GOOD TIMES right time to plan for downturn

"THOSE WHO CANNOT REMEMBER THE PAST ARE CONDEMNED TO REPEAT IT." — George Santayana

The outlook shared by the majority of U.S. hoteliers remains cautiously upbeat. The prolonged up-cycle continues, and industry pundits predict 2019 will more or less mirror 2018. Times are good.

Now is the perfect time to plan for the downturn because ready or not, blip or a bust, cycle shifts are inevitable, and it is much better to have a plan in place before the leading economic indicators begin their negative turn.

The hotel's core team — management, accounting, operations, revenue management, sales and marketing — should work together to determine exactly how the organization will respond during the downturn. This will ensure that everyone is on the same page and that team members possess a firm understanding of their individual roles, responsibilities and expectations.

To ensure buy-in, a draft of the business plan should be shared with the hotel's key stakeholders to refine details before the downturn occurs and financial pressures begin to mount. It will also aid in smoothing out the edges of potentially negative conversations later. The plan should focus on a few key priorities:

Aggressively manage cash reserves. Ensure that the hotel possesses enough cash to survive the downturn. Take the necessary time to review cash on hand, current cash flows and existing financial arrangements with lenders to determine the hotel's access to cash. Hotels that are financially able to maintain product quality, service levels and ADRs will be in a significantly better position to both push through the downturn and enjoy a more timely return to profitability.

Benchmark religiously. Without an early and clear view of the hotel's data points — financial and non-financial — it is impossible to make smart, game-changing decisions. Ensure that the team is benchmarking every aspect of the hotel's performance so that trends can be discerned, evaluated and discussed. The sooner that trends are identified and acted upon, the greater chance of making meaningful course corrections.

Manage revenue management. Historically, downturns shift pricing to consumers. Ensure that the revenue management team is prepared — both strategically and emotionally — and support their efforts to hold RevPAR over occupancy. In the last downturn, hotels that fought to maintain occupancies by significantly reducing rates, and placing more inventory in the hands of the OTAs, learned a costly lesson. Empower the revenue management team to develop data-driven scenarios for the plan with strategies focused on slow-moving changes. This will help mitigate overreactions to competitors focused on occupancy.

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Don't cut back on marketing. Hotels should step up marketing efforts and focus on connecting with previous guests, drawing customers away from competitors and expanding their customer base. Hotels with the most forward-thinking and aggressive marketing, including social media and other forms of direct marketing, will be better positioned. Marketing can also assist with determining ways to make the most of current customers, whether through increases in the quality of customer service, identifying and implementing up-selling opportunities, or developing enticements through value-based bundling/packing.

Review purchasing and inventory management practices. Just because hotels have always ordered from a particular supplier or performed inventory management in a particular way doesn't mean practices can't change.

Take time to discuss other strategic approaches and ideas with your team. Can declines in the hotel's ADR be supplemented with additional revenue from other departments? Start a dialogue and begin the habit of discovering ways to combat the downturn as a team.

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