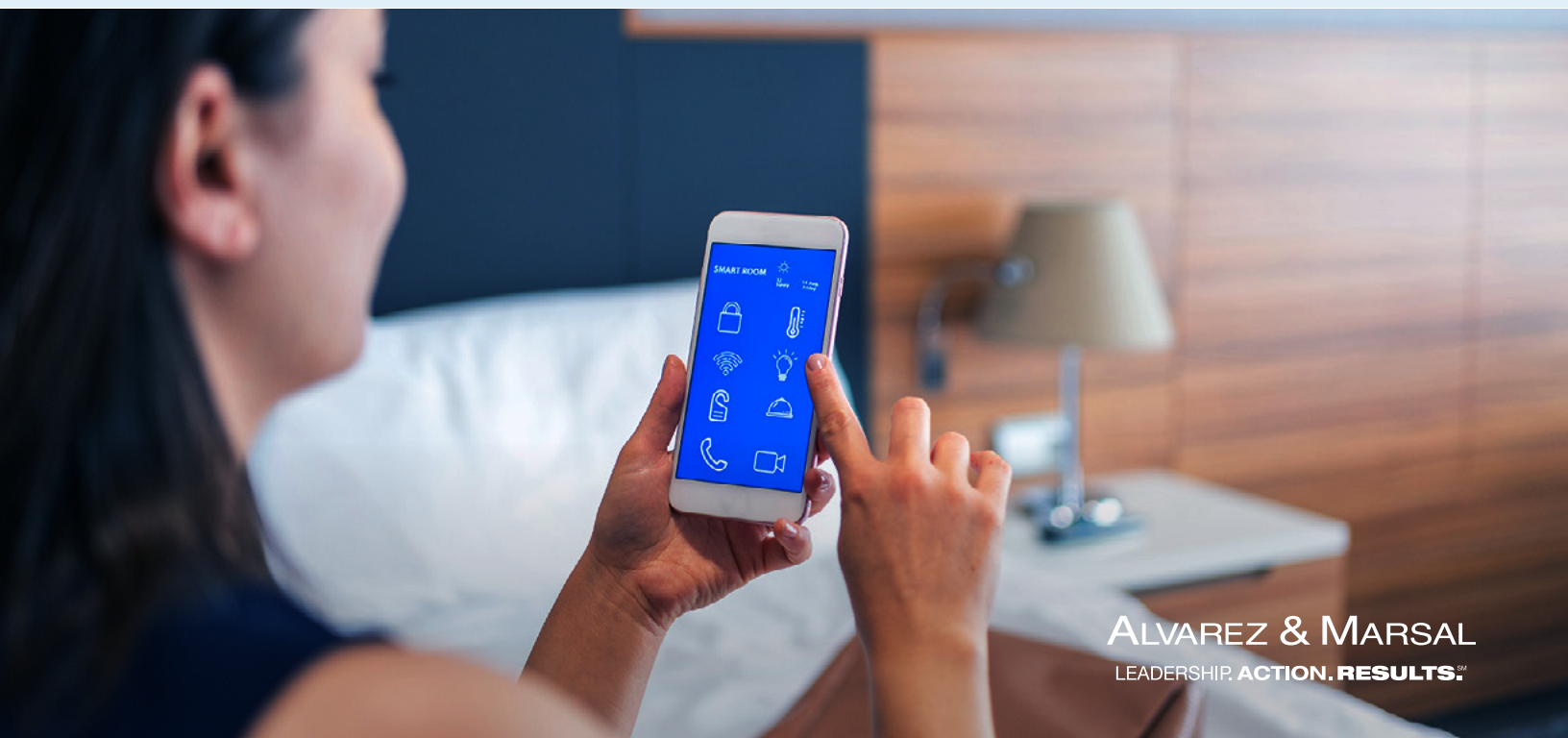
Do More with Your Existing Workforce — Automate in the Back of the House

Some customer-facing functions will always require a human touch - that is a given. But in today's climate where worker shortages abound both in the front and back of the house, automation is an important tool. Nearly all hotel companies can benefit from back-of-house software and robotic tools. By automating repetitive tasks and, in some cases, replacing the need for human workers altogether, these tools free up worker time that can be deployed elsewhere to more complex and strategic needs or activities that directly impact the guest experience.

Hotel operations stand to benefit from continued growth in both the maturity and affordability of software automation packages. These tools use a mix of technologies including robotic process automation (RPA), ocular character recognition (OCR) and machine learning. They streamline and automate a slew of back-office activities including accounts receivable and payable, invoices, financial planning, reconciliation and contract compliance. Some hotel operators are even beginning to adopt software automation in their sales and marketing departments for data management, language translation, lead gathering and post-sale management.

Case in Point:

After years of trying to centralize finance operations (and spending hundreds of millions of dollars in the process), a Fortune 100 company had only converted a fraction of its 100+ subsidiaries to a centralized platform. A&M worked with the client's senior leadership team to rework its finance strategy and operations to better serve business goals. The program combined process and policy improvements, tech modernization to enable rapid results and automation tools including RPA, AI and machine learning to transform finance operations, saving them 30 percent annually.



More progressive hotels have incorporated physical robots into their service delivery model. There are widespread applications for housekeeping, room service and order deliveries. While not always replacing a human (that hotels can't find anyhow), they can help employees increase productivity so that one person can do the work of some multiple of the "unassisted" worker. Another impact is that physical robots can enable employees to re-direct their focus to areas of greater impact. For example, a hotel might use robots to clean the back of the house, allowing those attendants to now service guest-facing areas.

In the front of the house (and brand positioning permitted), we see other technologies around customer self-service that result in a leaner operating model while empowering the customer. Examples of leveraging self-service to achieve a leaner model include room services, concierge services, wellness and other facilities bookings, and even smaller group sales. Each of these initiatives leads to less work for human associates so that they can provide customers with a richer experience. Deployed at scale, these tools significantly lower the headcount required for back-of-house tasks, allowing operators to re-train and re-deploy critical human resources in ways that directly impact the customer experience. For operators with many locations across regions, the economies of scale provide significant opportunities for savings without affecting the quality of work, and, in most cases, even enhancing it.

Have a Plan to Produce ROI Value and Hedge Against Risk

Establishing an automation strategy and implementation roadmap should be on the to-do list of every hospitality property operator, but hoteliers should beware of "one-size-fits-none" solutions. Often the first step is determining where staffing needs persist and opportunities to create economies of scale that deliver the highest return.

By investing in an automation roadmap now, companies can optimize their operating models, leverage their existing workforce more efficiently and hedge against rising wages. They will also benefit from added productivity, quality and analytics that accompany the effective deployment of these tools and technologies – all while maintaining or even improving service.

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