

Original Paper

Report on Hotel Revenue and IHG's Improvement Plan during COVID-19

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Abstract

This report examines the impact of COVID-19 on hotel industries and their management adaptations through the example of an IHG brand hotel. By presenting and analyzing the hotel's data of 2020, a trend of noticeable decrease in booking and room revenue can be found. This report also illustrates the hotel's service improvement program, which is used to counter such decrease in its revenues.

Keywords

COVID-19, hotel, revenue, service improvement program

1. Background

The impact of COVID-19 on the travel industry and related sectors can be described as catastrophic. With flights canceled and travel bans imposed in many countries, the industry is experiencing a cool-down period. The pandemic has been a major test for the hospitality industry, as the occupancy rate for traditional hotels has fallen below 20 percent and airline travel has reduced by 95 percent. Furthermore, virtual meetings on platforms such as Zoom have replaced traditional face-to-face communication during this period, which in turn has led to less demand for travel and hotel rooms. Within the hospitality industry, hotels in particular have suffered a tremendous loss from the pandemic, as an estimated 6.8 million hotel and related jobs are expected to disappear by the end of 2020. I attended a management trainee program at an IHG brand hotel in Northeast China from June to August, 2020. The hotel's response to the pandemic is valuable for interpreting the broader problems facing the travel industry.

2. Decrease in Booking Revenue

As a result of the pandemic, the booking income of the hotel has decreased dramatically compared to last year. A notable drop occurred as early as February before the virus spread across the world, with income from all channels plummeting by more than 80 percent. In April, as COVID-19 gradually became under control, some sales such as the golden contracts proved to be less affected by the pandemic. During July when the nation began recovering from the negative impact of COVID-19, individual guests and employees who use points in exchange for discounts on rooms even increased by 14 percent compared to the prior year, which is one of the few revenue channels that has been positive so far.

Since the outbreak of COVID-19 in 2020, revenue from hotel rooms has been trending downward. However, some revenue channels have been more flexible than others. Revenue from group guests has been the channel most affected by COVID-19, with a decrease of almost 100 percent from February to April. Despite a 50 percent increase in revenue from group meetings in May, the number of group guests and the associated revenue are declining compared to last year. Other revenue channels proved to be less affected than group guests as decreases were less compared to 2019 data. Bookings through the official OTA website have decreased 80 percent compared to last February, yet only 60 percent compared to last April, and only 20 percent compared to last July. The same trend of smaller declines can be observed in other channels as well, including bookings of KNR gold contracts which are on category among the IHG reward club. All revenue channels are currently recovering except for group guests, though the recovery has not been sufficient to prevent overall losses.

3. Decrease in Room Revenue

The decrease in the number of booking guests at the IHG hotel further affected room sales. The hotel had underbudgeted expenses and had fallen behind last year's revenue for June and July. In terms of occupancy, goals were not met in June or July, the rates of which were about 5 percent behind last year. In fact, room revenues for both months were below goals by around 30 to 40 percent, which was not a small falloff compared to the achievements in 2019. Revenues from rooms, dining, and meetings have had an overall decreasing trend compared to last year and are below goals set for this year. Average room rates and income from other outlets were the least affected, as they only decreased by less than 12 percent in June and 30 percent in July. Meeting revenues, on the other hand, were the most affected area with no less than an 85 percent decrease in both months.

Compared to last year, spending on labor and employee welfare decreased, as did spending on resources and management costs, and all were less than the budgeted expenses for the year. The only increase occurred in employees' salaries, which went up by less than 6 percent compared to last year and were 3 percent greater than budgeted expenses. The reason for this was that the hotel eliminated some positions and reassigned the tasks to other staff while boosting salaries. Furthermore, the Chinese government and insurance companies reduced social insurance costs paid by the company by more than

50%. Overall, spending on labor, resources, and management decreased as a result of the decreasing number of rooms booked.

4. IHG Service Improvement Program

The IHG group did not ignore such losses of revenue; instead, it seized the opportunity to improve its service. Despite the changes COVID-19 had brought upon the hotel, all IHG hotels have been required to take additional precautions such as disinfecting rooms, requiring employees to wear masks, and providing individual meals for guests. At this particular time, IHG's service improvement plan, which was instituted during the epidemic, is also worth mentioning.

First, we need to mention that additional registration requirements such as COVID-19 screening of hotel guests by the disease control department, scanning itinerary QR codes, registering telephone numbers, measuring body temperatures, nucleic acid testing to detect infections in guests from high-risk areas, and other procedures make guests feel that the hotel service is more rigid than warm. This causes guests to become more impatient upon check-in and leads them to feel that the entire check-in process is inefficient, especially when something a problem arises during it.

Consequently, the IHG group implemented a Problem Improvement Program as part of their management system. When there is an important issue that needs to be resolved, the hotel manager or supervisor follows the program to maximize customer satisfaction. The hotel's operation manager started the program to improve guest satisfaction by reducing mistakes during guest check-ins. I joined the program team as a data collector, assisting team members with all the data accumulated during the check-in process.

We separated the check-in process into two categories—"pre-check-in" and "checking in." After analyzing the data, we found that "pre-check-in," which comprises the accuracy of bookings, room availability, arrival time notice, and payment arrangements, has a greater impact on guest satisfaction. From data collected about the check-in experiences of more than 100 unsatisfied guests, around 89% had problems with booking accuracy, including the arrival date, spelling of names, method of payment, and type of beds in the room.

Furthermore, sometimes, the front desk supervisor or manager was absent when a problem occurred and the staff could not obtain authorization immediately, which wasted guests' time and did not demonstrate proper customer service. Data collected also showed that for around 56% of guest complaints, staff had to wait more than 30 minutes for a manager's approval.

In response to the "check-in problem," the Problem Improvement Program team implemented the following action plan:

- 1). Review the reservation standards, and provide additional training and practice for all frontline staff who book guest reservations.
- 2). Contact guests one day before their arrival date to confirm the reservation, especially arrival time, payment method, type of beds, etc.

3). Empower front desk team leaders to handle guest inquiries and complaints. After training, the hotel empowers the team leader to have the amount of complimentary limit.

During the reservation process at the front desk, we also found that the logbook was sometimes not sufficiently clear for employees on the next shift to follow; thus, time was wasted on consulting with co-workers. At times, guests had to repeat their inquiries to a different shift receptionist, and this made them tired of waiting and left them with a negative impression of the hotel.

Therefore, the front desk supervisor designed a new format for the logbook, making it very simple and clear. The date is printed on the top of the page, and the shift workers taking over at handoff need to sign off on each issue to show they all understand what needs to be done to follow up. After each item is completed, the shift leader must sign and provide a brief description of how the issue was resolved.

Two weeks after these actions were implemented, another customer survey was conducted, and the results indicated that guest complaints at check-in decreased by 79% compared with the first data set collected.

This Problem Improvement Program showed me how to resolve problems step by step, measure impact, collect data, and conduct an action plan; most importantly, it showed me how to implement a program and make it work consistently.

5. Discussion

The loss of revenues shows that the hotel industry is suffering from COVID-19 and its effects. Data gathered from the IHG hotel indicate that revenue loss from group guests tends to be greater compared to that from individual guests as companies and businesses are using online meetings to replace traditional gatherings, which appears to be safer and reduces their budgets as well. This is shown by comparing the percentage revenue decrease for group guests from February to July with all other channels, which showed slower decreases in revenue. The decrease in booking revenues would inevitably effect the hotel's room revenue, which did not meet the estimated goals for 2020 or the actual revenue from 2019. This trend of decreasing revenues exerts heavier pressure on wages and resources. Nonetheless, the hotel did take actions to rectify the situation, such as enforcing stricter health regulations and boosting work efficiency at the front desk to leave customers with a better impression of the hotel.

6. Conclusion

The COVID-19 pandemic has had a disastrous effect on the hotel industry, as fewer people are willing to travel and people are less inclined to stay in hotels. Such circumstances have resulted in less revenue and more expenses for hotels, which has forced them into taking appropriate action. Although the IHG hotel had been losing revenue from both bookings and room sales, the situation started to improve after it implemented new health regulations and improved certain aspects of its services.

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