



Hospitality Projects Post-COVID:

Streamlining Delivery

The *Hospitality Projects Post-COVID: Streamlining Delivery* survey was administered in Q2 2020 to experts in the UAE hospitality industry. The following report was developed from its findings.

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Table of contents.

Introduction	2
COVID-19 impacts and opportunities	3
Getting clear on stakeholder management	4
Early engagement is the foundation for success	6
Primary influence in new hotel designs remains unchanged	7
Hotel refurbishment	8
A slow shift towards modular construction	9
Use of technology	10
Conclusion	11

Introduction.

The UAE has been investing heavily in its tourism infrastructure for 20 years – since the opening of the Burj Al Arab. This effort has made tourism a key contributor to the country's economy, so much so that roughly 12% of the GDP and 11% of the total employed force are directly and indirectly linked to it.

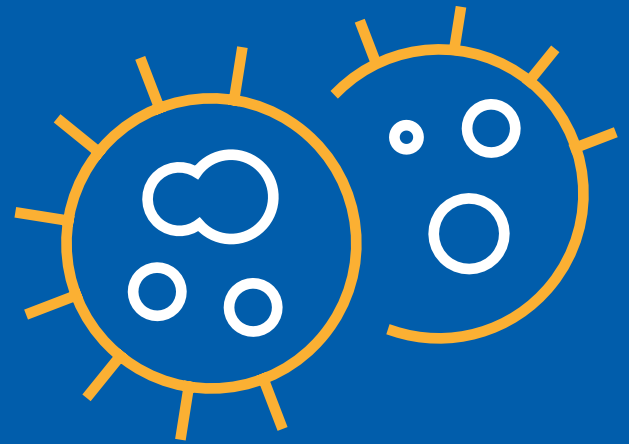
Recently, the region's hospitality industry has faced new challenges including geopolitical tensions, a strong US dollar, new entrants into the market (Airbnb) and, in some markets, an oversupply of hotel rooms.

In Q2 of 2020 MHPM_Driver administered a survey asking hotel owners/developers, designers, and operators to share their insights and industry experiences. The survey, Hospitality Projects Post-COVID: Streamlining Delivery, asked respondents what they believe makes new hotel developments and refurbishments successful, what influences their design decisions, how they view the adoption of new technologies, and how COVID-19 is impacting their operations.

We are pleased to share the results of the survey, as well as some beneficial insights which may help you navigate governance and processes, stakeholder management, digitization and innovation, and business continuity plans amid these uncertain times.

Hospitality developments projects require skillful project management to succeed.

COVID-19 impacts and opportunities.



The COVID-19 pandemic is the most significant historical event of this generation. In an age of unprecedented access to information, technology, and connectivity, a global pandemic shutting down economies around the world was certainly not accounted for in anyone's 2019/2020 fiscal plan. The shutdown has changed the way we approach business. Communities as we have known them may never be the same.

When it comes to estimating the impact of COVID-19 on the UAE's hospitality sector, our survey revealed that:

65%

of respondents believe that COVID-19 will lead to at least a 30% revenue reduction in 2020, with 49% of those respondents expecting a more than 50% decline. This will have a direct bearing on new capital expansion, hiring, and organizational restructuring.

50%

of respondents also view this pandemic period as an opportunity to accelerate digitization or automation and advance property renovation.

60%

of respondents also feel that the market will become more competitive as the industry works to recover from the economic setbacks related to COVID-19.

While the pandemic's impact on operational assets has dominated the second quarter of 2020, this period has also provided hotel owners and operators with a chance to identify opportunities for improvement in several areas, including hospitality's approach to project management. Respondents intend to use this time to prepare their organizations for the newly competitive market.



Getting clear on stakeholder management.

The challenges caused by COVID-19 have inspired many organizations to make significant changes to their project management strategy. Many have begun the shift from an ad-hoc, individualistic project management approach to a more robust, monitored, and refined method that uses governance and processes. As organizations' stakeholder complexities grew, they started recognizing the need for developing tools such as well-documented responsibility matrices to govern responsibility-sharing between project stakeholders. Such changes indicate both maturity and alignment with global project management trends.



of respondents have defined and monitored governance and processes.

of respondents have a well-documented responsibility matrix.

Despite these changes, 60% of respondents indicate that they have faced challenges because the roles and responsibilities of key stakeholders were not clearly defined. These issues are largely a result of deficiencies in the project management strategy or a lack of strategy altogether. More than 80% of survey respondents agree that having a project manager can significantly help overcome issues related to roles, responsibilities, and coordination. Also, 75% agree that an independent project manager always adds value to a project.



Getting clear on stakeholder management.

cont.

Project managers are expected to lead many tasks throughout a project lifecycle. These key responsibilities can include:

- 1 Delivering the project on time and on budget
- 2 Setting expectations and ensuring that all team members can deliver on them
- 3 Managing communication between all stakeholders
- 4 Managing the owner's risk
- 5 Reporting consistently and accurately on a project's status

Our survey results demonstrate that communication is key to the effective and efficient delivery of hospitality projects. To mitigate as many issues as possible and ultimately see a project through to successful completion, the project manager must navigate the complex dynamics of multi-stakeholder scenarios with consistent and clear communication throughout each project phase.



Early engagement is the foundation for success.

Studies have shown that changes to projects have a lower cost impact and are easier to implement when applied during the pre-planning, project initiation, or project planning stages. Our survey supported this finding with:

60%

of respondents expressing that early involvement of the project manager during the feasibility studies and planning stage, for example, adds substantial value to the project. Good project managers identify the required stakeholder mix and facilitate healthy discussions as a means of mitigating late (and expensive) design changes.

Furthermore, respondents identified the following as key factors that put a project at risk of failure:

- 1 Poor planning
- 2 Unreasonable/unachievable project objectives
- 3 Inconsistent cash flow/fund availability
- 4 Lack of effective leadership
- 5 Ineffective communication management

The results suggest that projects tend to fail at the start, but that the impacts only manifest near a project's end. All these factors can be avoided if project managers are involved early and remain involved.

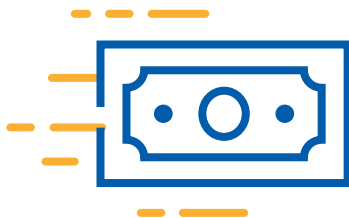


Primary influence in new hotel designs remains unchanged.

Respondents were asked to rank which factors had the most impact on design decisions. The results below are ranked from most to least impactful:

- 1 Reduction of the capital expenditure to align with the owner's budget
- 2 Maximizing revenue from the development
- 3 Enhancing the guest experience
- 4 Creating a unique and striking design
- 5 Reduction in operation and maintenance costs during the asset's lifetime

It is not surprising that the two highest-ranking factors relate to the project feasibility – considering the regional hospitality assets have been challenged to make their targeted EBITDA's in the last three to four years, and they are currently navigating the COVID-19 pandemic.



The GCC region has grown accustomed to making design decisions based solely upon the guest experience. This approach made sense when countries like the UAE were in the early stages of developing their tourism infrastructure, average daily rates were 50% higher, and payback periods were sometimes in the low single digits. However, as the regional hospitality market continues to mature, it's expected that owners will look even further at the cost and asset lifecycle, which still appears to be at the bottom of the list.



Hotel refurbishment.



As the total number of keys in a country start to cover the demand, and existing assets begin to age, owners will look to refurbishing their hotels to remain competitive. In our survey, we asked respondents to identify important elements for consideration when pursuing hotel renovations.

Key takeaways include:



70% agree the most important factor is establishing the team including designers, cost managers and project managers.

70% believe misalignment between CAPEX and expected revenue is one of the key reasons for owner and operator disagreement.

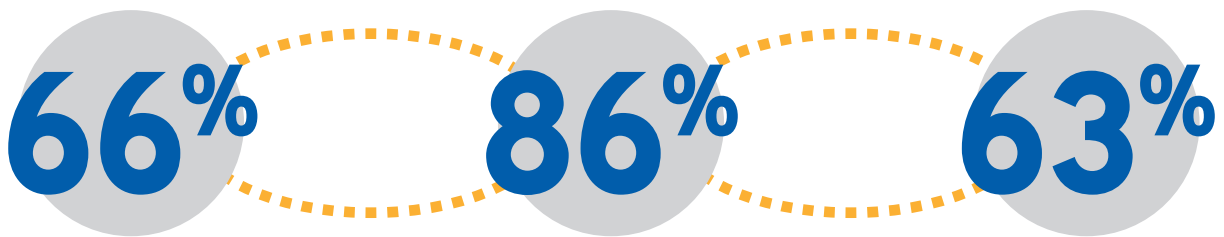
The key objective of owners and operators during a renovation is to spend money on guest-facing items that attract or retain guests while minimizing the impact on staying guests.



A slow shift towards modular construction.

For years, the UAE has been at the forefront of technological innovation in the development of construction projects. Despite this, hospitality players in the region are still not comfortable adopting modular construction. According to the survey results, the primary reasons behind the industry's hesitation are a general lack of understanding of modular construction and a reluctance to evolve beyond traditional practices.

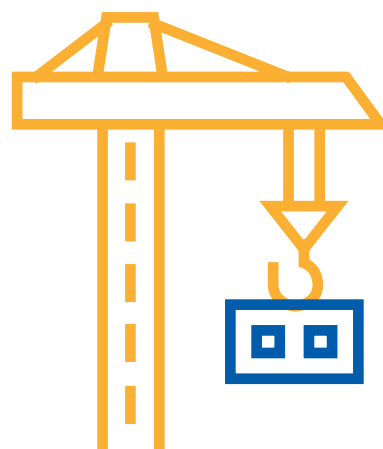
However, it seems that this reluctance and apprehension is changing. The hospitality industry is beginning to accept that modular construction brings significant savings in terms of time and project cost.

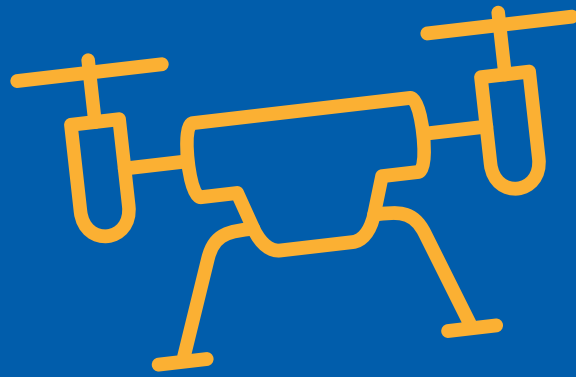


66% of respondents believe that modular construction can reduce cost by more than 10%.

86% of respondents believe that modular construction saves more than 10% of time in the total project schedule.

63% of respondents feel that modular construction provides greater control over the quality of the final product.





Use of technology.



The hospitality sector has always been a leader in adopting new technologies to enhance the customer experience. Sophisticated Guest Room Management Systems (GRMS), contactless checking-in procedures, online bookings, and in-room entertainment are just a few examples.

The survey results suggest that the use of new technology and techniques is extending into the project management process for hotel development. Presently, the most commonly used innovative techniques in construction are Project Management Information Systems (PMIS), 3D BIM Models, and digital image capturing using laser scanners and drone cameras.



There have also been significant advancements in efficient mechanical, electrical and plumbing plants and equipment that reduces consumption, and while this may increase initial capital expenditure, the reduction in operational expenditures could make the investment worthwhile.

60%

agree the designer and operator are the primary advocates for the use of sustainable materials in development projects.

88%

believe using efficient equipment is an important factor for the success of future development in the hospitality industry.



Conclusion.

Tourism will remain a primary focus as GCC countries continue to advance plans to diversify their economies. Investing in hospitality infrastructure is vital for the continued growth of the tourism industry, however, such investments will likely be done more strategically in the current economic environment. Developing a hotel project can be far more complex compared to other asset classes and requires robust project management capabilities to properly address technical requirements and the stakeholder mix. Hotel owners will expect more from their project teams, including operators, and CAPEX investments will be heavily examined against expected returns. As a result, construction professionals will have to invest in technologies that support owners' ambitions to optimize their capital investments.





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