



Red to Black

REVISITED

C O S T M A N A G E M E N T P O S T C O V I D - 1 9

H O W L E S S O N S F R O M T H E G F C C A N H E L P U S N O W

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



Managing Costs as we come out of COVID-19

It is very likely that the coronavirus pandemic will have a tremendous impact on revenues due to both falling occupancy and average room rates. This impact will fluctuate depending on your property's location and your reliance on certain markets.([Here is](#) an earlier discussion paper on this topic)

While the impacts of COVID19 are unprecedented , the hospitality industry and particularly hotels have been through periods of disruption before. During my involvement in hotels I can clearly remember the effects from the Pilots' Strike, Ansett collapse, September 11th, SARS and the GFC.

As revenues were affected then costs needed to be trimmed to achieve a reasonable level of bottom line profit. While taking short term reactive measures are inevitable. These past challenging periods highlighted that businesses that deployed sustainable cost reduction strategies significantly outperformed the competition and emerged strong and profitable.

During the GFC period of 2008 I was working for Accor - one of the world's largest hotel management companies. I was tasked by head office to prepare a list of cost cutting measures which could be rolled out across the entire Group. This document was called "From Red to Black". General Managers who were around then tell me they have now pulled out the Red to Black playbook to help them through the aftermath of COVID-19.

Getting the balance right

In preparing Red to Black my major concern was about balance. Incidentally a word we are hearing a lot about from political leaders at the moment. This is not a new message. We know that for every action there is a reaction (Newton's Law). If we just remove expenses this will have a bearing on both guest and employee satisfaction. When we think about satisfaction we are ultimately talking revenue.

How satisfied a guest is with your business is a measure of their future loyalty - happy customers won't look at your competitors offers, they will happily interact with your brand. These happy customers will share their experiences with many others.

Happy employees are also more loyal, more productive, provide better customer service, and are also more resilient, which will reduce turnover costs.

However if we don't adjust costs then the balance swings the other way and profitability slides.



Satisfaction = Revenue

THE SCALES ARE ALREADY OUT OF NEUTRAL

Before thinking about how to reduce costs, tally up the increased costs of doing business in a post COVID world. Increased cleaning and hygiene, employee safety, biosecurity costs, new industry guidelines and government paperwork will need to be factored in to get a clearer picture of where the costs 'plate' actually sits.

There are also many unknowns about the mass that represents satisfaction. We can anticipate some of this but will need to learn quickly from returning customers what they expect and demand.

In many respects we are starting all over again in building our relationships with our customers. They need to trust us to deliver so we can have some trust they will return.

ACHIEVING EQUILIBRIUM

Cost savings made during the Global Financial Crisis were extensive and made significant improvement to the bottom line. A great number of these are still providing daily savings. But with increased room rates and annual occupancies some years over 90% I am sure additional fat has come back to the business.

So how do we keep the balance right? How do we know as we trim the fat which costs will upset the customer or impact employees detrimentally and which won't?

It's about the Emotional Bank Account

Stephen Covey in his book 7 Habits of highly effective people popularised the idea of the Emotional Bank Account to describe “the amount of trust that’s been built up in a relationship”. In this simple metaphor every relationship is an account. The “richest” relationships involve lots of deposits (kind words, appreciation, gestures of caring), the “poorest” relationships involve lots of withdrawals (excluding, ignoring, misunderstanding).

Every relationship involves some of both but the key to getting the balance right is to understand that the impact of withdrawals (adverse experience) outweighs the deposits (good things). According to Stephen Covey this can be as much as 5 to 1.

So if we make a withdrawal (eg: longer queue at check out) from the guest’s emotional bank account then we need to make 5 deposits to offset that 1 withdrawal.

| Simple example of the Emotional Bank Account at work | |
|---|--|
| Withdrawal (adverse experience) | Deposits (good things) |
| Cost savings achieved by removing complimentary packets of biscuits from guest rooms which at the time impacted the ‘expectations’ of many guests | Reduced paperwork to speed up check in |
| | Speedy check out |
| | Friendly staff |
| | A smile |
| | Asking for feedback |

GETTING THE TOUCH POINTS RIGHT

We start making deposits and withdrawals with our guests prior to them arriving at the hotel. Their interaction with our Website should be positive, our pricing should be transparent (no hidden charges, OLTA's should have parity), the booking process should be seamless.

Our communication with the guest pre arrival should allow us to personalise their stay, give them all the information for a smooth arrival etc. Getting all of these touch points right has no increased cost to them but make for great deposits, allowing us to then make some financial adjustments (cost cuts) which may be seen as a withdrawal.

MAKING DEPOSITS

Steven Covey describes six major ways to make deposits in our Emotional Bank Account relationship with guests.

-Understanding the individual

One of the best ways to do this is be open to feedback. Inviting guests to give feedback shows that your hotel no longer assumes they know the customer but are seeking to better understand the customer.

-Keep Commitments.

A critical factor in creating an excellent customer experience is consistency.

If the front office receptionist has a big welcoming smile so should the breakfast cashier, the next morning.

-Clarifying Expectations.

This is particularly important as it relates to the way we present ourselves online and in social media. Have we set expectations that we can't deliver on?

-Attend to the little things.

Guest want friendly service that connects with their needs. They want someone to recognise their business. It's the little things that achieve the big thing of making them feel valued.

-Show integrity.

Treat your employees well and be good to the environment. A hotel with integrity builds trust.

-Apologise sincerely when we make a withdrawal.

If we have made a mistake, we need to be genuine with our apology. This often gives us the opportunity to make a deposit in the guest's emotional bank account.

Time is of the essence and We can help



The idea behind this series of discussion papers is to give something back to the industry I am passionate about. I hope they prompt you to make the changes that will bring profitability and sustainability to your business.

You know your hotel best but time is of the essence and all hotels have a great deal to do at the moment. If you need additional resources then we can support you in reviewing opportunities to find savings and bring about improvement to guest services across all stages of guest interaction, pre, during and post their stay.

To know more about Ananas Consulting visit our Website or contact me directly.

MICHAEL SMITH
MANAGING DIRECTOR



ANANAS CONSULTING

hello@ananasconsulting.com.au

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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.....

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