



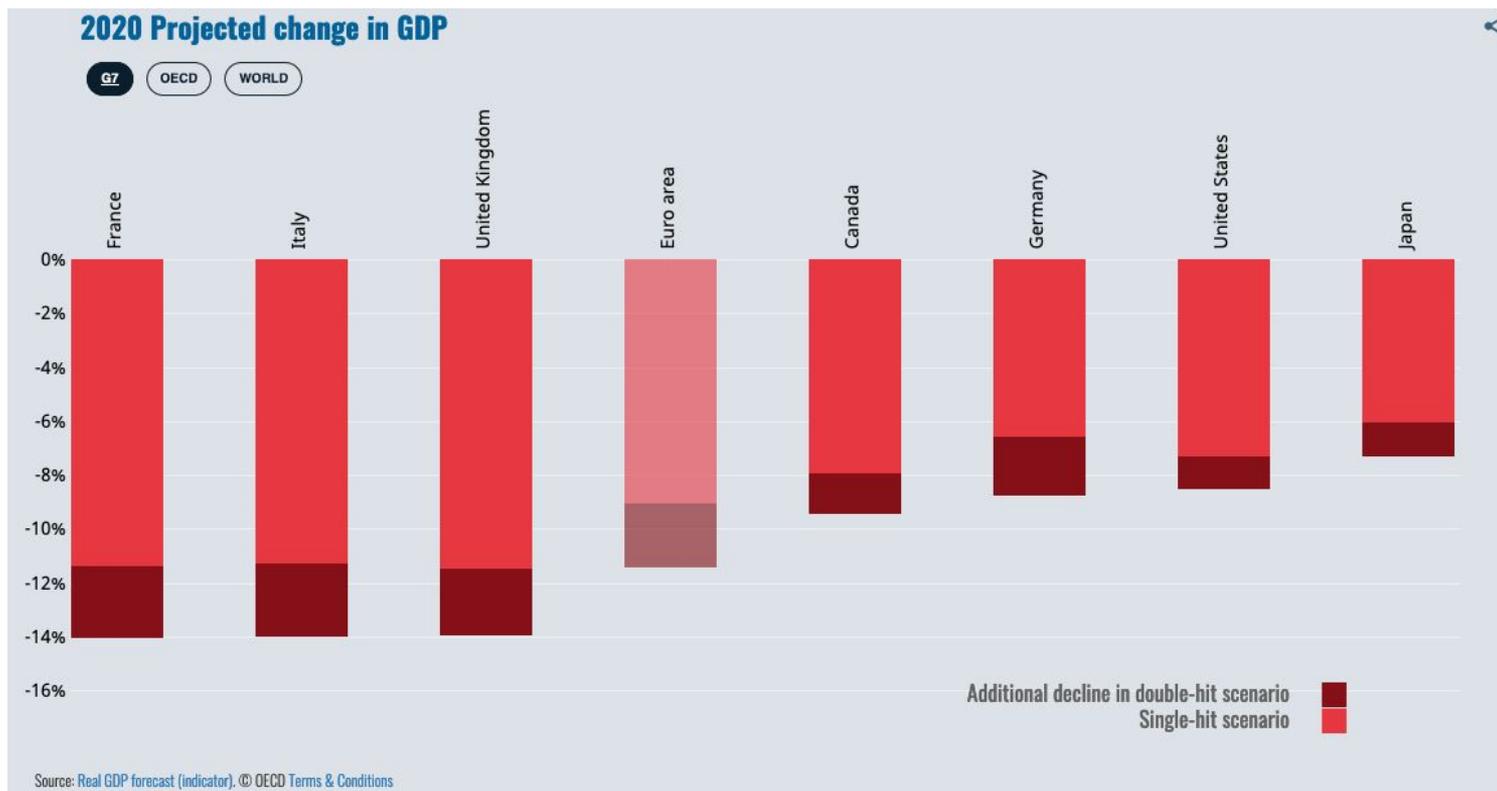
# **Economic perspective: Massachusetts Lodging in 2020**

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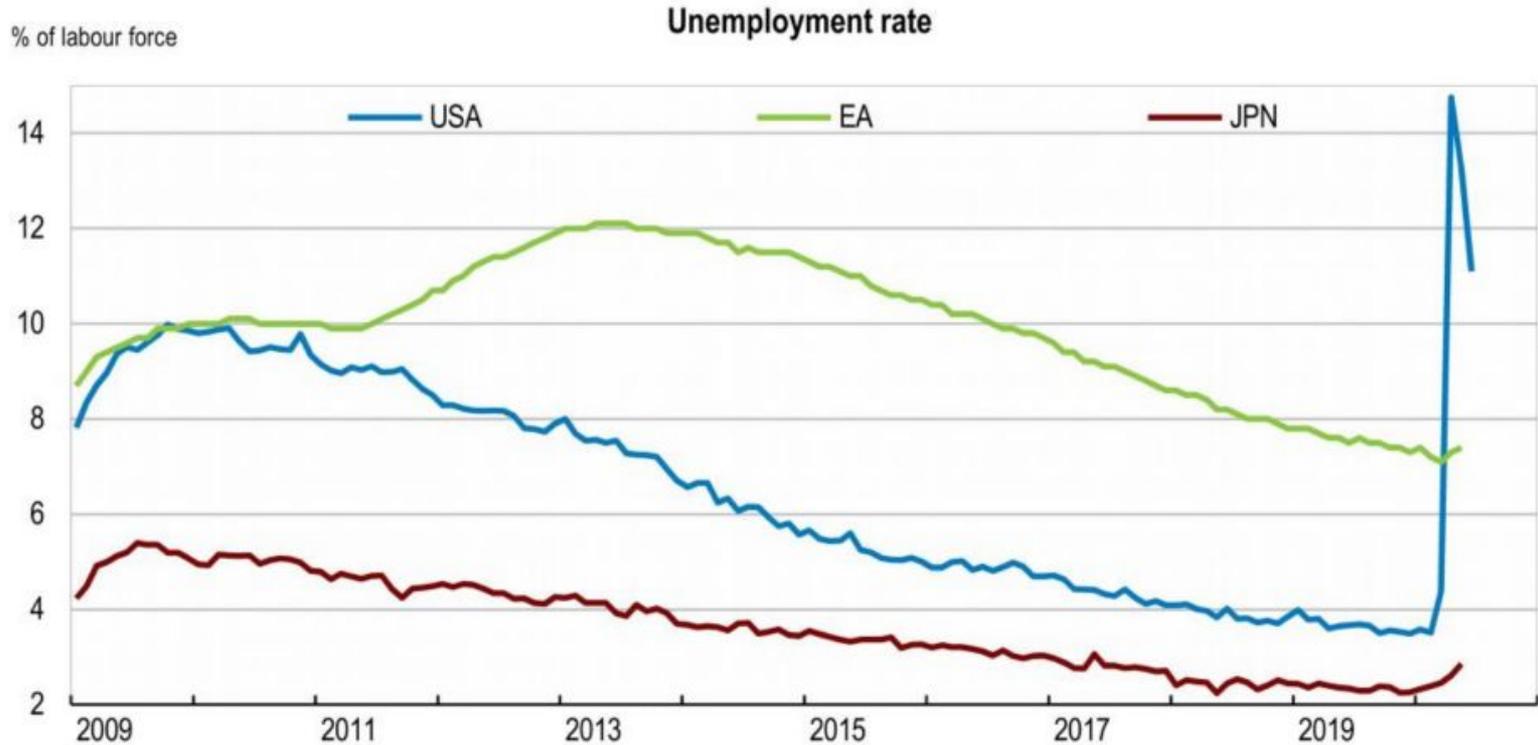
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Massive economic shakeup

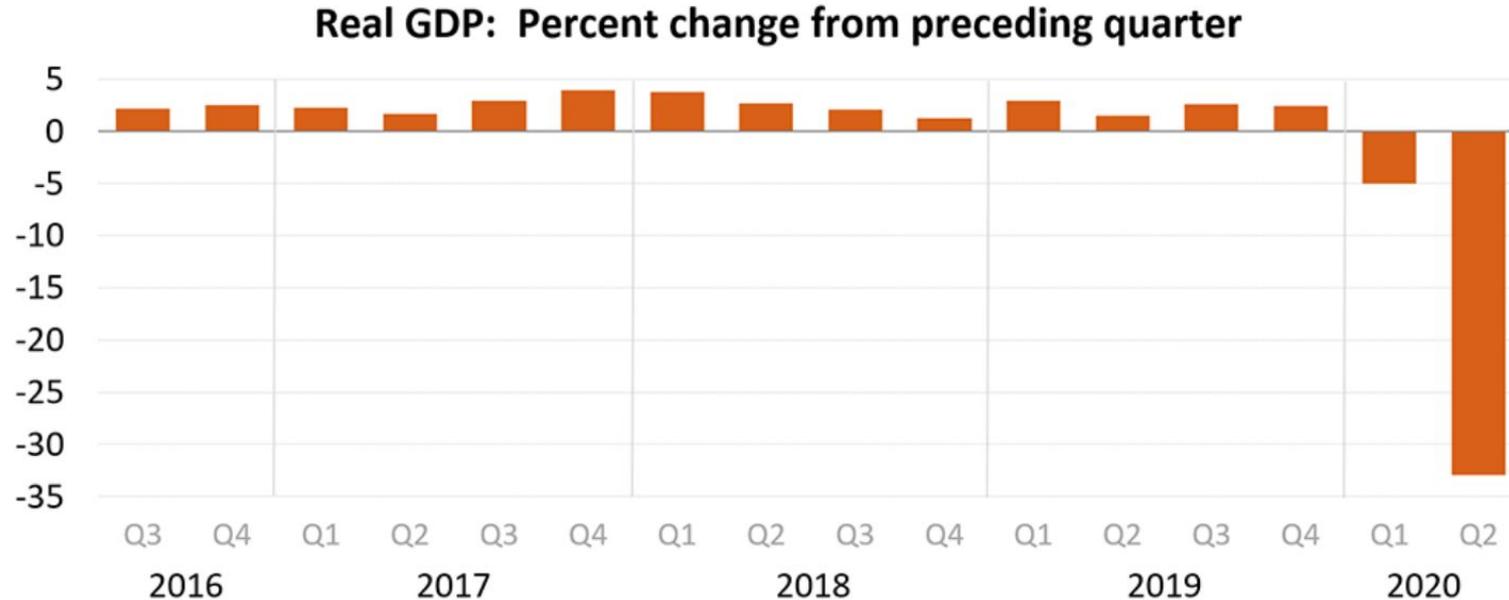
# Economic shake-up (GDP losses, US -7%)



# Unemployment has skyrocketed



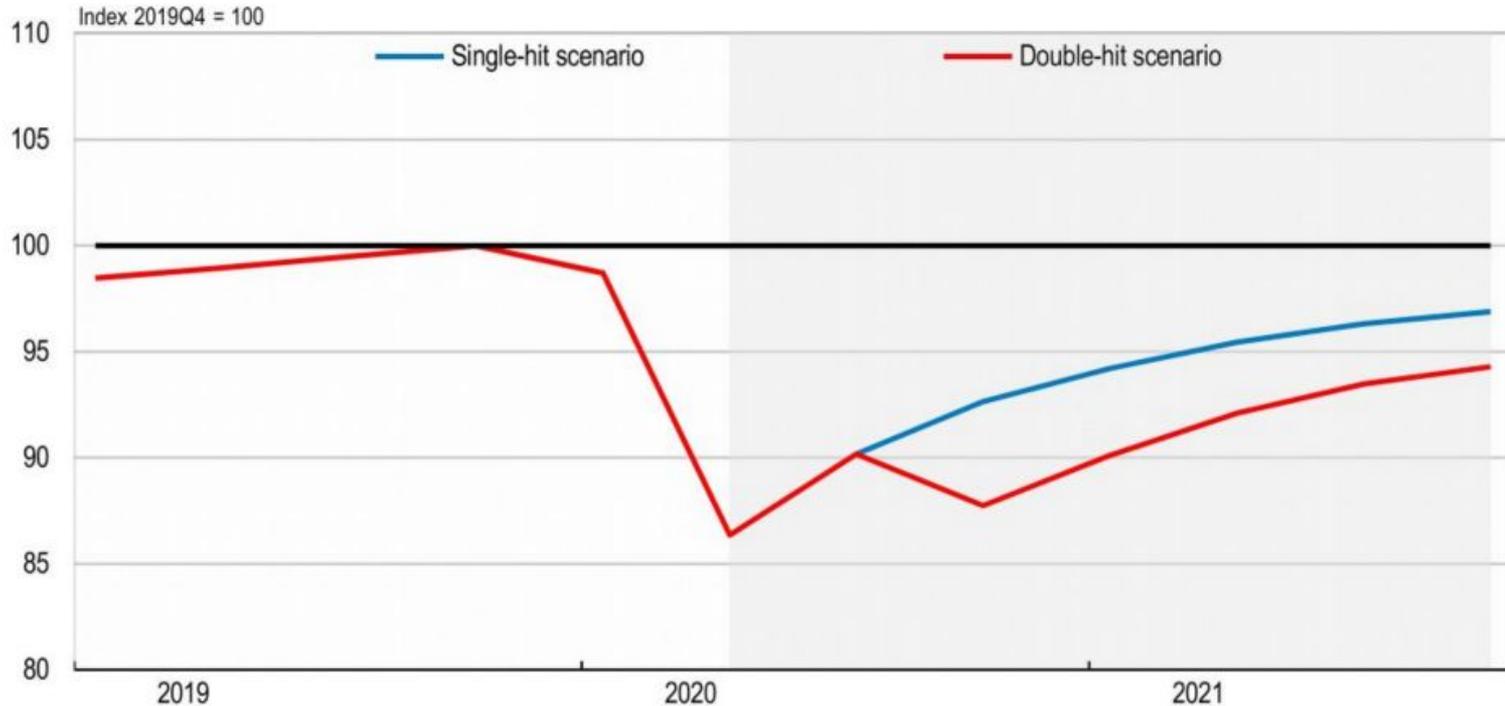
# Q2 data (forthcoming) will be much worse



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

# Recovery will likely be gradual



Tourism sector hit particularly hard

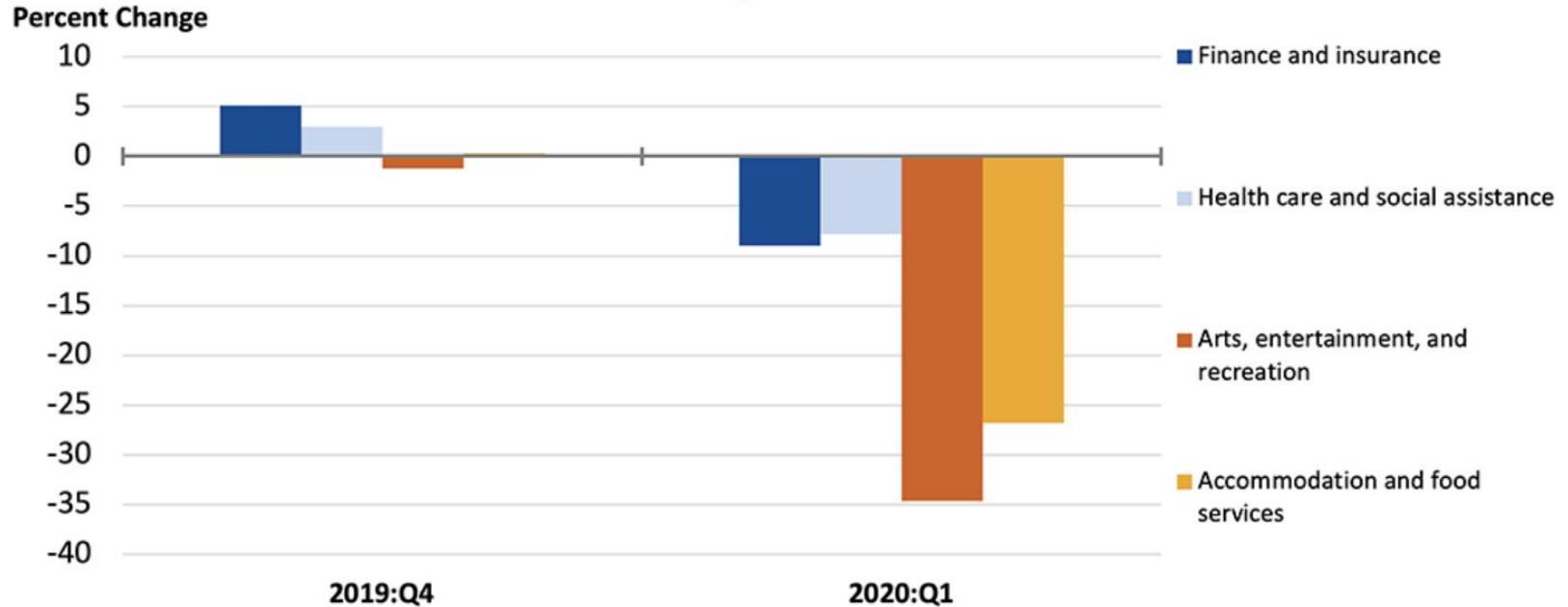
# OECD: Large declines in international tourism

“The tourism economy has been heavily hit by the coronavirus (COVID-19) pandemic, and measures introduced to contain its spread. Depending on the duration of the crisis, revised scenarios indicate that **the potential shock could range between a 60-80% decline in the international tourism economy in 2020**. Beyond immediate measures to support the tourism sector, countries are also shifting to develop recovery measures. These include considerations on lifting travel restrictions, restoring traveller confidence and rethinking the tourism sector for the future.”



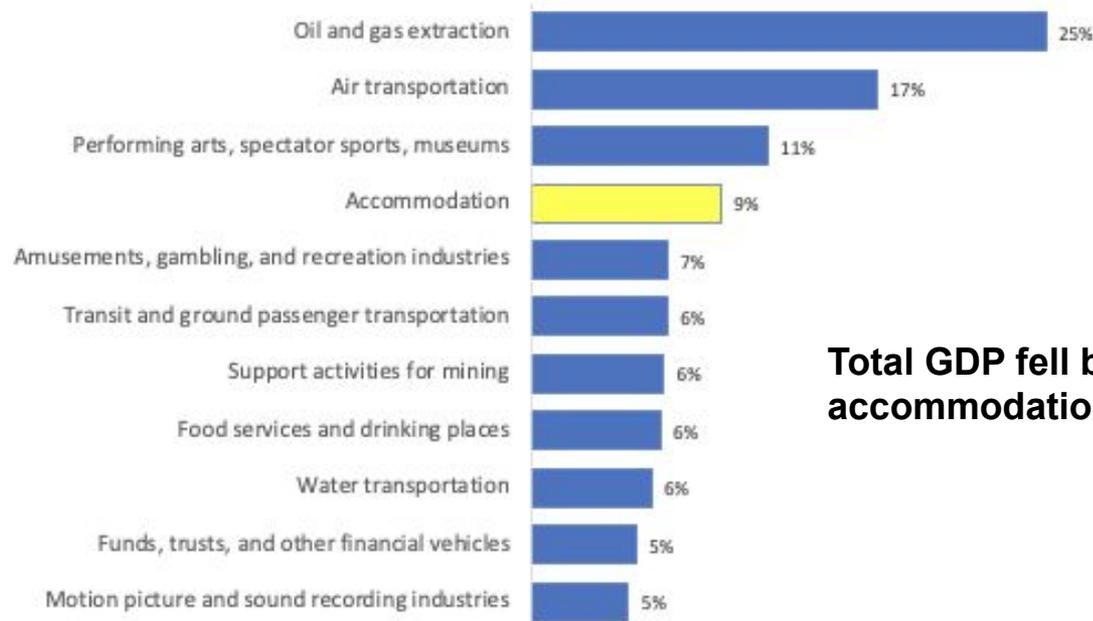
# Biggest losses to GDP

## Real Value Added by Selected Industries



# Industries hit first by COVID-19 (2020 Q1)

Real value added losses by US industry, 2020 Q1



**Total GDP fell by 1% in Q1, but accommodation fell by 9%!**

# Tourism: First to suffer / one of last to recover

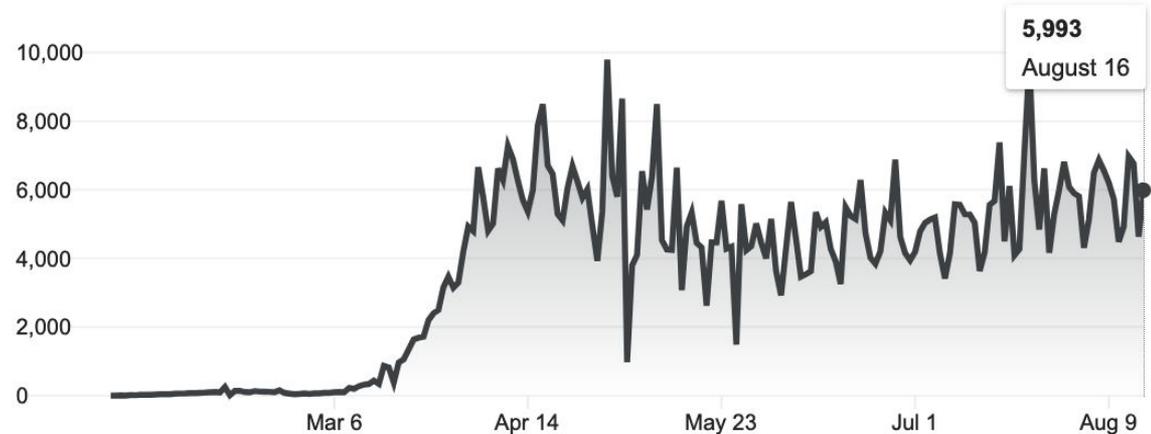
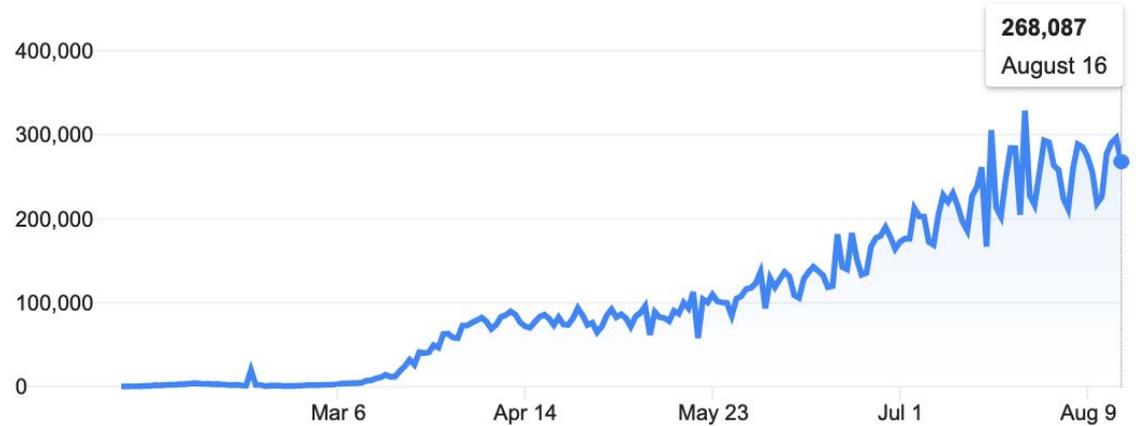
The reality is that **global tourism will be hard hit throughout 2020 and beyond**, even if the spread of the virus is brought under control in the coming months. Tourism businesses were among the **first to be shut down** following the introduction of measures to contain the virus, as tourism necessarily involves **people-to-people** interactions and the movement of people travelling from their place of usual residence to destinations within their own country, and to other countries. **Tourism activities are also likely to be among the last to restart**, and on a phased basis. Even when these businesses do open, it will be under **new operating procedures** in the absence of a vaccine. The pandemic is also likely to have an **impact on tourist behaviour**, impacting the resumption and recover of domestic and international tourism.



# State of Covid-19

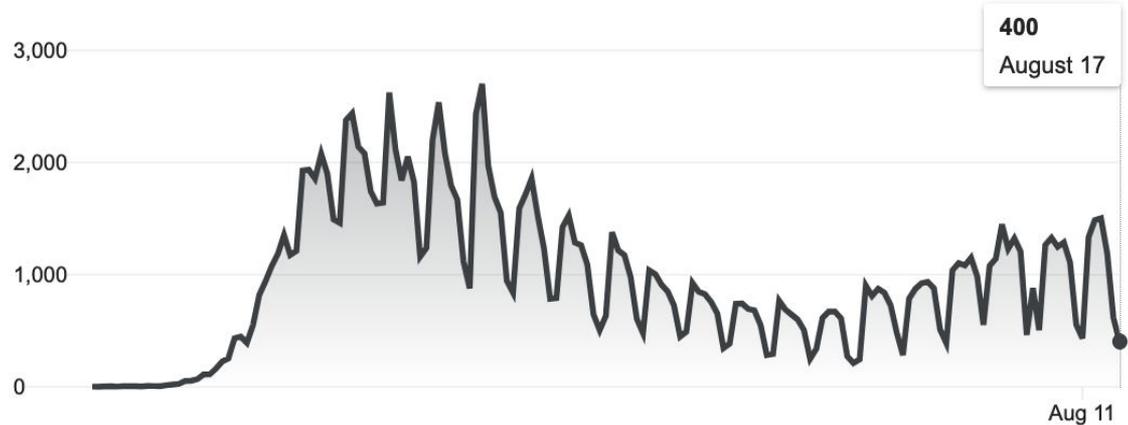
# COVID-19: Global

- New cases continue to rise globally; shows a steady upward increase
- Deaths remain high and continue to increase slightly



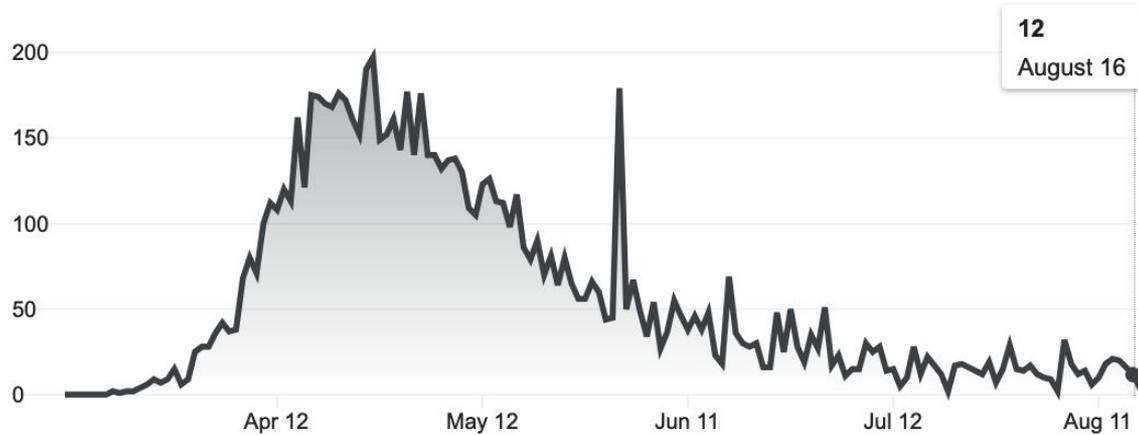
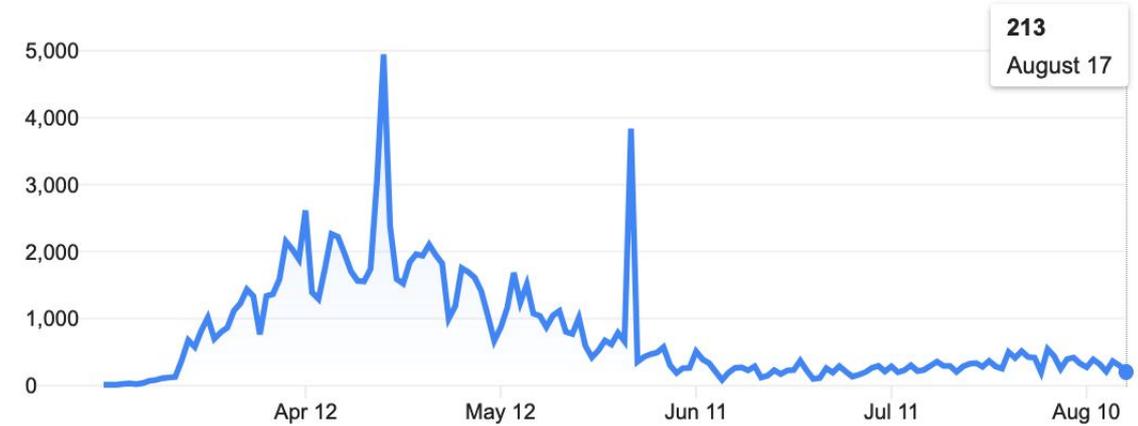
# COVID-19: US

- New cases still very high, but slightly down from peaks
- Deaths have stabilized down from their peaks in May



# COVID-19: MA

- MA was an initial hotbed, but significantly reduced new infections
- Deaths were high at first, but remain low now



# Estimating demand

# Key risk factors

- **Highest risk factors**

- Business work from home / Corporate travel attitudes
- Lower discretionary income for mid-term
- Unemployment
- Consumers' level of caution

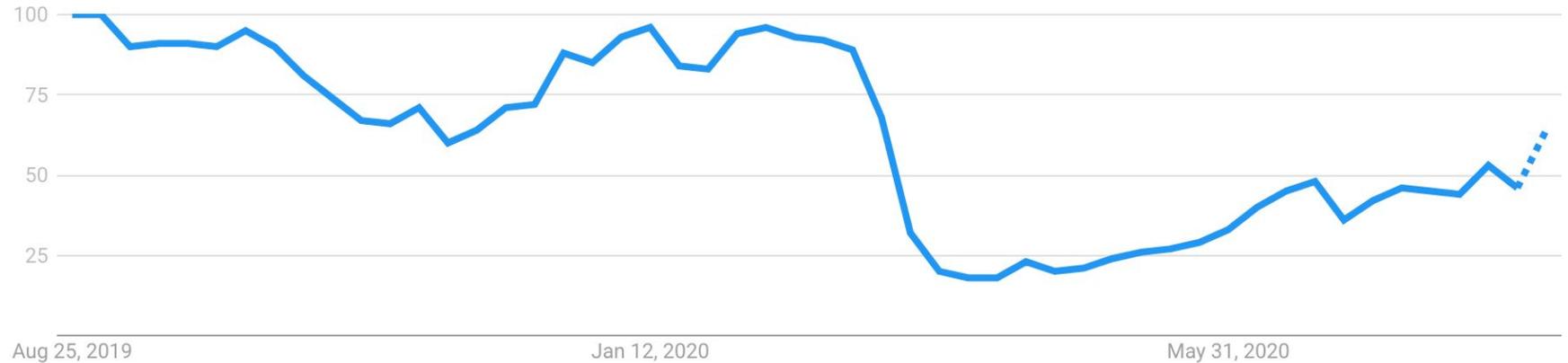
- **Medium risk factors**

- Single or double hit with COVID-19
- Willingness of people to social distance
- Vaccines
  - Speed of development
  - Efficacy and adoption



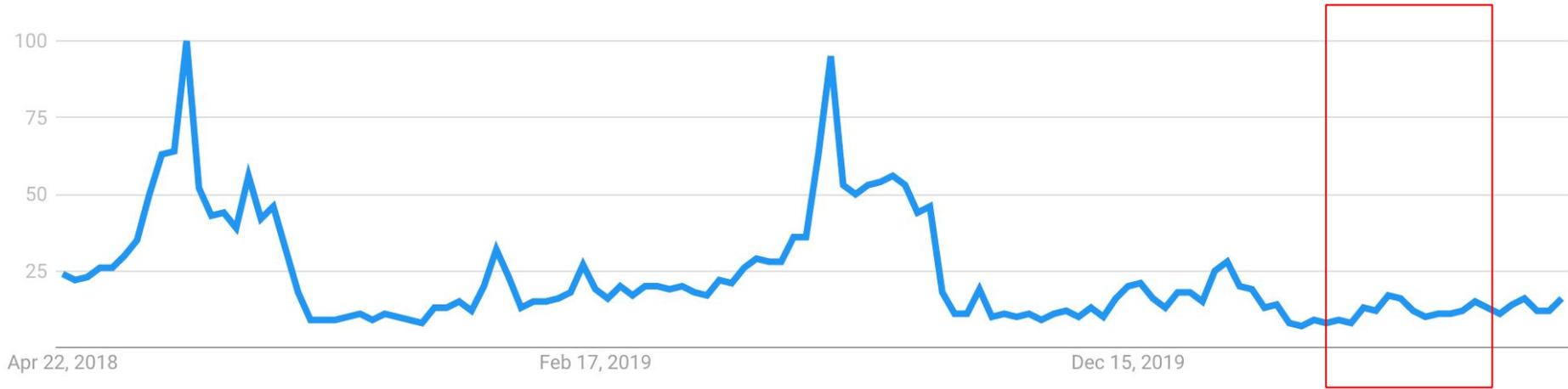
# Google trends: "hotels boston"

(June 2020 -Aug 2020)



# Google trends: “Tanglewood”

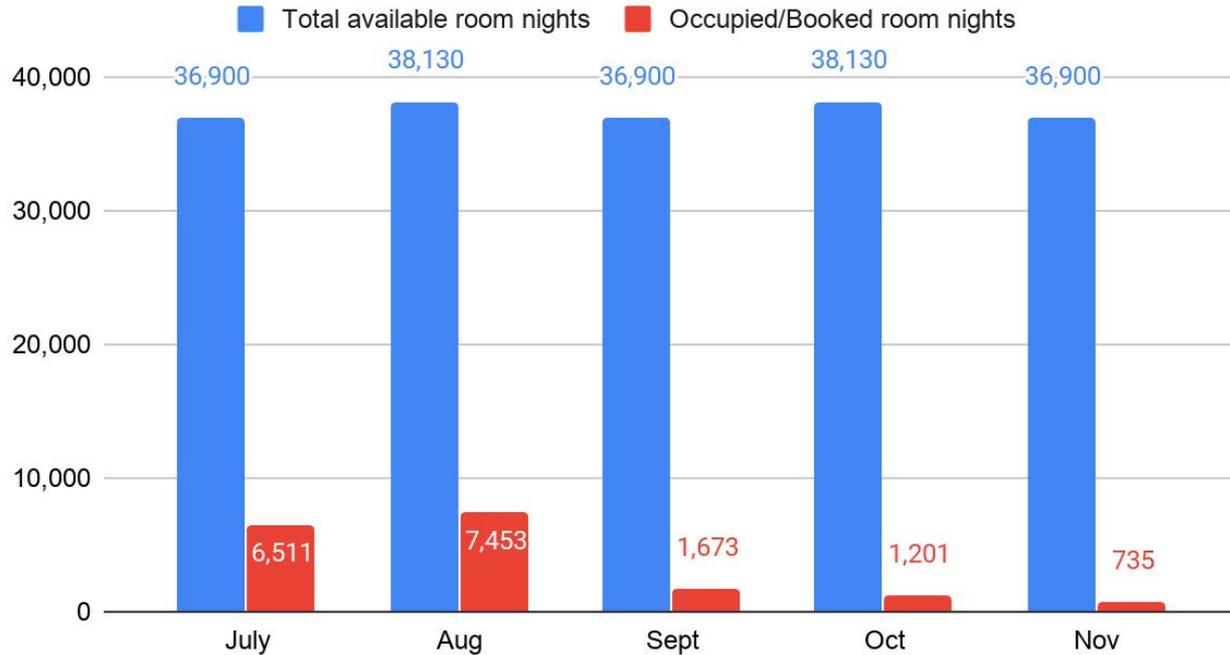
(May 2018 -Aug 2020)



Current booking pace in Cambridge, MA

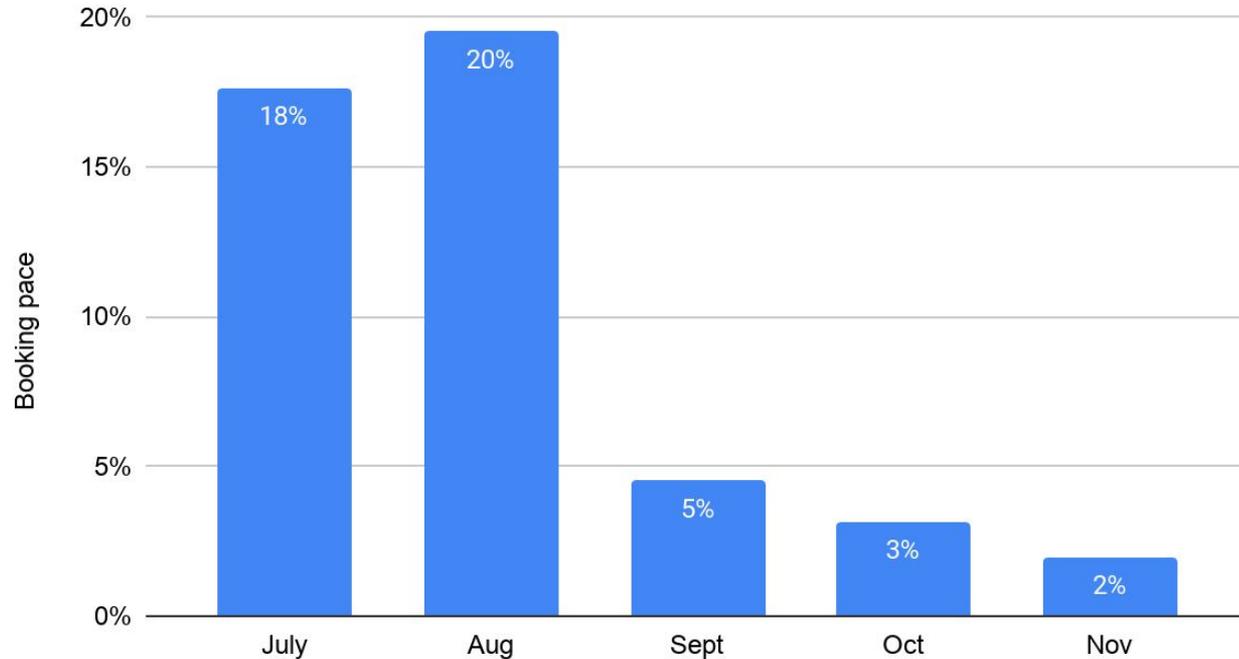
# Results: Bookings

Cambridge Booking Pace (Jul-Nov'20), Room nights (Aug17)



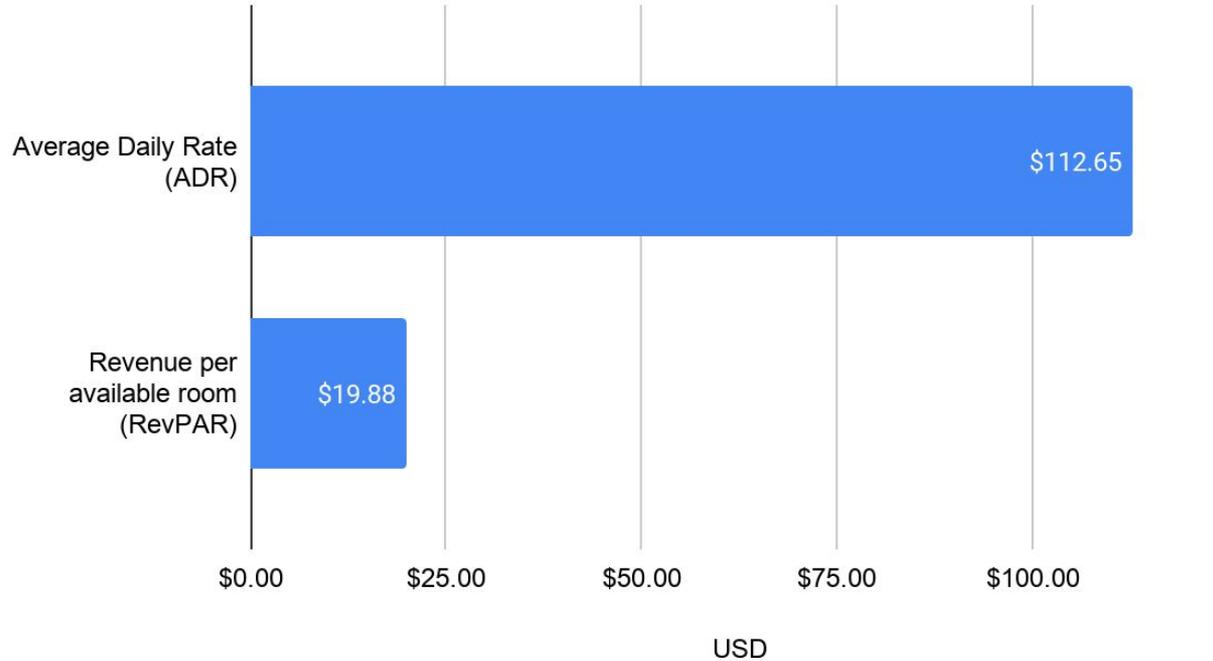
# Results: Booking (percentages)

Cambridge Booking Pace (Jul-Nov'20), Percentage (Aug17)



# Results: ADR and RevPAR

Cambridge ADR & RevPAR - July 2020, USD



# Agility and disruption

# 1. The economic recovery will likely take a long time

- **Lodging** was **hit first**, but will be among the **last to recover**
- US GDP down 8% for the year, but still deep in COVID-19 challenges.
- Typical growth in normal times is around 2% per year, but could be faster if workers can be brought back to work relatively quickly
- But **many jobs will never return**. Many firms that have shut down for good will not be replaced, leading to large numbers of displaced workers.
- But a **new wave of economic pain will hit** as these unemployment benefits run out and discretionary spending contracts throughout the economy
- Additional government rescue packages will be increasingly hard to pass
- The economic recovery will take a long time, so **be prepared to make changes for the long run**

## 2. Things may never go back to the way they were

- Even if the economy comes back relatively quickly, the world has changed, and we may never return to the occupancy levels from before COVID-19.
- **Business travel:** Firms have been forced into remote work and virtual conferences, and some of those in-person meetings will not come back. The glory days of conventions and business travel as we knew them are probably over. New revenue ideas for businesses?
- **Leisure travel:** Disposable income will shrink dramatically as unemployment benefits expire and a new round of economic hardship hits the US economy. Vacation at home! (2-year waiting list to install a swimming pool)



### 3. Safety will become a point of differentiation

- Cleanliness and safety precautions will become key differentiators for hotels
- What steps are necessary to ensure clients feel safe on premises?
- Firms may strive to develop a reputation as the **Volvo of the hotel industry**
- Potential to partner with healthcare providers to develop protocols
  - Example: United Airlines and the Cleveland Clinic partnership
- Perhaps a role for the Commonwealth?



## 4. Opportunity: Differentiate & shift away from OTAs

- As margins disappear, this may be an opportune time for hotels to differentiate their products and sell directly to clients
- Hotels can explore new ways to bundle services and de-commoditize their services
- Develop new revenue streams (e.g. student dorms)
- Story: Searching for hotels in Las Vegas based on the pool



We Set The Standard For Vegas Pools

## 5. Make a strong case for government support

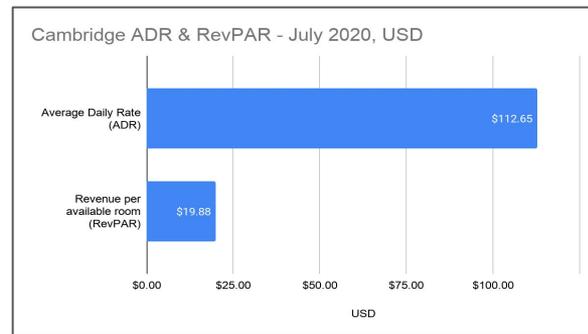
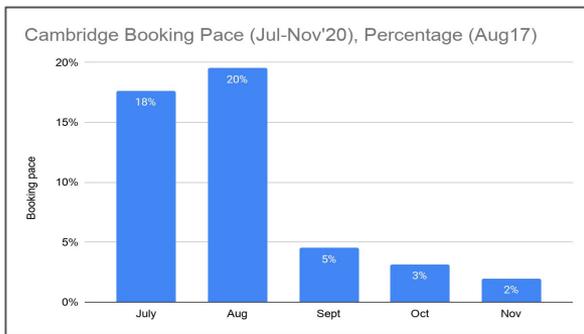
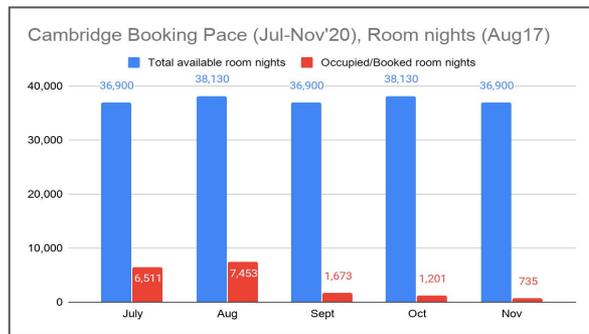
“This morning’s news of a 32.9% Q2 contraction is evidence that this economy is not going to be able to make it up off the mat without bold action by Congress to provide significant and meaningful relief.”

“The travel industry, which helped employ one in 10 Americans last year, has been hit hardest by the economic fallout of the pandemic—having lost half its jobs already and on track for a drop of more than a half-trillion dollars in traveler spending by year’s end. Travel workers have a strong case to be a top priority in the next legislative package, and unless their employers can survive the worst of this downturn, a massive share of those jobs simply will not come back even as the overall economy begins to improve.”

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## 6. Leverage data to your advantage

- Leverage your own data to target clients, optimize pricing, and streamline operations.
- Explore new ways to obtain market data
  - Example: MIT's new secure computation platform that can perform computations without requiring you to disclose your sensitive data to anyone (including MIT). Performs computations on encrypted data. Potential to run computations for hotels across Massachusetts. Currently doing regular runs with Cambridge-based hotels.



## 7. Share best practices

- Opportunity for hotels to work together to survive this crisis and re-invent themselves for a new travel paradigm.
- Learn from best practices around the world (e.g Spain)

### Tourist Recovery Plan

- **Health** – undertaken with the private sector to develop socio-sanitary specifications to ensure that tourist destinations are safe, and perceived to be safe, which is essential in order to recover both domestic and international tourism demand;
- **Support** – a new package of measures, developed with other government ministerial departments (Finance, Economic Affairs, Labour, etc.), will provide financial, economic and social support for tourism companies and workers, as well as destinations that are being particularly affected by this crisis;
- **Knowledge** – with a focus on improving the tourism knowledge model, improving data processing, creating new indicators, and designing new observation mechanisms, and;
- **Promotion** – national and international promotion campaigns to activate demand at the appropriate time.

# Thank you

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