

Brands

How brands defer, adjust standards to aid franchisees

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Amid a sustained drop in demand, brand partners are seeking to lower costs for owners and franchisees who are trying to cover expenses and build back revenue.



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REPORT FROM THE U.S.—Hotel brands tout, among other benefits, the appeal of consistency to guests—being able to reasonably expect the same guest experience at any hotel under the same brand regardless of its location.

By making a promise of certain standards, the hotel brands hope to earn guests' trust and loyalty.

Many hotel owners look to tap into that trust, as well as global distribution platforms and loyalty programs, by joining a brand—weighing those benefits against the franchising fees and capital expenditures necessary to maintain the brand's standards.

But this year, the global hotel industry has struggled through the COVID-19 pandemic as demand dropped to historic lows. Hotel franchisees, hurting from a sustained loss in business, turned to their brand partners for some relief as they tried to manage costs and rebuild what revenue they could.

Working with owners

Extended Stay America is fairly new in the franchise game, but its owners have been receptive to the brand's standards, said Mike Kuenne, SVP and chief customer experience officer at ESA, via email. Owners are always going to push back on some things, depending on how significant the change is, he said.

“Owners who have come into our system understand our model and it works well,” he said. “They question some things from time to time, which is appropriate, and we appreciate that feedback. Anything in response to COVID, our franchisee partners have been immediately on board.”

Changes to standards as a result of the pandemic so far haven’t had a negative impact on the company, Kuenne said. In fact, customer satisfaction scores have increased throughout the pandemic, he said.

To meet guests’ expectations and offer peace of mind, Choice Hotels International has made changes to its operational standards while also reducing franchisees’ total cost of ownership, said Megan Brumagim, VP of brand management, design and compliance at Choice, via email. Those changes include F&B offerings, housekeeping models and check-in processes to better reflect the reality of running a hotel during a pandemic.

“These efforts will lead to tens of thousands of dollars in savings a year for the average Choice-brand hotel,” she said.

Building trust through cleanliness

Early on in the pandemic, hotel brand companies came forward with new cleanliness standards to maintain some level of demand by assuring guests they could safely stay in hotels.

The pandemic has dramatically changed consumer behavior, particularly regarding cleanliness expectations, Brumagim said. Choice Hotels International launched its Commitment to Clean initiative aimed at boosting consumer confidence by building on its longstanding dedication to cleanliness.

“We’re committed to continuing to provide new, innovative resources so our owners have the support they need to be successful,” she said.

Hyatt Hotels Corporation has made concessions in consideration of the unprecedented challenges facing the industry, said Frank Lavey, SVP of global operations at Hyatt.

“However, we know that in order for our guests and colleagues to feel comfortable returning to hotels, there are certain standards that cannot be deferred,” he said.

To grow that confidence and, in turn, grow back business, Hyatt established its Global Care & Cleanliness Commitment in April that enhances that company’s “already rigorous” cleaning protocols, he said. The goal of these new standards is to help “give travelers peace of mind in choosing Hyatt when considering travel.”

Wyndham Hotels & Resorts took an aggressive position in making sure it could develop trust with the traveling public, said Mike Mueller, president of the Super 8 Hotels brand.

The company’s Count On Us program, an extension of its service culture known as Count On Me, was consumer-facing and meant to show its hotels were following the right protocols to keep properties safe and clean. The program included the distribution of sanitizing wipes and hand sanitizer in public spaces as well as ensuring franchisees were using reputable products and using them correctly.

Relief on fees, PIPs

Choice has worked with franchisees one-on-one to provide customized support that helps them financially, Brumagim said. Some of these measures include implementing a tailored fee deferral program as well as suspending guest relations and reputation management handling fees. Choice has also paused property-improvement-plan inspections through the end of the year and is deferring capital-intensive deadlines to 2021 or beyond.

“In addition to the programmatic changes we’ve already made, we will continue to look for ways to help reduce the cost of hotel ownership for our franchisees,” she said.

Wyndham announced a fee deferral in mid-March, letting franchisees defer fees that accrued through March, April and May interest-free until 1 September, Mueller said. It also reduced fees related to property management systems, revenue management and loyalty retraining by 50% to 100%. Many of these fee deferrals have been extended through the pandemic, giving owners breathing room until business starts to pick up again.

After addressing that immediate need, Wyndham looked at longer-term issues, Mueller said. The company had a lot of franchisees with property-improvement plans coming up. Recognizing that capital investment was going to be difficult for owners, the company pushed required PIPs into 2021, Mueller said. Company executives also decided to not introduce any new brand standards requiring capital expenditures until 2021 at the earliest.

“That has proven to be really, really helpful to our franchisees as they try to recover without having to lay out capital,” he said.

New operations standards

Choice developed the Housekeeping Upon Request program, offering guests flexibility on daily housekeeping, Brumagim said. Guests can receive the normal daily service, receive it after the second or third night, or forego it completely.

The brand is also piloting a new system using technology to streamline the hotel arrival experience. At Cambria-branded hotels, the Cambria Contactless Concierge Service is a text messaging service for housekeeping requests, to-go food orders, meeting room requests and more. The service further limits guests’ interactions with hotel staff.

Wyndham has been looking at how it can help owners with guestrooms, Mueller said—for example, reassessing items that were standard for the room, such as in-room coffeemakers and marketing items like pens and pads, that clutter the room or require housekeepers’ attention to either replace or clean.

“We’ve allowed our franchisees to remove those items for the time being, and we’ll see where this takes us over the long term, but to make them available to guests upon request,” he said. “If you need an iron and ironing board, maybe it doesn’t need to be in your room, but it can be in the storeroom and we can have one sent to your room, or you can pick it up at the front desk. That seems to have been a really effective tool for reducing housekeeping time, which is a great challenge.”

F&B changes

ESA has suspended its grab-and-go breakfast program out of concern over being able to serve effectively and avoid any contamination, Kuenne said. However, as things evolve, it may want to bring it back at some point, he added. In the meantime, other hotels that have traditionally offered breakfast are switching to the grab-and-go model, too.

“We communicated these changes out to franchisees and are in process now of re-evaluating where we can potentially add some of those back on a trial basis to see how we can do,” he said.

Choice has made several changes to its F&B offerings to meet guests’ preferences during the pandemic, Brumagim said. While many of its brands are well-

known for free breakfast buffets, the company shifted to offering pre-packaged breakfast options.

“Currently, we are in the process of implementing the next phase of our modified breakfast approach, which is focused on delivering a complimentary hot breakfast in a way that is safe for guests and operationally feasible for owners,” she said.

Most hotels under Wyndham’s portfolio umbrella offered a free continental breakfast while some of the more upscale properties had a more expensive breakfast, Mueller said. They moved to pure grab-and-go options across all brands early on and have maintained that practice since.

“We had originally decided that would go through the end of this year, and that’s still true, but we’ll be looking at it in the first quarter to determine if an extension on that relaxing of F&B standards is appropriate for 2021,” he said.

F&B costs are a recurring discussion within the franchise community, so the move to grab-and-go offerings has significantly reduced costs as they are about a quarter of the price of laying out a full breakfast, Mueller said. Pulling back from the traditional F&B programs has also helped the hotels connect more with the community by having hotel staff direct guests in search of other options to local restaurants that would better suit their needs. These referrals can also help the franchisees as many of them own fast food franchises as well.