Hotel Executives Acknowledge Another Covid-19 Wave Could Derail Progress



The hotel industry is pulling itself from the brink.

Earlier this week, both Marriott and Hilton announced that both had seen Q3 earnings improve, a sign of a much needed recovery. Marriott brought in $100 million and Hilton (only) lost $81 million, a meaningful turn from the previous quarter that saw losses of $234 million and $432 million, respectively.

RevPar for the brand is up 19% from the previous quarter and 94% of the brand's hotels are open. Percentages might look cleaner for the end of the year, as the brand is expecting to head into its usual seasonal lull. Still, Marriott is down $287 million compared to the previous year with occupancy for the brand is 37%, down 40% compared to 2019 and a little below the national average of 44%.

It's a glimmer of hope for an industry that's been crippled by the pandemic, but the good news didn't extend much further. As

echoed throughout the summer, the pandemic's shadow continues to linger above the hospitality industry as case increases in Europe and the U.S. could stifle the industry's recovery. The country's most prominent hospitality executives explained during a New York University panel today said the solutions aren't so simple.

"I'm not sure if it's politically feasible in the United States to go towards a radical shutdown; I'm also not sure it's wise," said Marriott's CEO Arne Sorenson, comparing the U.S. response to China's, where Marriott sees occupancy at roughly 62%, only down 9% year-over-year.

Returning to offices are "a hard thing to advocate for when we're seeing 100,000 cases a day," he said. "It's tone deaf at best, but it can be done at reduced densities, with social distancing and with wearing a mask."

Sorenson and Hilton CEO Christopher Nassetta both touted their brands's work from anywhere programs, unveiled last month, although it's unclear how much additional revenue they'll actually bring. Ultimately, each executive agreed that 2021 would see record-breaking growth, more a testament to the woes of 2020 than the financial success of the year.

2021 finances may be helped by retaining some of the cost-cutting measures put into place during the pandemic, scaling back on amenities such as 24-hour airport shuttles for an extended period, even at the risk of harming the integrity of some of Marriott's most premium luxury brands like the St. Regis or the Ritz Carlton portfolio. Sorenson was candid that measures could be long lasting, specifically pointing towards a curbing of food and beverage service in areas where demand down significantly. That might not be permanent, but new additions like keyless entry and new staffing models would remain.

"That's not going to be satisfactory to most guests when we

get back to a normal demand environment," he said. "They're going to expect the full services, particularly from a full service hotel that they have come to anticipate."

Marriott's CEO Arne Sorenson called the 2020 election results the "best of all possible outcomes, a split government which will require members of the two parties to work together." All executives agreed on the panel that additional stimulus would be needed to lift the U.S. economy, and the hospitality industry out of the crisis.

"We need to think about stimulus in the traditional sense. We need to think about how we can provide incentives to get people mobile again," said Nassetta. "The health issue has led to a serious economic issue and it won't solve itself very quickly."

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