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## **Will the Stealth Recession be followed by a Stealth Recovery?**

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It is budget time and every hotel manager is taking on the thankless task of seeing through the dense economic fog that has come to be labeled as the "Stealth Recession." Nobody saw it coming - none of the industry seers would have predicted it would last this long or deliver such a series of body blows to the hotel industry's profits and no one can say for certain when the current recession will end.

The year 2009 will go down as the worst year on record for the hospitality industry. For most in the industry, the current year couldn't end soon enough. Let's take a look at the damage that has been done by the Stealth Recession through August 2009. (See chart 1)

Different from prior recessions, the current recession's effects have been spread rather equally across all six New England states. While national occupancies declined 12.6%, occupancies among the six New England States followed closely falling 9.4% on average, across the region. Similarly, average rates throughout New England fell 7.2%. Revenues for the New England states reflected a 16% decline while the national averages registered a 9% decline in average rates and an 18.3% decline in revenues. The current trends will likely continue for the balance of the year.

For those looking for signs of recovery, there aren't many in sight. Employment trends and continued weakness in the housing sector will continue to put a lid on consumer spending. As a result, leisure travel trends will not improve in 2010, as had been expected. For many, 2010 will be another challenging year with a primary focus on holding on to what you may now have in occupancy and rate.

From a budgeting standpoint, there is no reason to project results for the coming year (2010) will benefit from an economic recovery - unless of course, it's a Stealth Recovery.

### Responsive Strategies

There are a number of responsive strategies to generate additional revenues for hotels impacted by declining demand. In the midst of this recession, there have been significant shifts in consumer behavioral patterns. Below are three trends to be considered.

#### Consumers are far more value conscious

What is your value proposition - do you have one? Could your hotel capture more weekend business by promoting Sunday night free if you stay Friday and Saturday? There could be a limited number of blackout periods if appropriate (graduations, etc.). This type of value promotion may be worth a trial - it can readily be promoted on the Internet.

#### Consumers are far more Internet savvy

Past studies have indicated that one of three leisure travelers "book" accommodation through Internet sources - two out of three leisure travelers search the Internet for information before booking accommodations. The influence of the Internet cannot be overlooked. Who is your "Web-Master" - have you audited your web profile?

## Consumers are more Experience Driven

Does your advertising material promote your destination and the activities your guests can experience while staying at your hotel or does your advertising promote your product and your brand. Leisure travelers, booking on short notice, are interested in "what can they do when they get there" - you need to speak to that objective through printed and Internet media. Significant business can be attracted by promoting cultural, recreational, athletic or adventurous attractions in your community.

Unquestionably there are many more strategies to be considered. The key issue is that your hotel's results may not benefit from an economic recovery in the coming year, but it could benefit from taking simple steps:

1. Re-examining your value proposition;
2. Auditing your Internet profile; and
3. Re-examining ways to meet guest expectations.

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