

WHITE PAPER

Why Partnerships Will Drive Success For Your Hotel Post-Covid

The impacts of COVID-19 on the hospitality industry have been far-reaching, with [global GDP shrinking 4.6%](#), and, in the US alone, [travel spending shrinking by more than \\$500B](#) nearly overnight. Despite a slow uptick in travel in the Americas and parts of Europe, uncertainty remains while covid cases continue to spike in other areas of the world.

As early in the pandemic as June 2020, hospitality leaders at the 42nd annual NYU International Hospitality Industry Investment Conference spoke a common language about resilience and, specifically, the importance of working together across the industry for business survival. “We’re learning how to operate in this environment; we’re learning how to make customers feel safe. And that’s what we have to do as an industry: all of us have to work together,” IHG CEO Keith Barr told the virtual crowd at the event.

This sentiment has prevailed throughout the pandemic and into early stages of recovery: partnerships are key to success and maybe also survival. While strategic partnerships can sometimes be challenging to implement and sustain, many recent instances show they are worth the effort.

In this white paper, learn why partnerships are the key to success and learn takeaways from recent innovative strategic partnerships in hospitality. Plus, find out how to choose a strategic partner, get the most out of your partnership, and measure the success and efficacy of the partnership.



THE IMPORTANCE OF PARTNERSHIPS

While competition has historically been fierce in the hotel market, many hotels, agencies, and other industry players are leaning on one another to navigate the complex landscape of covid recovery, with the intention of staying afloat despite all odds. Even pre-pandemic, why is partnering important in hospitality? Below are three reasons why partnering may be key to success.

Access to Expertise

The hospitality industry is [one that requires a wide range of expertise](#)—food, wellness, technology, and, thanks to COVID-19, sanitation—and this range is difficult to provide alone under normal circumstances, let alone in the leaner financial times precipitated by COVID recovery.

Prior to the incremental pressures of the coronavirus pandemic, industry analysts had long observed the market conditions of how [heavy competition and low profitability tend to breed strategic partnerships](#). While in the past, acquisition was perhaps the most common partnership route to growth in hospitality, according to research by Cornell, this route [may negatively impact a company's ability to remain agile to shifting market dynamics](#), like customer preference or competitor activity.

Today, the same conditions that encouraged buyouts are heightened like never before, with McKinsey predicting [the worst-case scenario still has hotel RevPAR down 20% below baseline by 2023](#). Making the desire for more atypical partnership structures commonplace. Whatever the nature of the alliance - short-term promotions, mid-term unions, or long-term alignments - partnering remains a viable strategy when market conditions go from bad to worse, and the creativity seen in modern hospitality partnerships is a testament to market evolution.

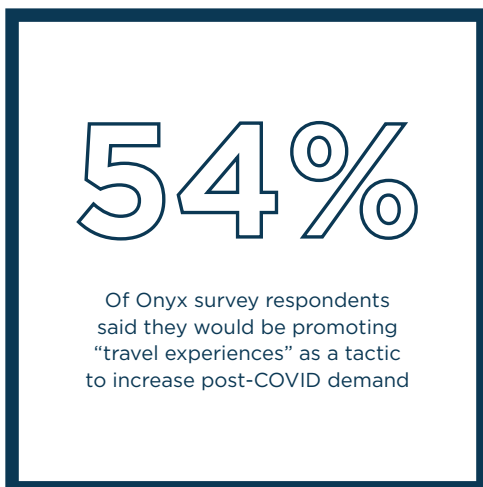
High fixed costs

Hotels have long struggled with high fixed costs, particularly in certain segments. McKinsey estimates that [a luxury hotel needs occupancy rates 1.5x higher than economy hotels](#), and many require more than 100 employees to operate. With so [many hotels facing substantial furloughs among staff in 2020 and into 2021](#), and with analysts still unsure about the recovery timeline or even when true

“recovery” is set to begin, a partnership is one effective way to achieve more within financial constraints, and with a smaller workforce.

Globalization & growth

Globalization and recognition on a global scale are important as [cross-border flows of people and capital](#) expand. For many hotels, international brand recognition is only achievable through a partnership. Alliances of this nature always support growth and increase of market share in constantly-evolving markets. This has never been more relevant than in our post-covid modern day.



US-based hotel chain Marriott, for example, has [a global presence in 110 countries spread across 30 brands](#) and in recent years stated [half its pipeline was outside North America, skewing towards fast-growing international markets like India and greater China](#), where their RevPAR was up 12% year-over-year in the first quarter of 2018. This was in part thanks to Marriott’s partnership with Alibaba, which enabled Chinese users of the web commerce titan to book rooms directly through the

Alibaba site and leverage Alipay for payment. While these market titans have leveraged their partnership for massive growth, the same learnings can be applied to a hotel partnership of this nature at any size or scale.

INNOVATIVE PARTNERSHIPS – AND WHAT THEY TEACH US

Besides Marriott, a number of other global hotel brands have formed innovative or unexpected partnerships in response to recent market demands or challenges, and each alliance has its own lessons and takeaways. Below are four recent examples of hotel partnerships leading to innovation in the market.

An Experience Unlike Any Other

In November 2020, [Accor announced its novel partnership with Ennismore](#) to include 12 brands with nearly 300 hotels planned. Dealmakers highlighted their focus on customer analytics leading up to the partnership, with a priority on

experience-led brands, which they argue may mean more to travelers than, for example, a premiere location.

According to Accor CCO Yigit Sezgin, the Ennismore partnership positions Accor to become “the LVMH platform of this field,” referencing the French multinational luxury goods conglomerate named for its prestigious fashion and liquor flagships, Louis Vuitton and Moët Hennessy, respectively, and encompassing roughly 75 luxury brands, mostly in fashion and fine jewelry.

Fifty-four percent of respondents of a recent Onyx survey noted that they would be promoting “travel experiences” as a tactic to increase demand post-covid, and this innovative partnership is an example of a travel experience alliance at work.



Cleanliness and Peace of Mind

Global hospitality brand Hilton launched its CleanStay with Lysol Protection [partnership in June of 2020](#), bringing in the Mayo Clinic as a collaborator and advisor to focus on cleanliness. As a departure from pre-pandemic common practice of performing cleaning duties after hours or behind the scenes, guests have provided feedback that they enjoy peace of mind when active cleaning is underway regularly and consistently visible to guests throughout their entire stay.

These cleanliness measures are consistent with results on a recent Onyx market survey, where nearly 40% of hotels listed promotion of safety protocol as a tactic they will leverage to increase demand. Safety and sanitation were also a top-three financial priority for 2021 among respondents. Through the Hilton CleanStay initiative, guests are able to depend on visual cues like doorknob seals

signifying their room has been recently sanitized, as well as extra disinfection in high-touch areas and expanded options for contactless check-in. This partnership around sanitation, which is [top of mind](#) as guests consider more travel plans, is in direct response to market needs and guest preferences.

Luxurious Sustainability

In the US, sustainability-forward hotel brand 1 Hotels recently [announced an exclusive partnership](#) with Audi, offering electric vehicles to its guests in Los Angeles, New York and Miami. Guests can experience Audi vehicles through guest shuttles, chauffeured drives, and even local excursions that enable guests to test drive the vehicles.

This luxury alliance enables the two partners to highlight their shared commitment to sustainability and carbon neutrality, while working together to meet a common need for their target demographic—transportation—in a modern and stylish way, at an exclusive rate.

Supporting workforce through the pandemic

A number of global hotel chains, including [Wyndham](#) and Hyatt, partnered with organizations to facilitate retraining and hiring of furloughed staff to full-time, part-time, or temporary positions to meet changing market demands early in the pandemic. These organizations included Amazon, Walgreens, Walmart, Lowe’s, and even some medical organizations. “In such difficult and destabilizing times, it’s more important than ever for businesses to come together to help serve those who need us most,” said Mary Falvey, chief administrative officer at Wyndham Hotels & Resorts, [in a press release last year](#). “Our team members are the best of the best—their passion for hospitality makes them ideal candidates to help fill these essential positions on a temporary basis. We’re grateful to partner with other leading companies who recognize and celebrate the skillset and service these team members can provide while the hotel industry works to overcome the impact of this crisis.”

A large graphic of the number 40 followed by a percentage sign, rendered in a blue outline font.

Of Onyx survey respondents
said that safety protocol
would be an essential tactic to
increase demand

CHOOSING A STRATEGIC PARTNER

Ensure Success of Your Partnerships

With such a variety of partners to explore, how might a hotel determine the optimal alliance to form? The [wrong partnership](#) can result in lost revenue, unhappy or confused guests, and potentially a damaged brand. If you are committed to a partner strategy, strengthen these capabilities as a part of your core business to ensure repeatability and always consider lessons learned from past partnerships. The best way to mitigate the risk of a suboptimal partnership is to take a data-driven approach, and each lesson learned is a data point to help guide future decisionmaking.

Assess Your Strengths

Identify the strengths and opportunities of your brand to determine how potential partners might be complementary. Would an alliance strengthen the weaker areas, or play to the strengths? Would a partnership help you deepen your foothold in a certain market segment by adding incremental value to your core demographic, or help you expand to new market segments and new demographics? Whichever the scenario, the best partnerships will be rooted in the goals of your business and support the direction you wish to take.

Align the Partnership with Key Business Goals

A well-designed partnership can help lift revenue, expand market share, decrease overhead costs, improve brand recognition or reputation, or accomplish other business goals (note: rarely will one partnership accomplish many of these goals. Start with one or two).

Identify those key goals upfront to be intentional about how to structure a partnership to support them. For example, data shows that [young, domestic and less risk averse travelers](#) are likely to lead the sector during recovery. If this is not your target demographic but you are eager to unlock early-recovery revenue, consider aligning with a partner who can help you tap into that market.

MEASURE YOUR PROGRESS & CONSIDER THE FUTURE

Just as one might prepare a dashboard to measure success, when opening a new hotel or launching a new campaign, a metric-driven approach to a partnership is wise. Measurement at regular intervals throughout the initiative is recommended, with key performance indicators selected and agreed upon in advance. While return on investment of a partnership is top of mind in evaluating its success or even determining to enter into one, it is also beneficial to consider softer metrics like brand recognition and reputation and how these will be impacted over time by the alliance.

Visualize Your Future Business

It is also wise to consider the future. As the market evolves, guest preferences change and your business needs may change. Discuss these potential change factors before signing a lengthy partnership contract, or consider more flexible terms that allow for the partnership to take a different form in the future. Both partners should realize value from the alliance, and feel secure in the terms and details. In the consideration process, interview stakeholders who have partnered previously with that company to understand their experience and lessons learned.

As the hospitality landscape continues to evolve in response to post-pandemic factors, partnerships may be route key to survival, growth and success. Expect to see continued announcements of innovative partnerships, pushing the boundaries and disrupting the marketplace as market needs shift.

To learn more about how Onyx products can help strengthen your hotel or travel agency partnerships, [contact Onyx today](#).