

Quo Vadis Hospitality – The Future is Hybrid

Christian Walter, Global CEO of the PKF hospitality group

“Make plans for the future” – This has become more of a challenge over the past two years, as unexpected events have arisen and continue to evolve which have forced us to act and adapt. Nevertheless, especially in our industry, a closer look should be taken as to where the journey is going. There are great challenges but at the same time interesting opportunities. One outcome is already certain: the future will become hybrid. We are experiencing a new era where viewing things solely as black and white is ending. There is no longer Business OR Leisure; no longer City Hotel OR Holiday Resort; no longer Hotel OR Residential; and no longer Office OR Remote Working. The boundaries blur, everything is "fluid" and therefore exciting! Here are the most important developments.

Mega-trend serviced living

The biggest trend is the convergence between the residential industry on the one hand and the hospitality industry on the other. Hybrid solutions will be our future. Many new real estate developments will one day position themselves between the classic hotel and the conventional apartment. There will hardly be any new hotels that exclusively target guests who only spend one to three nights in a destination. Likewise, there will hardly be any residential complexes that will not offer elements associated with hotels (e.g., pool and sauna, concierge at the building entrance). Rising in popularity are serviced apartments, co-living concepts for students and young professionals and special living concepts for the elderly such as Embassies of Good Living. Hospitality meets residential is the keyword. The product range between these two poles is diverse and much of what will be in demand in the future has yet to come to market. This mega-trend is driven, amongst others, by sociodemographic change; the younger generations no longer strive so strongly for the classic status symbol of home ownership. Fewer people are getting married, and more people will not enter a long-term commitment for the rest of their lives. At the same time, mobility is increasing, work and leisure time are mixing, and life itself is becoming more complex. New products must deal with this change - if you don't get to grips with it today, you will lose out tomorrow.



The boom of leisure hotels

Leisure hotels are one of the big winners of the pandemic. For hotels that were not directly affected by the lockdowns, hosts in holiday destinations have been enjoying unprecedented demand in many cases. Many leisure hotels, especially those near urban centres and with comprehensive wellness offerings, are often fully booked for months. To a certain extent, this has something to do with peoples' pent-up demand. Who knows when the next lockdown will come? Will this remain the last pandemic of such magnitude in our lifetime? People wish to have the freedom to travel as long as they can. Claiming time for oneself for hedonistic reasons is just as important as spending time with one's family and friends. However, this will not remain a temporary phenomenon. Allowing oneself more frequent but shorter time-outs corresponds to the new reality of life. However, professional hotel operators with strong concepts and brands for the leisure hotel industry are lacking. There is an enormous need to catch up, as the focus of product development in the past was on urban hotels. Also, holidays, amongst others in the DACH region, can still be expensive and thus not affordable for broad sections of the population. What is needed above all are attractive concepts with the much-cited lifestyle-character, which also offer first-class value for money for young travellers, whether singles, couples or families. Many existing hotels come across as old-fashioned and are too expensive. To promote sustainable tourism, there must be more products in regional and national locations which offer an alternative to booking cheap flights to popular international destinations.

Visitor Economy - a paradigm shift

The concept of the visitor economy is no longer just about what a destination can do for its guests but also what the visitors can do for the destination. How can tourism ensure that the quality of life improves for the local population? Some negative examples of "Over-Tourism" are Venice and Barcelona. Of course, tourism is a source of income to the coffers and creates employment - but at what cost to the quality of life?

For the hospitality sector, this means that real estate developers and hotel operators should consider not only what the planned hotel must be able to offer from the point of view of the arriving guest, but also what it can offer from the viewpoint of the local population. Hotels are often perceived as foreign bodies in their respective environment used only by strangers. Yet, there are usually hundreds of people living around a hotel who would make use of hotel services if they were offered to them.

Gastronomy in some hotels has already taken a step in this direction. Hotel brands like 25hours or Mama Shelter have shown how it can be developed: A hotel restaurant can be a crowd-puller if it is not positioned as a hotel restaurant. If the hotel guest meets the local population there and not exclusively other tourists, the whole hotel becomes more attractive for the guest. Why not open fitness-, spa-, and wellness- areas to locals? Why doesn't the hotel accept the numerous undeliverable packages for the neighbourhood? Why not offer laundry services? Or even have your apartment cleaned by hotel housekeeping?

At the beginning of the pandemic, many investment experts named hotels as the big losers. The hard-won saleability of hotel real estate as a fungible investment was threatened. Today, one can say: And the winner is... Hospitality! This is also the case since hotels can integrate elements of other asset classes. The hotel can be an office as well as residential and living space. It can also cleverly integrate retail and much more.

The human resources dilemma and digitalisation

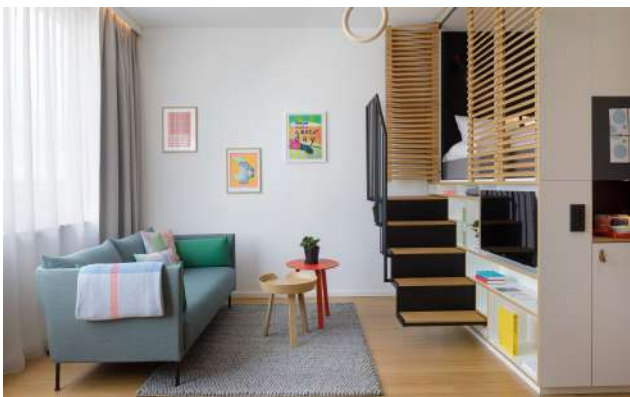
One of the biggest challenges faced by the hospitality industry and further accelerated by the pandemic is the significant decline in the availability of personnel. Dismissals and furloughs have led many associates to look for new opportunities in other industries. In some cases, there have been and continue to be aggressive recruitment campaigns by companies outside the industry scouting for personnel in the hospitality field, as they are known for their flexibility, diverse skills and resilience. At the same time, people have also used the pandemic as an opportunity to enter a phase of career reorientation. This massive exodus of personnel has further inflamed the shortage of skilled labour in the hotel industry and is causing damaging consequences on business – many accommodations and gastronomy establishments can no longer accommodate full operations even in the absence of restrictions.



The pandemic related migration is only a symptom and not the root of the evil. The industry is facing a structural problem – especially for younger generations, job profiles in the hotel and catering industry are simply not an attractive proposition. The omnipresent digitalisation or automation is no longer seen as a threat; it is crystalising for many employers as a partial solution to facing the labour shortage. There are many processes in a hotel or restaurant where digitalisation and automation lead to clear improvements. This especially holds true for redundant tasks which don't have a positive and enriching impact on the guest and employee experience. So, the future is again hybrid in this respect and represents a two track development: digitalisation and automation combined with the human element should be applied where it makes sense from the point of view of guests, employees and management. At the same time, the savings achieved must not only serve to improve the bottom line but, even more importantly, to improve the attractiveness of the working environment where employees can develop their true potential.

The bottom line

Where does this all lead us? It would be presumptuous to believe that we can predict the future of the hospitality industry in times of rapid change. One thing is certain; change is here and adaptability through flexibility is a strength of the hotel industry. It is time to shed old crusts and break new ground - a departure from the return to normality. The future is bright!



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