



Discussion Paper

IMPACTS OF COVID-19
ON
REGIONAL AUSTRALIA ACCOMMODATION

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Hello!



ANANAS
CONSULTING

Our speciality is to create a unique hospitality experience for guests and owners alike. Our focus is to maximise value and optimise returns through ultimately providing guests with a safe and experienced focussed stay underpinned by our passionate service philosophy.

We started Ananas Consulting so that we could grow our entrepreneurial muscles and use years of hospitality experience to improve the bottom line for owners.

With over 25 years in leadership and management roles for large, global hospitality companies we are well placed to maximise value and optimise returns by ultimately providing guests with an experience-focussed stay.

MICHAEL SMITH

IMPACT OF COVID-19

WE KNOW WE MUST PIVOT - BUT WHICH WAY?

Now is the time for hotel owners and operators to set strategic direction post the immediate COVID-19 period. A roadmap for the future that acknowledges there will be twists and turns along the way is the most valuable tool an owner can provide at this time. We know it won't be business as usual but there will be a business! What it will look like is the owner's decision.

HISTORY HAS SOME LESSONS FOR US THAT WILL HELP

The hospitality industry, and specifically hotels, has been through periods of disruption before. Think pilots strike, Ansett collapse, September 11, SARS, GFC.

Historically the results of deep shocks to the industry have meant that **Occupancy** returns a lot quicker than **Average Room Rates**. This has a lot to do with a portion of the Market Mix experiencing contracted pricing which is slow to grow and return to previous levels.

Supply adjustment will occur. There will be hotels that do not re-open either in the short term or at all. Many **Airbnb** properties will return to long term rental (already being demonstrated).

The Leisure, Conference and Corporate segments of the market will respond in different ways. The impact on regional properties will be different to CBD hotels but keep an eye on the effect on room rates.

History tells us that to "wait and see" is a luxury we cannot afford. It is difficult to forecast future results but as owners we must consider what may happen once restrictions are lifted. We must make decisions, so our hotels are all fired up and ready to go. In this new order, changes may have to happen along the way.

Using our **STRENGTHS**

A SWOT analysis serves as a guide when looking at the challenges being brought on by COVID-19. It gives us the ability to be analytical and industry aware. In our strategic approach, and particularly when looking for quick results, we need to focus on playing to our strengths while remaining aware of threats. In the medium to long term we can focus on the weaknesses and capitalise on opportunities.

Ananas Consulting has produced a SWOT analysis specifically for regional hotels in Australia. Visit our website for more information.



SWOT ANALYSIS

Strengths

Not reliant on air travel.
National, State and Local expenditure on Regional Tourism.
Coronavirus exposure low risk for corporate travel.
Project driven corporate and small SME employees need to travel to the region.
Conference room sizes good for what will be demand for smaller conferencing.
Outdoor spaces associated with conferencing good for social distancing practices.
Region is less densely populated.
Food offering focused on local produce.
Attractive to slow Tourism.

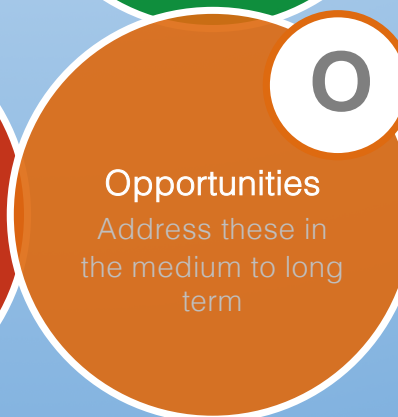


Weaknesses

Limited market segments to grow new opportunities.
Tired product not conducive with luxury, nothing like home stay.
Non-flexible cancellation policies.
Not attractive to Millennial travellers. (this market will travel).
Did not use this down time for repairs and maintenance.

Threats

International borders opening quickly.
5 Star Hotel prices get very low which sees your prices not of value.
Not perceived as a bushfire affected area.
Second wave of Coronavirus cases.
Further economic impact reduces people's ability to spend.



Opportunities

Transition product to build confidence with guest.
Tap into government funding to promote property and region.
Have affordable labour cost saving measures.
Bring a new more attractive Food and Beverage offering.

Market Analysis

INBOUND TOURISM

Inbound tourism will continue to be challenged by travel restrictions. As Australia opens its borders it will most likely be a staged opening which ultimately will keep numbers low. While exchange rates are more attractive for Inbound verses Outbound tourism, all economies of the world have been affected. Pre COVID-19, capital cities and regional towns attractive to Inbound tourism had seen Hotels doing strong numbers and buoyed by double-digit growth from China. These hotels will competitively be looking to attract room nights from other segments.

EXPECT:

- Return of Inbound tourism numbers to be slow
- Room rates to be heavily discounted
- Tour operators to lock in low rates for long periods
- Rates to remain low as contract periods run down
- A flow on impact in regions

CORPORATE TRAVEL

Corporate travel has been restricted through border closures and this will continue due to WHS issues and the emergence of Zoom meetings demonstrating a replacement for travel.

Because corporate travel to regional hotels is mainly from SME's and individuals who drive, this type of travel will be low risk and therefore likely to be at good levels.

Procurement teams for large corporates and in time, Airlines, will be able to negotiate low rates. Whilst not having a direct influence on regional properties it is good to understand the challenges and impacts on Luxury 5 star CBD hotels and how it plays on pricing for staycation and conference segments.

MARKET ANALYSIS

LEISURE TRAVEL

Domestic travel, and particularly self-drive markets, may offer a beacon of hope for the beleaguered hospitality industry.

Prior to the coronavirus pandemic, more than half of people surveyed* indicated future travel plans were influenced by bushfire recovery initiatives. With Air travel taking a big hit, both internationally and domestically from a health risk perspective, there is a definite focus on travel to less densely populated areas and reducing health risks.

Governments are already demonstrating a focus on growing intrastate tourism. The nation, through the impacts of these unprecedented times have become more patriotic. Sitting in isolation, they can plan that in the short term a trip to Byron Bay is possible but to Paris might be a long way off.

Business does need to consider available annual leave. In the initial stages of COVID-19 economic impacts the governments Jobkeeper stimulus had not been activated and employers had employees utilise any outstanding balances of annual leave. This again highlights an upside to short trips rather than long interstate holidays.

*(MyTravelResearch.com)

Slow tourism will be a focus. This means travellers will move at a pace that allows rediscovery and a connection with locals and their culture. It is an alternative to both the hurried traveller and to the sun and surf mass tourism of places such as the Gold Coast. Growth of staycations and slow tourism does require governments to provide the necessary infrastructure, but it does align perfectly with the promotional investment seen in targeting Bushfire, Drought and now COVID-19 impacted destinations. Such campaigns as did the “Empty Esky” and “Open for Business” initiatives resonate perfectly for slow tourism.

The Leisure segment is the easiest to price in that it revolves around demand-based dynamic pricing; and with the move to online distribution, prices can be changed or restricted at a push of a button. This segment in itself should see prices grow as demand grows but it needs to also compensate for low demand from other segments.

The big positive for regional accommodation is that a large part of its business model is focused on the Leisure segment. While regional properties may not be able to benefit from other segments such as airline crew, large corporate and inbound business these segments currently have are heavy government restrictions, and it is good that the segment which will see the greatest growth is leisure.

Market Analysis

CONFERENCE AND EVENTS

This segment is the hardest to anticipate. Will restriction on overseas travel lead to more events domestically? Will social distancing restriction and corporate concerns around WHS reduce the desire to hold conferences? When companies restart or restructure their business model, will this drive a need to conference to communicate strategy quickly and effectively? Advice is that this market will see a reduction in activity compared to pre-COVID period. It also needs to be understood that corporates will have budget limitations and a reduced workforce, and if they do engage in conferences and events, these will be smaller in nature.

In future, the pricing approach to Conferences and Events will need to be one of **‘Qualify and Customise’** before quoting to maximise all opportunities.

Generally the size of the conference rooms in regional properties are of good size for smaller gatherings and there are great outdoor spaces which are conducive to social distancing. Travel to regional destinations will be via car or coaches which reduces WHS risk.

The pricing strategy during this time for this segment will need to adjust to more of an individual event customised approach. Competition for each particular, Wedding, Conference, or Event will be different. For example, an enquiry may only be looking at spaces around your region, in that case there is an opportunity to yield price. If the client is looking at Regional verses CBD, then there is a need to be more competitive.

Understanding the individual's needs and thinking before quoting should be the focus rather than a set DDP (day delegate price). Wedding offerings should be scaled around the couple's ability to pay.



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Our focus is to maximise value, optimise returns through ultimately providing guests with a **passionate service philosophy** and **experience focused stay**.

We provide a complete package,
or you can select any component that **meets your needs**.

You are in control.....

www.ananasconsulting.com.au

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