

COMMERCIAL REAL ESTATE

# Hotels Are Reopening. Will Guests Have Any Reservations?

The pandemic closed more than 5,000 U.S. hotels. To bounce back, the hospitality industry has to reinvent itself as it reopens.

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GRAPEVINE, Texas—On a sun-soaked afternoon with the temperature approaching 100 degrees, guests of the Gaylord Texan got their first look at what it means to visit a resort in the age of Covid-19.

Cleaning attendants were outfitted in gloves and masks and more than 200 signs stationed throughout the 125-acre complex advised guests to remain 6 feet apart. In the fitness center, plaques on every other treadmill apologized for being off limits “to support social distancing.” Employees prepared the Gaylord’s 1,815 hotel rooms according to a 28-page playbook based on safety guidelines developed by Marriott International Inc. Every room required the attention of three employees, blasts from hospital-grade disinfectant sprayers and roughly 45 minutes of work.

Even though staff members were required to wear surgical masks, many guests opted not to do so during the June 8 reopening. Colin Reed, whose company owns

the Gaylord Texan and four other hotels under the Gaylord brand, said he'd prefer if guests took the same precautions.

"But we can't enforce it," said the British-born hotelier. "This is America."



A family checks into the Gaylord Texan following its reopening this week. Guests can choose to use their phones to check in and access their rooms without contact.



A masked lifeguard surveys the scene as two guests float inside the Gaylord Texan's water park, Paradise Springs.

This sprawling suburban Dallas resort is part of a larger experiment to reinvent the hospitality business model for a dramatically transformed time. Hotel general managers from the high-end Gaylords to limited service brands like Marriott Courtyard have to convince guests during a crucial wave of summer reopenings that their arsenal of cleaning fluids, electrostatic disinfectants, temperature-vetted employees, and social-distancing guidelines will keep everyone safe.

Their ability to pull this off will determine how rapidly the industry can recover from its worst blow in modern times.



Colin Reed's company owns the Gaylord Texan. The British-born hotelier would prefer if guests wore masks 'but we can't enforce it,' he said. 'This is America.' Here he is speaking in Nashville in 2015.

PHOTO: TERRY WYATT/GETTY IMAGES

The new procedures are upending the economics of Gaylord, which closed March 25 and had no guests for 75 days. It is spending about \$10 million to \$12 million on its new safety procedures, or about \$10 to \$12 a night per room, estimates Mr. Reed, chief executive of Ryman Hospitality Properties Inc.

The changes are now visible in every corner of the Gaylord, from the rooms to the lobby to the pool to the banquet rooms and restaurants. Guests are now encouraged to use their phones to check in, access their rooms and order room service. Housekeeping service is available, but only upon request. No more than six people can sit at a 72-inch round banquet table, down from 10. Paper receipts, room glassware, some furniture in the lobby and cloth chair cushions by the pool have all been removed. Disinfecting wipes are in each guest room, and thermal scanners are used to check the temperature of all employees. Anyone with a reading over 100.4 degrees isn't allowed to work.

Room rates aren't dropping because Mr. Reed doesn't want customers becoming accustomed to discounts; the average \$200-per room he charged for this week's reopening is consistent with this time last year, he said. At the same time Mr. Reed said he isn't passing the new expenses onto his guests. He views the procedures as part of the cost of doing business in the Covid-19 era.



The Gaylord Texan has 1,815 rooms. On the first night of its reopening roughly 8% of the rooms were filled.

He expects to partially offset some of those cleaning expenses with a smaller staff needed to service more modest crowds. Roughly 8% of the Gaylord Texan's rooms were filled on its first night of reopening.

Gaylord and other hotel owners are also hopeful that guests will become accustomed to less frequent housekeeping service. For a hotel charging \$100 a night, paying a housekeeper a \$15 minimum wage to spend 35 minutes cleaning a standard hotel room, works out to a 7% a day savings. Many hotels are discontinuing daily housekeeping during a guest's stay unless it is specifically requested, because they say customers would rather reuse towels and sleep on the same sheets than worry about what strangers were in their room.

The Covid-19 crisis has punished the hospitality industry as hard as any business. U.S. hotel occupancy levels shrank to less than 25% in April, down 64% from a year ago, in what hotel data tracker STR called the "Worst Single Month Ever."

More than 5,000 U.S. hotels closed in March and April, and by the start of June nearly half still had their doors locked, STR said. Since March, 70% of hotel employees have been laid off or furloughed, according to the American Hotel & Lodging Association. Despite nationwide job gains in May, employment in the lodging industry fell for the third consecutive month and 1.1 million people were still out of work, according to the Bureau of Labor Statistics.

In the Covid-19 age, every major lodging brand is in competition to show how its hygiene standards and new cleaning protocols are best in class. Hilton Worldwide Holdings Inc. recently announced it would consult with the Mayo Clinic and collaborate with the maker of Lysol. InterContinental Hotels Group PLC., which owns the Holiday Inn, Kimpton and InterContinental brands, said it is partnering with the Cleveland Clinic medical center. Marriott, which owns the Gaylord brand, convened a "cleanliness council" of health, food and diseases experts and said it is testing ultraviolet light technology to sanitize keys for guests.



The Gaylord Texan is requiring employees to blast surfaces with electrostatic sprayers carrying hospital-grade disinfectant. Here Shelly Robb applies a spray to the lobby.



Thermal scanners are used to check the temperature of all employees. Anyone with a reading over 100.4 degrees isn't allowed to work. Here bartenders go to work inside the Gaylord Texan's water park.

Hotel general managers say they are still trying to find the right balance between strict enforcement of new rules and knowing when to hold back. Most hotels encourage but don't require guests to wear masks. At the **Hawks Cay Resort** in the Florida Keys, which reopened on June 1, the hotel's policy is for all staff and guests to wear masks indoors. Sheldon Suga, the resort's managing director, said he and

the staff had long discussions about what to do if a paying guest flouted the rule. They decided to stop short of ordering compliance.

“We’re not going to get into a confrontation over wearing a mask or not,” he said. “We felt that was a little too intrusive.” He added that more than 9 of 10 guests wear masks.

Technology is also playing a bigger role. Hawks Cay Resort enables guests to download the restaurants’ menus on a smartphone, so diners don’t have to touch a previously used menu. Many hotels also allow guests to use a mobile phone app to check in. While only a small percentage of guests took advantage of that feature before the pandemic, hotel executives expect its use to rise rapidly so customers can avoid personal contact.

For guests unable or unwilling to use the technology, the alternative is often a smiling front desk clerk greeting customers from behind a wall of plexiglass. That prospect, while necessary to reassure and protect guests’ health, makes hotel owner Robert Habeeb, chief executive of the Chicago-based Maverick Hotels & Restaurants, a bit uneasy.

It is a little too reminiscent of the bulletproof glass nervous shop owners employ to shield themselves from violent intruders. “It creates a liquor store environment,” he sighed. “Social distancing is going to take a lot of getting used to in our business.”



The Gaylord Texan is using a 28-page playbook prepared by brand owner Marriott International Inc. to guide its cleaning and safety practices. Workers have to sanitize everything from glass partitions to lounge chairs.

The road back to precrisis levels of business is expected to be a brutal slog. Real-estate firm CBRE Group Inc. forecast that guest demand won't return to precrisis levels until the second half of 2022. Slumping room rates will keep the lodging industry from a revenue recovery until 2023, the firm said. Corporate travel probably won't come back in earnest until at least 2021, hotel analysts say, and the big groups that arrive for association gatherings or company celebrations are expected to be the last to return.

Few hotel owners experienced a bigger drop in business than Mr. Reed, owner of the Gaylord Texan. His five hotels suffered more than one million room night cancellations this year. About a third of those have rebooked for a future date, but there is no guarantee they won't cancel again.

There isn't much the 72-year-old hotelier hasn't seen in the business. That includes the very rare instance of shutting down a colossal hotel before. During the 1,000-year Nashville flood of May 2010, he elected to close a nearly 3,000-room convention center hotel as a precaution, Mr. Reed said. When the flood levels rose, the lobby filled with 6 feet of water. The hotel reopened about half a year later with

a fireworks show, the launch of a nouvelle American cuisine restaurant and a performance from country music star Keith Urban.



The owner of the Gaylord Texan has experience with hotel shutdowns. During the 1,000-year Nashville flood of May 2010, he elected to close a nearly 3,000-room convention center hotel as a precaution. The hotel reopened about half a year later with a fireworks show, the launch of a nouvelle American cuisine restaurant and a performance from country music star Keith Urban.

PHOTO: MARK HUMPHREY/ASSOCIATED PRESS

It is not just Mr. Reed with a lot at stake in the more subdued reopening of the Gaylord Texan, and the four other mega-hotels he says are poised to reopen in the weeks ahead. Marriott bought the Gaylord brand from Mr. Reed's company for \$210 million in 2012, eager to capitalize on its successful convention and group business that the 1,000-plus rooms properties specialize in. Mr. Reed's firm still owns the properties while Marriott also collects fees for managing them.

For Marriott, the Gaylord's reopening kicks into high gear the first major phase of its national recovery effort. The lodging company closed more than 800 U.S. hotels since March after the pandemic froze nearly all travel.

As chief executive Arne Sorenson realized the impact that Covid-19 would have on U.S. travel, Marriott moved quickly to preserve cash and stabilize the company. In March, Marriott began the process of furloughing tens of thousands of employees for what it said would be 60 to 90 days.

Mr. Sorenson shared the news with his employees by video. Adding to the shock of the furloughs and grim forecasts for the industry, this was the first time many Marriott staff had seen their boss since the 61 year-old's treatment for pancreatic cancer the previous year caused his hair loss. He was nearly bald and gaunt as he informed 130,000 U.S. staff members that this crisis was worse than the post-Sept. 11 period and financial crisis combined.

Marriott is still in a defensive crouch as it grapples with the likelihood of an extended slump. In late May, the company said that furloughs and reduced work schedules would be extended through Oct. 2, given the slow recovery in lodging demand. "There is a feeling, not to be too dire, but almost of despair," Mr. Sorenson said during a June 2 videoconference hosted by New York University.

Yet as the world's largest hotel company, with nearly 1.4 million hotel rooms worldwide, Marriott can point to a few bright spots. In April, Marriott sold \$1.6 billion in debt to help get it through the possibility of a cash crunch. Executives noted in a May earnings call that business was improving in the China region, which represents about 9% of the company's total room count. Now it is now working with its hotel staff and property owners throughout the U.S. to reopen hundreds of properties in June.

"We still consider the company in excellent shape to ride out what may be a very challenging few years," C. Patrick Scholes, a senior lodging analyst at the bank SunTrust Robinson Humphrey Inc., wrote in a May report.

One who showed up this week for Gaylord's reopening was Ursula Mendoza, who on Monday eased into the kiddie pool with her six-month old child Matty. Her family of six had the water park, restaurants, and other attractions practically to themselves.



Paradise Springs features a 6,000-square foot lagoon and 27-foot-tall water slide. It reopened this week as part of the Gaylord Texan complex.

“I thought if we came early on, it would be before all these people came and contaminated the place,” said Ms. Mendoza, a third-grade teacher. “I don’t know if it’s silly of me to think that way. But that’s what we thought.”

The first wave of business to come back to the Gaylord has been leisure travelers who arrived by car. Mr. Reed says by this weekend he expects about 700 rooms should be booked, pushing occupancy levels toward 40%.

One nearby vacationer willing to give Gaylord a chance this week was Benjamin Mogendi, a 36-year old furloughed bartender who drove over from Lewisville,

Texas, roughly 10 miles away. With parks and playgrounds closed, an overnight staycation was a good escape for him and his two-year old son Calvin, he said. “This is an easy way to get out of the house and both mentally stimulate my son and lose some of my claustrophobia,” Mr. Mogendi said. “It just made sense.”

He wasn’t quite sure what to make of the new cleaning protocols. “I see them wiping the rails and stuff in the water park and I’m thinking, ‘that’s constantly being coated in chlorinated water,’” he said. “But you know, I appreciate the effort.”

Most guests weren’t wearing masks, even inside. “I don’t wear a mask unless I go get a haircut and they make me wear it,” said Todd Hickman. He and his wife Denise came to the Gaylord, about a 30-minute drive from home, to celebrate their 25-year wedding anniversary.

“We’re pretty much thinking ‘let’s go, let’s get going and let’s get back to normal,’” he said.



The Gaylord Texan is ensuring proper spacing between customers in its Texas Station restaurant.