

The Hotel Yearbook 2023  
The Uncertainty New Normal



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# The Uncertainty New Normal

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### Synopsis

In this article, Michael Levie discusses the challenges faced by the hospitality industry in the wake of the COVID-19 pandemic and how it has resulted in uncertainty becoming the new normal. The article highlights how the pandemic has resulted in a lack of staff and antiquated technology that has impacted the ability to sell to capacity. The article suggests that the only way to break this new mold of uncertainty is to differentiate the product by changing and creating new business processes. The article suggests that the industry should learn from other industries, such as Tesla and retail, that have successfully adapted to change by focusing on the customer's needs and adopting new technologies.

Uncertainty has unfortunately become the new normal in many industries, especially the hospitality business.

The Covid impact, socially and financially, had already hit us all extremely hard, when it was immediately followed by the Russian war against Ukraine. In turn, this was instantly followed by rising inflation and interest rates. After OTA's becoming part of the booking landscape and Airbnb reducing hotel bookings, we now see the rocket-like rise of apart-hotels, e.g. brands such as Sonder or Edyn. For sure, there is more disruption heading our way...

After laying off much of our workforce during Covid, our ex-employees were forced to look at other income opportunities. Other industries provided that need, at better pay and secondary conditions, blocking any interest or hope for the hospitality industry to welcome them back.

The video conferencing and computer use that we were forced to fall back on during Covid further accelerated the positioning and use of "digital" everything.

This lack of staff has impacted our ability to sell to capacity, and our legacy and strongly antiquated technology won't allow us to introduce meaningful digital tools.

The end result for the hospitality industry of all of this is **uncertainty!!!** I sometimes get the impression that a vast portion of our industry is in a permanent state of fatigue.

To overcome the current uncertainty, it is necessary to **differentiate** our product. To do this, we must be willing to adapt and adopt successful practices from other industries.

During Covid, there was in fact plenty of time to focus on this shift, but innovation and creativity are hard to find in a strongly under-educated hospitality industry, so most organizations missed this opportunity.

If, in a 5-10-year period, retail banking can disappear altogether from our streets, and if "digital everything" works for the airline business and retail, what will it take to fuel that shift for hotels?

Here are some thoughts and suggestions:

### Rethink your tech and data architecture

The PMS can't function anymore as the "connector" system. PMS functionality will be reduced to its original functions only: inventory management and guest on-premise administration. Middleware or contemporary more open-source / API-first platforms will take over the connecting and system of record functionality, resulting in data flow and the ability for hotels to get to know their guest, improve their life cycle engagement, and facilitate a digital conversation. The technology is already here; there's no excuse to ignore this new enabler!

### The post-Covid guest is willing to adapt

Let's capitalize on that and break the mold – or should I say the "Holy Cow syndrome" – of traditional hospitality service delivery. If Airbnb and apart-hotels can become overnight successes offering no F&B or other services, who says hotels can't change?

If digital apps provide touchless 100% guest journeys from reservation to check-in and from smartphone room key entry to check-out, a new world opens as well for hotels to change the traditional lobby and front desk. If services become too expensive and unaffordable for hotels to offer, then let's reduce to those services that differentiate us from the rest.

So, no more discussion about "this is how we have always done it," or "the guest won't accept it." Let's learn from other industries;

**Automotive industry** - I am sure that when Tesla was launched, all major car manufacturers first discounted the possibility that all-electric cars would have a future. They missed the very fact that the environment has been on the customer's radar and the government's political agendas. Only after accepting that internal-combustion cars will become a thing of the past, they jumped on the bandwagon. Guess what, their profound knowledge and experience, correctly refocused, has resulted in all major brands now competing head-on with high-quality electric fleets of their own.

**Retailers** - never believed that shopping and stores would have a chance online. Today we're familiar with "experience stores" and almost all retail brands are as strong online as in high street shop retailing.

**Aviation** dealt with the high labor cost of operations, basically forcing their customers to start handling most of the administration. Quick, minimal-click reservation was followed by upstream administrative work undertaken by the customer himself, like passport or credit card payment/information and digital check-in. Boarding passes are held in our digital wallets, and customers are handling tech-enabled baggage drop-off systems.

**Digital banking** has become the norm, with digital wallets holding debit cards for payment, and applications for a loan or other financial services filled out online and followed by a videoconferencing call from banking specialists...who probably work from home with a company backdrop screen.

So, if uncertainty is the new normal and we the hospitality industry like everyone else have to react, what are some must-do's?

- Stop complaining and accusing everyone else of our demise – this would be a splendid start.
- Followed by zooming out of our day-to-day worries/operations by taking a hard, analytical look at our business. Who is our main client and what are their service/product expectations? What are they willing to pay for, what is at a premium to them, and what can be cut without impact? As a start, asking your client directly and having the conversation may be of immense value.
- Are we willing to accept hard changes? Close restaurants, bars, and meeting spaces operating at a loss, finding new use and income for wasted space in our buildings?
- Are we ready to change and reduce service offerings, allowing operations with less staff? Are we finally convinced that hi-tech and hi-touch can go hand in hand, again allowing us to operate more efficiently? Do we understand that digital is a contemporary demand, not a nice-to-have gadget...and do we understand it can seriously reduce operating costs as well?
- Do we understand that if we solely rely on consultants and vendors to sell us hospitality technology, without CTO knowledge from our teams...we will never ever get the technology architecture right? No tech architecture, no data flow, no digital!!!! Tech unlocks digital!!!!

Obviously, the list is long, and for sure it adds to our uncertainty...

Bold moves, hard decisions, and true differentiation are the only answers to getting back to a sustainable future for our industry.

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#### **Michael Levie** — Hospitality Changemaker and Co-Founder of citizenM

Michael Levie; upon graduating from Essec MBA in hospitality management (IMHI Cornell / Essec), worked for various international hotel chains including Sonesta International Hotels Corporation and NH Hoteles all over the world. As Vice- President of Operations he managed large hotel portfolios. Michael also worked for SynXis, where he started and headed up the European office. Most recently, Michael Levie served as a founding partner and COO at citizenM hotels.

#### **KUBE Ventures** — kube-ventures.com

KUBE Ventures incubates and accelerates start-ups in global hospitality. Incorporated in Singapore by Michael Levie and David Keen in 2021, KUBE Ventures will officially launch in Dubai in September 2021 at the Arabian & African Hotel Investment Conference. The company now has 18 actively participating shareholders. KUBE Ventures is guided by two entities. KUBE Circle, a member community of established individuals in the hospitality industry, and KUBE Conscience, an empowered and diverse advisory board.



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