

TRAVEL AND HOSPITALITY

## Luxury hotels can expect bumpy ride as recovery begins

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Luxury travel is already seeing a surge in demand in Mexico and the Caribbean. Image credit: Rosewood Hotels & Resorts

By SARAH RAMIREZ

While the recovery of the luxury hospitality industry is on the horizon, hotels will need to prepare for changing consumer habits and preferences brought on by the COVID-19 pandemic.

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During a webinar hosted by the [International Luxury Hotel Association](#) on March 24, industry leaders discussed the challenges properties are facing as travel begins to recover. Leisure travel is fueling the early stages of the recovery, with many consumers still cautious of commercial air travel and instead opting for hotel stays within driving distance.

"Currently, we are seeing signs of business coming back in multiple markets," said Romy Bhojwani, senior vice president and head of hospitality asset management at [Brookfield Asset Management](#), Washington.

"There are certain segments in certain markets that are definitely doing better than the others, but we've planning for recovery for some time now," he said. "It is a very inconsistent recovery, but we are looking at those trends very closely."

The discussion was moderated by Brett Hochberg, an associate with the hospitality and leisure practice at [Paul Hastings LLP](#).

### Leisure leads the way

Panelists were in general agreement that resort destinations appealing to leisure travelers are faring better than more urban areas that are more reliant on business travelers.

According to Paul Arnold, vice president of development at [Rosewood Hotels & Resorts](#), properties in Mexico and the Caribbean are already seeing increases in visitors as vaccination rates in the United States increase. He noted that average daily rates in Mexico are up 20 percent year-over-year.



*Travelers are preferring ground transportation over flying. Image credit: Rosewood Hotels & Resorts*

Globally, however, Rosewood is experiencing a mixed bag due to travel restrictions and different clientele. In the Middle East, Jeddah is showing more resilience than Abu Dhabi, while the Chinese resort city of Sanya is faring better than Beijing and Hong Kong.

Leisure travel is not exclusively benefitting warm weather resort destinations, as many affluents are preferring to travel by car to limit potential exposure to COVID-19.

"For the drive-to markets of New England and the Northeast, bookings are as strong as they've ever been looking forward to this summer," said Matt Arrants, executive vice president at [Pinnacle Advisory Group](#), Boston. "That drive-to leisure travel is quite strong; corporate is just not there at all."

This also points to growing lead times. Many travelers are still booking within a month of their stays, but panelists are seeing lead times extend as more consumers receive their COVID-19 vaccinations.

As leisure travelers become more comfortable, Brookfield's Mr. Bhojwani predicts the next segment to return will be business travelers, followed by small groups and eventually, in the next two to three years, large groups of convention-goers.

To maintain the momentum, hospitality brands will have to continue prioritizing health and safety.



*Accor hotels, including the Fairmont brand, are enforcing social distancing guidelines. Image credit: Accor*

"Guests need to know that you know our protocols are grounded in science and medicine," said Sara Glenn, senior vice president of operations for Canada, Caribbean, Central America and Mexico at [Accor](#), Toronto.

"One weak link doesn't just hurt that hotel; it hurts that city or that market and ultimately has ripple effects through the industry," she said. "Instilling confidence is really key to demand coming back in a substantial way, and that's a multi-faceted approach and it is continuing to evolve."

Luxury properties in particular will have a challenging balance act, Ms. Glenn noted, because of the new need to deliver a high-touch experience in a low-touch environment. Retaining top talent will be essential for hotels to help instill a sense of confidence with staffers who are disciplined about following COVID guidelines.

"As we move through recovery and beyond, those brands that give employees a real sense of purpose and drive a value proposition that resonates with the employee base will win," Ms. Glenn said.

Looking ahead

As luxury hospitality continues to recover from the pandemic, there will be more changes and brands will need to be flexible and adaptable to succeed. Panelists also expect the recovery to stay "bumpy," with cyclical periods of elevated demand that taper off.

Incorporating more seamless technology and emphasizing outdoor experiences will also be key.

Circling back to the importance of engaging employees, hospitality groups should continue to support staff who were the most deeply impacted by the pandemic.

Last spring, Rosewood Hotel Group debuted an initiative to support the chain's employees and communities where it operates who have been affected by the COVID-19 lockdowns ([see story](#)).

After the pandemic, the fundamentals of luxury hospitality will remain the same, however, with an emphasis on quality dining, customized experiences and especially great service.

"Relationship hospitality is really at the core of everything that we do," Rosewood's Mr. Arnold said.

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