“Hyatt CEO Mark Hoplamazian on Reimagining Hotels”

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Transcript by Rev.com
Andrew Schwartz: You're listening to The Reopening. The podcast that asks, "How will America work through the COVID-19 pandemic? How will we innovate, and how will it change our global economy?" Each week we invite top business leaders to share their insights on the road to economic revival here at home, and around the world.

Scott Miller: In today's episode, we're joined by Mark Hoplamazian. Mark is president and chief executive officer of Hyatt Hotels Corporation, a position he has held since 2006. We'll talk with Mark about how the hospitality business is dealing with the effects of the pandemic and get his perspective on the future of travel and lodging.

Andrew Schwartz: I'm Andrew Schwartz.

Scott Miller: And I'm Scott Miller.

Andrew Schwartz: And this is The Reopening.

Andrew Schwartz: Hyatt President and CEO Mark Hoplamazian. Thank you so much for joining us today.

Mark Hoplamazian: It's a great pleasure to be with you. Thanks for having me, Andrew.

Andrew Schwartz: So I want to get right to it. The hotel industry is facing tough times with coronavirus. It's been reported Hyatt's down 35% in terms of rooms around the world. 35% rooms have been shut down globally as of mid-April, 65% of your employees in Hyatt managed hotels have been furloughed or placed on leave. These are tough cuts for you compared to last year in the first quarter where you had a $63 million net income. This year in the first quarter, you had 103 million dollar loss, you know, the good news is, is that you have plenty of liquidity on hand to weather the storm, but this has got to have you thinking about reimagining the entire industry. So what are your thoughts going into all this?

Mark Hoplamazian: Thanks for the question. Yes, it is an unprecedented event and in my current position for almost 14 years and I've seen a lot of different circumstances, but very few scenarios that you plan for have revenue going to zero or very close to it. Our revenues in April we're down 94% for year over year. So really what we focused on, like many companies, was liquidity and agility. And so on the liquidity front, we spooled up immediately to make sure that we had plenty of capital available to us for what we expect will be a slow ramping recovery over the coming year or more, which we were able to successfully secure very well. But then we also needed to build more flexibility and agility into our organization. In any event, what those two things together yield you is some optionality, you have some options to be able to play differently. And for us, managing the crisis in phase one, so to speak, of what we've been dealing with over the last couple of months, is absolutely in hand at this point. And really our attention needs to focus on
what you just said, which is we need to reimagine and work on revitalizing what travel means to our guests. And make sure that we do that in a way that allows our colleagues to come back to a safe environment and be cared for, as we do that. So that's really what we're focusing on now.

Andrew Schwartz: What’s the future of hotels really look like?

Mark Hoplamazian: Well, you know, we are optimistic about travel in general. There's this incredible human desire to travel and explore and discover. That remains alive and well. All of the early evidence that we've seen in some of the earliest markets to reopen, like China, suggest to us that there's a tremendous level of pent up demand. A lot of that is leisure granted for holiday/vacation purposes, but even in the United States, the Memorial Day weekend brought with it a tremendous level of clear demand for travel, even if we didn't have all of our hotels reopened and we didn't have the ones that were open operating at full capacity, the demand that we saw coming in, was very high. Admittedly, different. The vast majority of our occupancy over the Memorial Day weekend was people who drove to the hotel, not flew in. A lot of it was families who had been maybe sheltering in place together and needed a change of venue badly.

Scott Miller: We could all use someplace open now and again, glad you were open.

Mark Hoplamazian: It was a great desire to get out and look around. But, you know, the way we think about it. Long term, we believe demand is going to be extremely strong and the desire to be back on the road and and have experiences, more than buying goods, remains true. We believe that business travel will come back, although will look different. Our challenge and the and the opportunity ahead of us right now is we believe that the whole cleanliness and sanitization approach to making sure that we give assurances to people and give them confidence that it's safe to travel is necessary, but it's table stakes. Really the key issue is, in this environment, how do you create special experiences again? We're getting rolling here, but we're doing that through an intense commitment to testing, learning, and adapting and repeating that cycle over and over again. We're seeing the repurposing of spaces, for example. One of our hotels in Europe, the Grand Hyatt in Berlin, they have a rooftop venue, which they have not been able to operate, but they set it up as an outdoor yoga studio and it's been a new conception of how to use that space.

Andrew Schwartz: If I'm not mistaken, that hotel's right where the Berlin Wall once was.

Mark Hoplamazian: Right there. Right on the right on that same Plaza. And if you looked at, we have a hotel in India for example in Hyderabad, they moved the gym outdoors. So, all of the gym equipment now sits in a spread-out location and you now have the ability to do your regimen out there. And they have a mindfulness center next to it, outdoor, and yoga center as well. In Asia, the food and beverage draw in Asia has always been tremendous for us, so we have several hotels that are operating the restaurants exclusively take out. And they have repurposed their porte cochères as drive-thrus. And finally,
just to give you another example, one of our teams in Hong Kong has reconceived of buffet. The buffet, in this case, is brought to you. It's actually a personalized buffet that is brought to your table, as opposed to you going and collecting your food, so that it can be in a controlled delivery mechanism, a cart of some kind that assures you that the food and the delivery of it is going to be clean and sanitary, but you still get this tremendously unique and personalized experience. So, these are the things that I think we need to turn to, to bring the joy of travel and the interest of travel back to life. And do it in a way that still reinforces the safety and security mechanism in your brain that says “it's okay, it's safe.”

Scott Miller:

This is real ingenuity, my compliments, because that’s, I think you’re absolutely right about table stakes. That hygiene is going to be the basic expectation of every place anybody goes. From people’s own homes to their home away from home, which in the logic business. And that won’t be a differentiator at all, everyone will have to do it if you want visitors or guests. But this is very exciting. Now you have for years built your business around the business traveler. You know from the inception of Hyatt was sort of the business hotel, which you've always done a wonderful job in my experiences as a business traveler. What’s that look like in the future? Businesses, of course, discovered zoom in this period of time and lots of other techniques for not traveling, but it's not the same. There’s still a rationale there. What are your thoughts?

Mark Hoplamazian:

So it’s interesting in terms of the segments of the business. You're right. We do serve a lot of business travel and we also serve a lot of large groups and conventions. If you look across the entirety of our chain, a little over 40% of our total business is actually leisure business. So we do have a significant resort base, which we actually built and enhanced through an acquisition that we did at the end of 2018 called “Two Roads Hospitality”. But you’re right in that the nature of business travel and the form and shape of it is going to evolve and change. As we look at it, we think that just in terms of the timing and sequencing, much of the business travel that we serve is people who are arriving by a flight, on a plane. So one of the key things that has to happen is that we, we’ve got to keep supporting the airlines to help create what I would describe as sort of a safety envelope of the total experience. So when we formed our advisory council for all of our care and cleanliness initiatives, we invited American Airlines and also Enterprise Rent-A-Car to participate. So we have people from those organizations on our council to make sure that we are thinking about the whole ecosystem. But it’s going to take some time for people to get back on airplanes and start traveling again. I do think that people will identify times when zoom meetings will replace actual trips, however, there’s no question, and this is really not my speculation it’s based on a lot of direct interactions I’ve had with many of our key customers, that when they are actually looking to reach out to their customer base, they're going to be getting on a plane and traveling. So that element I think will remain true. And in the same way that we've seen this tremendous need and desire for people to reconnect with one another in person, on the leisure side of the equation, I think that same thing will be true on the business side. Yes, having a face on the screen
Andrew Schwartz: How are you going to manage these hotels differently? Like I know for instance when we’re talking about cleaning, you now have a hygiene manager and you’re going to be thinking a lot about the future of cleaning. What are some of the other things you’re going to be doing? Are you going to change the way the lobby is purposed? Are you going to change the way people enter rooms? The way people check in? What are you thinking about with that?

Mark Hoplamazian: Yes, so in the short term, everything is remapped. So we’ve got a remap colleague journey we and that means checking in with our colleagues before, during, and after their shifts. Not just medically, not just temperature checks and checking in with respect to their physical wellbeing, but also their mental wellbeing. Because one of the consequences of this environment is that people are under a lot of stress and it’s creating mental health issues. So we want to make sure that holistically, we’re caring for our colleagues. If they’re not doing well, then we can’t deliver an experience in the property. All of the things that you mentioned relate to mobile device services, especially during your stay. We have a platform which allows every guest to correspond with the hotel team for requests, but also there’s a chat function. So you can pretty much govern your stay through your phone for the duration and request any hotel service that you would like through your mobile device. So that’s true today, but will be in sharper contrast and use tomorrow. We have social distancing throughout. All of that remains true and will remain true in the near term. The repurposing of spaces, though, goes beyond that. Some of the examples I gave you already, which relate to repurposing spaces for how people can convene and have meaningful interactions. We are designing some new approaches to that right now. We’ve got some group customers, some associations, who are still focused on holding their main meetings later this year. And we are now designing, with them, a hybrid meeting format where you’ve got both remote digital, but also in person attendees. And we think that that we have the opportunity to create a higher level of intimacy and connectivity, which is really essential for a lot of associations whose annual gatherings are also their primary revenue generator for the year to be able to help facilitate keeping them going. So those are examples of things that we’re doing with our customer base. With respect to individual guests, a lot of it’s going to be based on focusing on their well-being and what they need for feeling secure and feeling safe. A lot of the f and b programming will be around how we can safely deliver room service to people. We’ve got a “Knock and Drop” method, where we place the items that you’ve ordered in a bag and we leave it on your door handle, knock on the door, and leave it to the person to retrieve it themselves. So there’re going to be different methods that we use to ensure that people feel secure along the way but still have a special experience.

Andrew Schwartz: What about the resorts? People love going to Hyatt resorts around the world and that’s different than business travel. You’re going to a resort to, you know sort of be in a mini-community, if you will. Some people go to
resorts to be, you know, isolated away from others, but a lot of times you’re in a community pool or you’re on a beach, not too far from other people, or you’re at bar, at a restaurant. How are you thinking about those differently?

Mark Hoplamazian:

I think that will evolve over time. Right now, we’re following local guidelines for gatherings. And making sure that we create social distancing around our resort pools and trying to make sure that we are providing the right level of service for a more spread out sort of setup. What we found, actually, interestingly, is that at least over the past Memorial Day Weekend, there is a lot of pent up demand and people have been in their home, so the spend level and the ordering level, like at lunch at the pool, was significantly higher than what we saw pre-Covid. And some of the procedures that we put into place to make sure that we could actually keep the experience a good one and one that you know was prompt service required us to actually sort of get re-staffed more quickly than we thought, which is good news for employee retention. But I think that these are examples of things that we’re going to need to continue to adapt as we learn. It’s also true, by the way, that we had to intervene and ask people to not convene, you know, not have big congregations of individuals, so that’s also true. And I think there’s a lot of pent up demand for also engagement and we’re going to need to really pay close attention to that and be vigilant.

Scott Miller:

If I could, Mark, I’d like to ask you about your management culture because Hyatt has long been known with your leadership of having a very tight, high energy, almost familial culture. And you’ve gone through some huge transitions, not just in revenue, but in the staffing and the stresses have been immense. How have you held up? And how’s your team holding up? And how’s the culture?

Mark Hoplamazian:

Thank you for asking. You’re right. Our culture is a familial culture, it’s one that’s defined by emotional connections, not transactional. And the unfortunate reality is, like many others in our space, we’ve had to make very difficult decisions and we’ve had a reduction in force that was the most painful experience I’ve had in my 14-year tenure as CEO of Hyatt. And for me, the key was to really focus on making sure that the way in which we executed that was as caring as it could be. Our purpose as a company is to care for people so they can be their best. So the practice of care is about empathy and it’s about action. You have to practice empathy in order to care for someone and you have to take action to care for them. So on the empathy front, we’ve been listening very carefully and staying very closely engaged with our colleagues, especially those who are impacted and ended up being separated. And we made sure that the benefits that we provided and the support that we would provide was suited to what they really needed. Maybe most importantly, we’re turning our attention to how we seize the opportunity to reinvent the travel experience so that we can actually get more people on the road and start re-hiring people. My aspiration is that we can reassemble the Hyatt family in the future. But in order to do that we really need to work hard to re-ramp our revenue base and the activity base of the hotels. So we are very, very committed to applying ourselves to do that. The other thing I would say about this
environment is this has been a time of tremendous suffering. A lot of people are suffering in many different ways. Of course, the ones who have been afflicted with the virus have had either passed away from it or had to go through the symptoms of it. The healthcare workers and the frontline workers have had tremendous stress and amazing commitment to get through this. And the mental anguish around the economy and “what’s going on with my job” and so forth. So there’s a lot of suffering. The upside of that has been an amazing outpouring of humanity, demonstration of kindness and care of true empathy. One of the things that we’ve always talked about is we need to continuously work on elevating our own practice of empathy in order to fulfill our own purpose and what I see blossoming everywhere is a practice of empathy. Most conversations start with a check in. “How are you doing? How’s your family doing? Is everyone well? Are you keeping well? What are you doing to keep yourself well? What can I be doing for you?” I mean, my goodness, if we could be a part of that and actually really fulfill Hyatt’s purpose of an even bigger level by leveraging that human force that’s coming out of this, that would be really special. And I think that’s really the upside of all the suffering that we’re seeing right now.

Andrew Schwartz:

I mean, ultimately, it’s really a people business that you’re in. So that’s your culture and it’s so heartening to hear that that’s your approach. At the same time, you’re in a really competitive business and your competitors are out there trying to figure out “how am I going to get ahead?” Are you thinking about some non-traditional, without giving away any, you know, Hyatt secrets, are you thinking about some non-traditional ways to compete?

Mark Hoplamazian:

Yes, I think, I would just point out one thing and that is from the very beginning of our care and cleanliness initiatives, we set a principle down, which was, we will not do anything exclusively. My view was that extension of care and creating a clean environment is for the benefit of the public. So we insisted on not having any exclusive relationships with any of the people that we were dealing with - the Cleveland Clinic, or the Global Biorisk Advisory Council or any of the other advisors. Gensler is our advisor on repurposing spaces. We said no exclusivity. We want to extend and expand as much as possible and share for everyone’s benefit what we’re doing. So we don’t believe that’s an appropriate dimension on which to try to compete. And to the point that was made earlier that Scott made, you know, cleanliness and sanitization are the table stakes. So that’s not the place where you should compete. But yes, I think that there are non-traditional ways to compete. And I think it goes to the power of listening and empathy really focusing on well being, which was something that we have been focused on as a company for several years, very intensively. It’s focused around mindfulness and about taking a mindful approach to everything that we’re doing, whether it’s in culinary, in physical well-being and exercise, in the environment within our hotels, and with experiences. We are looking to extend that because well-being has never been more important than it is right now. A holistic sense of well-being, is essential to, I think, our whole economic recovery. So we are going to be leaning more heavily into what
we’re doing on the well-being front and extending the programming that we had begun previously. Especially in the area of meetings. And when we do have people coming together, doing it in a way that is really able to add energy to their day as opposed to suck energy from them. Because in most cases, you go to these two or three day off-sites and you’re exhausted by the end of the day, because the life has been sucked out of you. There’s a way to restore that energy and keep you in a state of well-being over the course of time and a lot of it is being mindful and practicing a state of well-being. So it’ll be in those areas, plus some innovation around what we’re doing on the food and beverage side, that I think we will be able to distinguish ourselves.

Andrew Schwartz: A lot of us are talking about the future of work. And of course, you know, your future is highly dependent on business travelers and people traveling for business that Scott mentioned before, how are you thinking about the future of work?

Mark Hoplamazian: Well, I think there are some things that we’ve learned ourselves about how we do our own business, facilitated by video meetings that we will probably take into the future and keep. It used to be that we would deploy teams to visit hotels, where we might be evaluating a capital project or a renovation project. In fact, we’ve been forced to do a lot of that by video over the last two months and it’s effective. So we’ll probably end up adopting some of those practices as we take it into the future. As I look at it, I think that there are some use cases where a video meeting is a reasonable substitution for jumping on a plane and going to visit people. But I do think that it’s too early, I think, for people to really come to a conclusion about what the in-office versus remote working from home balance is going to look like. There are some companies that have already made pretty bold statements about going to a completely remote workforce work environment for either a large proportion or all of their teams. I think that’s really premature. I think right now, there are some downsides to working from home, in the mental health area in particular, that I think people will come to appreciate and understand better over time and that there will be a balancing out. So right now it feels like the pendulum has swung really far to the side of nobody needs office space anymore, nobody needs to get on a plane any longer. And I don’t think that’s accurate. I think it’s an overreaction or, you know, a conclusion that is premature. I personally believe that the pendulum will swing back and we’ll have a better balance between remote working and in-office working and over travel as well. But I do think that that these tools that have come into great application in this time period will continue to be used and will have some impact. Like I said, it’s very difficult to gauge the degree. We believe that the overall demand and travel, because of the growth of the global economy, but also a lot of outbound travelers from China and other markets where you’ve got very large middle-class growth will continue to buoy travel growth overall. And so I think that the future of travel will be very healthy, but it will look different and it’ll have morph and evolve around those dimensions as time goes on.

Scott Miller: Mark, you’ve been very generous with your time and we thank you for that. We thank you for the insights into the business, but I personally thank you
for getting back to first principles. It's been an inspiring just discussion from that standpoint.

Mark Hoplamazian: Well thanks very much. I really appreciate the opportunity.

Andrew Schwartz: Thank you, Mark. Really appreciate it.

Mark Hoplamaziam: Take care.

Andrew Schwartz: Thanks for listening to the Reopening. If you liked this episode, please write us a review and subscribe wherever you find your podcasts. You can also find other podcasts from the Center for Strategic and International Studies at csis.org/podcasts.