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Resilience in hospitality:
Keeping pace and getting ahead

The more that aviation companies, hotels, and restaurants can build resilience into their operations today, the better prepared they will be to withstand and adapt to whatever tomorrow holds.

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Setting a course for industry-wide strength and flexibility

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At certain times over the last three years, the challenges faced by the travel and hospitality industry have felt insurmountable. Early in the pandemic, as travel plans were cancelled and people around the world were confined to their homes, many in the aviation, hotel, and restaurant sectors were asking themselves if things would ever return to normal.

What has become clear is that *normal* is destined to be constantly and rapidly redefined. As travel and hospitality leaders work to recover in the post-COVID-19 world, new challenges keep emerging, including technological failures, rising commodity costs, and economic uncertainty. These are all having dramatic effects, causing organizations to reconsider their business from all angles.

This difficult climate can, however, also be seen as a game-changing opportunity for businesses willing to develop the tools and strategies to effectively respond to unknowns in the future—that is, to build resilience. In a **2022 Deloitte survey** of more than 700 executives worldwide,

over half of the respondents said they assign responsibility for resilience to their risk or crisis management function, which often means it fails to get the attention of senior leadership. The challenges the industry faces globally mean resilience now needs to become a strategic priority at the highest organizational levels, with a focus not just on operations and finances, but also on people, reputation, and sustainability.

That's not to say that there haven't been innovations over the past few years, as many changes that might have been part of a long-term development strategy suddenly became urgent requirements. Travel and hospitality organizations rose to the occasion, introducing technologies and efficiencies that have quickly become essential elements of their operations and their customers' expectations.

It's vital to keep this momentum going—to entrench these new, positive developments and to take them further, always with a mind to increasing adaptability and flexibility. New challenges will inevitably emerge, often in the blink of an eye. The more that aviation companies, hotels, and restaurants can build resilience into their operations today, the better prepared they will be to withstand and adapt to whatever tomorrow holds.

The current landscape

We see four broad areas where the travel and hospitality industry is experiencing strain: talent shortages, technological disruptions, changing consumer expectations, and brand and reputational challenges. Let's take a look at each area of concern in a bit more detail.

Brand and reputational challenges

As pandemic restrictions pushed our lives further into the digital world, businesses found themselves under more scrutiny through social media. People don't always call out a great experience online, but any bad experience that's shared can be widely disseminated within seconds and can have long-lasting negative effects on a brand.

Worse, an organization's reputation can be affected by the actions of third parties beyond its control, such as a restaurant that relies on a food-delivery service or a hotel whose owners are separate from the brand—distinctions that most customers pay little attention to.

Changing consumer expectations

The inevitably wide range of consumers in the hospitality industry has always meant a correspondingly wide range of expectations, so as these evolve, it can be difficult to keep up. After the seismic shifts of the past few years, some customers want more automation, less human contact, and more self-serve options. Others are looking for a less digital experience, more human interaction, and more personalization. Most fall somewhere in between. More people are leaning toward brands that focus on sustainability and social impact. Each customer's unique preferences have a direct impact on where they choose to spend their discretionary money. What's consistent is their high expectations for exceptional service—whatever that means to them.

Talent shortages
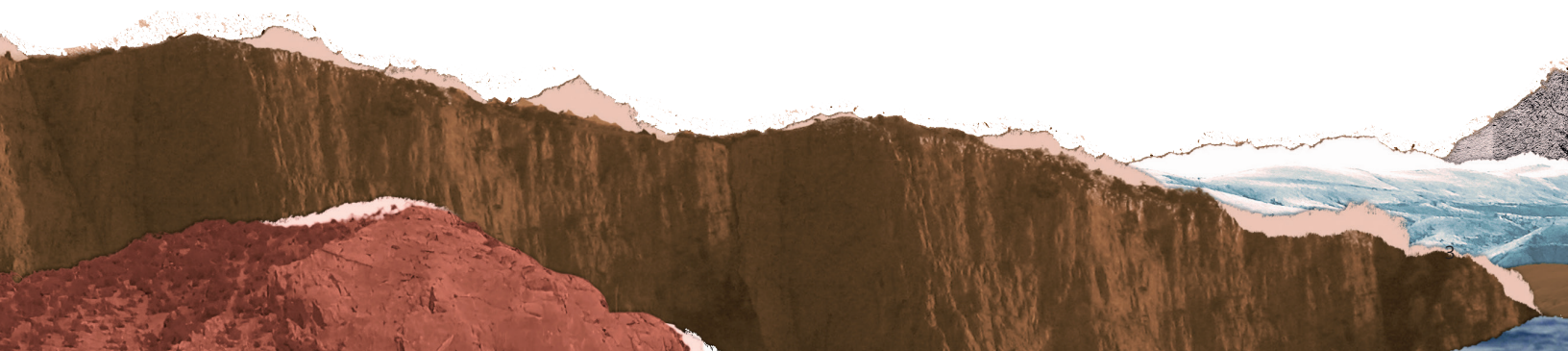
Technological disruptions

Right across the industry, employers are finding it difficult to fill vacant roles and recruit the right types of talent. Some workers are reluctant to return after being let go during the pandemic. Others have moved on to different careers. A lot of people are now seeking opportunities to work remotely, which is not possible in most tourism roles. The situation is serious: more than 360,000 workers are still needed just to meet the demand for summer 2023 in Canada.[1]

These shortages mean workers can demand higher wages, better benefits, and more flexibility. High turnover means a constant need to train new employees, which is time-consuming and expensive. While it isn't possible for most aviation positions, hotels and restaurants may feel bound to hire under- or even unqualified employees simply to fill vacancies, putting them in a tough position on many fronts, including negatively impacting the customer experience.

Finally, the rise of automation and technology is forcing some organizations to redefine how work gets done, spurring a need to elevate and diversify the skills of front-line employees and turn to alternative talent pools (e.g., contingent or gig workers) that are changing the very definition of an employee.

Digital solutions are rapidly advancing throughout the travel and hospitality industry as previously high-touch processes are automated in pursuit of cost savings and efficiencies. Yet many areas aren't keeping up with digitalization. The crisis in the aviation sector over the 2022 December holiday period provided a stark example of what can happen when systems are not automated or updated, as thousands of passengers and crew members were stranded and at least one airline was left with mainly manual processes to try to solve the issues. And that is but one example.

Organizations can be reluctant to invest the time and money to upgrade and integrate their systems, perhaps fearing a disruption to current operations. But recent events have proven that doing nothing and hoping for the best is no longer a viable option.
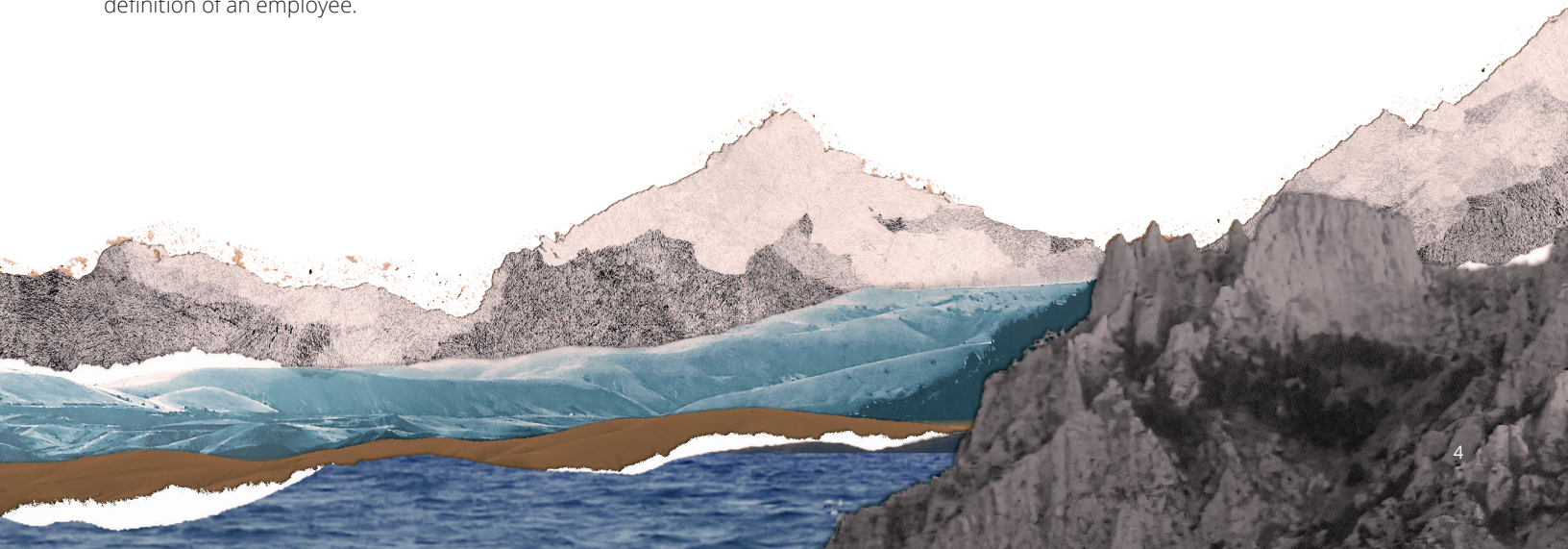
Clearer skies ahead

The challenges discussed above overlap in many ways and can be unnerving to business owners and other stakeholders. The best strategy is to reframe them as opportunities, to embrace them as motivation to accelerate action on improvements and innovations. There is much that the aviation, hotel, and restaurant sectors can do to improve their resilience, to help protect themselves in the face of future disruptions and ensure they can consistently provide the level of service that their customers want and expect.

When the possibilities are endless, a good place to start is with some of the most practical and pressing considerations.

Talent and culture strategies

A major lever for attracting and retaining good employees is, of course, pay. The US aviation sector, for example, is leaning on pay increases to help address labour shortages, and employees in the Canadian sector are taking notice. It's important to pay attention to wage disparities and to find creative models that include pay raises, performance incentives, and even cross-training opportunities. Hospitality jobs in hotels and restaurants have traditionally been on the low end of the pay spectrum, and employers here need to reconsider their compensation approach, not just in response to inflation but also as a means of bringing in and keeping skilled employees. Many restaurants, for example, are now offering benefits packages and rewards to increase retention.

Create a unifying culture

Deloitte worked with a major global hospitality company that, having acquired a competitor, recognized the need to establish a single unifying culture. It successfully did so by conducting focus groups and interviews to define a new purpose, vision, mission, and values; engaging leaders in a two-day summit to discuss the new priorities; and launching a "culture activation" marketing campaign to infuse the new culture throughout the organization.

Of course, rising costs and inflation make it much harder to continue increasing wages, and there's only so much cost that can be passed on to consumers. Services and industries that have instituted significant wage increases will need to be mindful of the inflection point at which price increases keep too many potential customers away to be sustainable.

Above all, leaders should be open to other ways, beyond compensation, of improving the talent value proposition. While it's not always easy in an employee-driven market, the most successful organizations are those that build a concerted strategy for attracting and retaining the right employees. In the Deloitte report _Understanding Generation Z in the workplace_, we revealed that while salary is the most important factor when deciding on a job, Gen Z values it less than any other generation—77% of respondents said they regard their career as a means to achieve self-fulfillment.

A key element of such a strategy is culture. The right culture can foster a sense of loyalty and a strong work ethic among team members—in fact, businesses that actively prioritize their culture typically have a 59% higher retention rate.[2] We've seen that a customer-centric culture, in which a relentless focus on the customer permeates everything the organization does, can have a major impact on increasing talent retention and keeping wage inflation in check. This kind of workplace culture is typically marked by four elements: external orientation (constant focus on customers), collective focus (working seamlessly with colleagues), change and innovation (encouraging and rewarding new ideas), and shared beliefs (alignment to a common vision).

Thriving organizations are those that take an integrated approach to culture, establishing behaviours that are well defined at the leadership level, demonstrated by leaders, and expected from employees at all levels. Deloitte's _2023 Global Human Capital Trends_ report suggests that a focus on workplace culture and collaborative ways of working leads to greater levels of innovation, courage, and agility that increase both employee and customer satisfaction.

Another important factor, now more than ever, is flexibility, which has long been one of the most attractive qualities about working in hospitality. While most jobs in the industry aren't suitable for remote work, finding a job that allows for better work-life balance is a top priority for hospitality employees. In return for working on site, they expect—and should be given—more say in managing their schedules so they can integrate work into their lives in a more balanced, positive way.[3]

Workers also want better access to training and upskilling—today's employee is looking for a variety of experiences. Restaurants can offer this by, for example, creating a rotational program in which employees gain experience in multiple areas—front-of-house roles, alcohol/beverage service, kitchen work, etc. To facilitate this type of program, organizations can create online training that can be accessed on demand, reducing the training burden on existing staff and increasing access and convenience for new and cross-training employees.

Other technology advances can be harnessed to help increase employee satisfaction and thus retention. We've seen this in hotels that are using digital tools to automate repetitive processes that once

Address a talent shortage through training

In response to the shortage of pilots (just one part of the wider crew shortage in aviation), Chorus Aviation and CAE recently launched a high-tech pilot academy in Kingston, Ontario. Cygnet Aviation Academy offers a 20-month flight training program that leads to direct access to career opportunities.[4]

required human interaction, such as customer check-in and service requests. This can not only free up employees to perform more value-added activities, but also create capacity for them to focus on their individual mental health and well-being, making them more engaged, positive, and likely to stay.

Any adjustment involves a bit of a balancing act for the organization, and attention must be paid to avoid diluting the brand. What works at an economy hotel, budget airline, or fast-food chain will not necessarily work for a luxury property or five-star restaurant. Decisions should be made strategically, based on specific market expectations.

Technological solutions

Most service industry organizations are bringing in more guest-enablement/ self-serve options. If a task that a human once performed can be done through technology, it can offset the cost and allow employees to be redeployed in other ways. We're nearly at the point where hotel and airport guests can interact more with an app than with human employees, and that's not necessarily something to resist. Most customers now expect that when booking or changing an airline flight or ordering takeout, for example, they'll be able to perform most tasks through an automated system and only require human intervention in unusual or specific cases.

Digital capabilities can be extended into many customer touchpoints, and the organizations that work at innovating in this area will likely come out ahead. Every brand should remain mindful of where its customers' expectations and tolerances lie, including how much automation they expect or want. The time may come in the not-too-distant future when a customer can book a restaurant table from home, seat themselves on arrival, and then order and pay online, only interacting with a person when their food is delivered.

(A downside of this concept is that servers lose the opportunity to upsell customers at the table, so it will need to be implemented strategically.) While this is unlikely to be acceptable to, say, fine-dining customers, many people will embrace this new way of doing business.

The importance of offering a range of options will only increase, even within a given brand. For example, some patrons of a luxury hotel may expect greater personalization and human interaction, while others at the same hotel prefer to check in and get their key on their phones, interacting with the front desk only via text message.

The value of technology goes beyond customer-facing processes. Organizations in the tourism sector have a lot to gain from automation in operations and decision-making. This is particularly relevant in large ecosystems like the aviation sector. Airlines, airports, and all their related stakeholders can and should be working together to institute technological advances to address the myriad issues they're facing. By investing now to develop solutions and upgrade existing systems, and by working in partnership rather than in silos,

Find technology's place

Guests stay at the Four Seasons with the expectation of a certain level of luxury, including a personal, human touch. Leaders at the company recognize that a luxury brand such as theirs simply cannot replace every human interaction with automated systems, even if it would increase efficiency and reduce costs.

Four Seasons guests are, however, tech-savvy, and they want a modern, sleek hotel experience. With this in mind, the Four Seasons has embraced technology as a way to enhance the customer service it offers. The hotel chain has invested in a chat function through which guests can connect with staff members to request specific services. It's not a bot, it's not a call centre—it's personal, high-end, tech-enabled service.[5]

the entire ecosystem will be better prepared to make smart, quick, tech-driven decisions to minimize impact on travellers/guests when irregular or unexpected situations arise.

Organizations can also look at modernizing their staffing systems. A chain or even a group of local restaurants, for example, could adopt an automated system that allows them to share and reallocate staff on the fly based on the demand in any given shift. This would also give staff the access and freedom to move their own shifts around when needed, which is likely to have a positive impact on retention. To help alleviate the rising costs of goods, technology can also enable a group or chain of restaurants to leverage bulk purchasing power and perform pricing analytics to assess the cost sensitivities of customers in a particular market.

Broader applications of technology can give organizations the power to tap into ancillary revenue potential, too. Hotels, for example, could offer customers any number of options through an app, such as booking spa services, ordering room service, and opting in to or out of housekeeping services. Guests are likely to appreciate the ability to connect digitally to their hotel's concierge service, which in turn could be linked to local restaurants, attractions, and transportation services.

Empowering organizations in the hospitality industry to collaborate and integrate their services for greater revenue potential is just one of the innumerable opportunities available to those that embrace the digital world.

Use digital twins to evaluate solutions

For those looking for compelling evidence that a given investment will be worth the money or time or disruption, there's an innovative tool that can simulate the solution, allowing them to test it out before moving forward with implementation. It's called a digital twin: a virtual representation of a complete operation, such as an airport, in which the organization can conduct training, simulate changes, and plan for the future in a cost-effective way.

Vancouver International Airport launched a digital twin in 2022 as part of its innovation strategy, using its vast amounts of data to create visualizations and test new scenarios in real time. This type of simulation can give all stakeholders a view into the outcomes of many possible scenarios, a sense of the true value of a given technological change, and validation of the worthiness of a new investment.[6]

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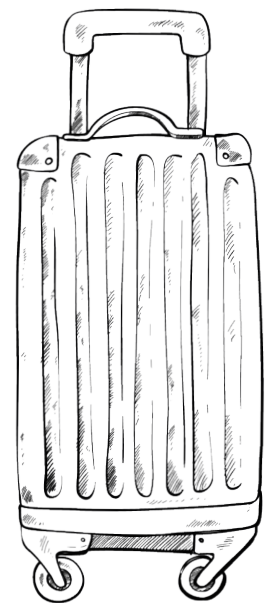
Customer experience excellence

As operational costs continue to rise, many in the industry have been tasked with figuring out how to provide an exceptional customer experience without hiking prices too high, particularly as consumers are likely feeling the pinch of increased living costs. How—and how much—people choose to travel in these uncertain economic times, and whether inflation will dampen spending, remains to be seen. At present, we're not seeing a dramatic drop in travel, so organizations like hotels need not feel pressured to drop their rates to increase occupancy.

What is certain is that customers will continue to expect an elevated guest experience enabled by next-generation technology. Changing customer values are another important consideration. More and more, they're focusing their discretionary spending on purpose-driven organizations that stress sustainability and social awareness. Businesses that want to stand out will need to redefine their products and services, and reimagine the role of their employees.

Loyalty programs are a major driver of customer retention and increased spend. For example, many hotels used them quite effectively during the pandemic to help raise cash (by selling points to third parties) and to offer attractive deals to members. However, a cautious approach is needed, in which these programs are scrutinized along with other costs—they can only be cut so far before they seem watered down and customers no longer find them valuable.

Another important lever for improving the customer experience is personalization. Depending on the demographic, customers can respond extremely well to a brand that asks, "How can we do more for you?" Players throughout the tourism ecosystem—airlines, car rental services, hotels, theatres, local chefs, and beyond—should consider collaborating to offer an extremely personalized experience to a certain level of customer, thus building an overlapping value proposition that grows stronger with each touchpoint.

Whatever the tactics and strategies, technology is ready to help businesses stay on top of customer expectations. Continually measuring the customer experience using a "voice of the customer" program that operates in near real time is a valuable endeavour, as brands can then quickly respond to any issues before there is reputational harm. And again, pricing analytics can go a long way in determining price sensitivities, pinpointing the level at which costs can no longer be passed on to consumers without negatively affecting their perceptions.

Building loyalty... to a loyalty program

Scene+ is a great example of a loyalty program that has enhanced its value by building flexibility around earning and redemption for customers through the addition of new partners and owners. The partnership between Cineplex and Scotiabank started in 2007, rewarding film-goers with free movies and concessions. Today, it also allows members to redeem their points for a wide range of grocery, dining, technology, travel, and shopping rewards.[7]

Connect customers with local businesses for a more personalized experience

Today's consumer wants more from a hotel than a place to sleep. Accor is one organization that has publicly expressed its aim to further penetrate the local community, deploying several efforts to capture more guests. One such effort was an app pilot, in which users could access services from local merchants, with fulfillment taking place at one of their properties. Not only did this help the hotel provide a more personalized concierge service to its out-of-town guests, but it also created a potential regular touchpoint with local users who weren't travelling, thereby increasing ancillary revenues. However, they, like all hospitality groups, are still trying to find the best way to cater to the local market through experimentation and pilots.[8]

Brand and reputation management

Maintaining a strong public image is one of the most important things a brand can do to ensure resiliency. Customers can be intensely loyal to the brands they love, even in the face of significant issues. But while it takes a lot to build that level of allegiance, it takes very little to lose it.

Reputation management gets more complicated when other parties are involved. Restaurant customers can be more loyal to their preferred food-delivery app than to any given restaurant, for example. Conversely, a negative experience that's caused by the third-party app or driver is often attributed to the restaurant itself. To increase their resilience, restaurants should consider their strategy for building their brand despite this challenge, perhaps by running separate promotions or offering a loyalty program to attract customers outside of the third-party service.

The relationship between hotel owner and brand also requires a delicate balance, with the owner potentially seeking to maximize returns in ways that push against the standards that customers expect of the brand. If the push goes too far, it can be all too easy to dilute or harm the brand. Driving as much margin as possible without sacrificing customer expectations requires careful navigation.

Even without a third-party relationship, businesses across the hospitality industry are being challenged to determine how far they can raise prices or cut services in the face of rising costs before it starts to hurt their reputation. It's extremely valuable to take the time to understand the price elasticity of a given customer segment using pricing analytics, no matter where that segment falls on the cost spectrum, to keep a finger on the pulse of customer sentiment.

As organizations work to solidify their reputations, many are recognizing the extent to which today's consumer cares about sustainability and a public commitment to a social purpose. Examples abound: aviation companies are exploring sustainable aviation fuel, restaurants are donating unused food, and hotels are cutting back on single-use products and daily laundry, to name a few. However, such commitments can't be simply about reputation. Customers want to see their favourite brands walk the talk and can quickly lose faith when they sense an organization is simply paying lip service to a trend rather than demonstrating a genuine commitment to embracing change and working to be a force for good. In a recent study from recruitment company iCIMS, 70% of US consumers said they were very likely or somewhat likely to part ways with a company that doesn't have sustainable business practices.[9]

Staff experiences can also contribute to a better organizational reputation. Not only are engaged employees more likely to stay in their jobs, but they're also often presenting the brand to the world in a positive light. The importance of a staff engagement strategy can't be overstated. Employees are the face of a brand and have a big impact on customer experiences throughout the hospitality industry and beyond.

Investing in targeted marketing and advertising is another important consideration, as is strategically partnering with social media influencers who are aligned with the organization's brand and purpose. Analytics can help to increase the effectiveness of this type of targeting. Large organizations generally have a social media team that monitors online conversations and reviews, but even the smallest business should assign someone to this task. Opinions can change in a

heartbeat, and a brand's reputation can come to rest entirely on its ability to respond to and address feedback.

Building a strong brand reputation ultimately comes down to experiences. Both customers and employees want positive experiences, and when they have them, they'll keep coming back—and with luck, they'll tell others about it. Creating a positive reputation is intimately tied to the other things we've addressed in this report: making smart, targeted investments in talent, technology, and the customer experience.

Embrace sustainability

New brands are recognizing that sustainability is no longer a nice-to-have, going so far as to define themselves entirely by their sustainability practices to attract the many consumers for whom it's a non-negotiable priority. **Banyan Tree Hotels & Resorts**, for example, set out to establish the company as a nature-focused brand that respects the planet by "embracing the environment and the communities in which [the hotels] operate."[10]

Work with a purpose

People want to see that the brands they interact with are doing their part for sustainability and social good. Restaurants, for example, can have a positive social impact by donating food or supplies that they won't get through to local soup kitchens or food banks.

Employee volunteering is another great way to help local communities: employees at the **Glowbal Restaurant Group** donate to and lead charitable food events across Vancouver, including assembling and donating 1,000 meals for local students and families every month through its Snacks for Kids program. Another example comes from **Toptable Group**, which supports more than 70 charities and not-for-profit organizations as part of its commitment to enriching the communities where it does business.[11]

Resilience is in your hands

While it has certainly been through some tough times, the travel and hospitality industry has a bright future ahead. Customers are so far still venturing out—flying, staying in hotels, and eating in restaurants.

There will continue to be headwinds. Costs are rising, staff is scarce, the technology arena is competitive, customer expectations are soaring, and the court of public opinion can be harsh. The COVID-19 pandemic set off a wave of repercussions that hit no industry harder than this one, and almost every organization was caught unprepared.

Now that we've seen the extent to which unforeseen events can upend industries, we can better appreciate the value and necessity of preparedness. By working to build resilience, leaders will also be streamlining their operations and strengthening their brands. Pandemic restrictions forced many operations to make rapid changes that had previously been thought of as long-term goals, and a tremendous amount of innovation took place in a very short time. If hotels, restaurants, and aviation organizations can maintain that level of urgency and keep pushing for transformation and innovation to make their businesses stronger and more successful, they will also develop the strength and flexibility to withstand and respond to whatever new challenges and opportunities come their way.

We don't know what the future will bring. What we do know is that there are limitless possibilities for establishing resilience within the hospitality industry. As innovations continue to develop, the experiences of employees and customers alike stand to see continual, positive progress. And that's always good for business.

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