

# FINANCE & COMMERCE



Some hospitality businesses located in summertime leisure hot spots are faring better than many other Minnesota hotels and motels, according to a new survey conducted by the trade group Hospitality Minnesota. Among 55 respondents, 40% indicated their business has been down between 50% and 75% for the year. (File photo)

## Be our guest

By: Dan Emerson | August 14, 2020 2:19 pm

Scott Mehlhaff, president of Detroit Lakes-based HH Lodging, has been doing double-duty this summer at the family-owned business' Best Western Plus Superior Inn in Grand Marais. Mehlhaff and his family normally live in Detroit Lakes, where HH operates The Lodge on Lake Detroit. He's been logging 16-hour days at the Superior Inn, keeping the business going through an extreme shortage of staff.

But Mehlhaff feels grateful to be able to operate the properties in the middle of a pandemic that has hit the hotel-motel sector about as hard as any business category.

Both properties — located in summertime leisure hot spots — are faring better than many other Minnesota hotels and motels, according to a new survey conducted by the trade group Hospitality Minnesota. Among 55 respondents, 40% indicated their business has been down between 50% and 75%, with 36% down more than 75% for the year. One reporting property has closed permanently.

Another 9% said they have been down 25% to 50%; 3.6% of properties are down between 10% and 25%. Nearly 6% indicated their business has been down 10% or less, probably because they are seasonal properties and experienced limited impact in the spring, according to Hospitality Minnesota.

Of the respondents, 63.6% said their business has been well below capacity, while open at limited capacity. Another 14.5% have fully reopened.

Across the industry, “everybody is learning and adapting as they go,” said Tanya Pierson, a Minnesota-based managing director with HVS, a hotel management consulting firm. “In terms of operating a hotel, it’s not month-by-month anymore, it’s day-by-day,” she said. The fact that corporate and group business has mostly disappeared and most of the demand is coming from leisure travelers makes for “very short booking windows,” she said. “People might wait to see how the weather is going to be before they make a reservation for the weekend.”

Pierson said some of the operators she works with have chosen to suspend business temporarily; others have cut costs and are running with bare minimum staffs, “with general managers checking guests in and cleaning rooms.” Buffet meals have been eliminated, for now. Another strategy is rotating rooms so they are occupied less often, to reduce transmission risk.

“The larger hotels have much higher expenses than traditional, limited-service hotels,” said Pierson. “For them, it takes higher occupancies to break even.”

The coming months will continue to be challenging for hospitality operators, Pierson said. “Business travel won’t fully return until there is a vaccine [for COVID-19].” Many don’t anticipate much group travel until 2021, but some corporate travel will continue to rebound through the fourth quarter. “As a result, we’ll see some gradual improvement in occupancy.”

On the brighter side, the pandemic has provided an opportunity for hotel owners to scrutinize their expense reports and find ways to economize, she said. “We might see an evolution in food and beverage standards, and in housekeeping, and more emphasis on common area cleanliness.” There could also be a longer-term shift toward more leisure travelers and less corporate business, she said.

Some extended-stay hotels have fared relatively well during the pandemic, given their ability to accommodate essential workers and people who may want to stay in a specific area for longer periods of time, Pierson noted. “Suburban markets have fared better than urban, because of the convenience of the interstates to capture leisure business.

“It’s been a very challenging time for everyone in the hospitality industry. Fortunately various organizations have been able to stand together and provide benefit funding to ride out the storm. It’s nice to see people working together.”

Both of HH’s properties were shut down in late March when business tanked, and then reopened just before Memorial Day weekend, according to Mehlhaff. Things were initially slow at both sites, but then the Lodge recovered more quickly due to an increase in leisure guests.

In June, business was down more than 50 percent at the Detroit Lakes hotel, which lost the weddings, softball tournaments and other group events it depends on, but was “a little better” in July, Mehlhaff said. “Grand Marais was not down at all,” partially due to highway construction workers staying there. “August is looking solid, but we’re not so sure about the fall.”

Hiring enough seasonal workers to fill positions has been a challenge for the outstate properties, Mehlhaff said. The Eastern European workers who normally spend summers working in northern Minnesota were not able to come this year because the federal government canceled their J-1 visas, due to quarantine restrictions. “We’re trying to get people back to work but we have so many unfilled positions, it’s scary,” Mehlhaff said.

“Just today, all of a sudden we had a lot of cancellations for August and September. We’re getting that fear factor we had back in March: ‘I need to stay home and not travel.’ That’s a little bit disconcerting for the remainder of the year. We’re back to not knowing what is going to happen. But we’re thankful for what we have and we’re continuing to keep guests and staff safe.

“Fortunately both hotels are on lakes and have sliding glass doors; we can open those and get fresh air flowing through. Some days, it’s like a wind tunnel going through the hallway. So we have better scenarios than some other properties.”

Austin, Texas-based Radisson Hotels recently announced a new 20-step protocol for hotels and 10-step protocol for meeting and event spaces. The protocols include new cleaning and disinfection procedures, increased attention to safety in communal spaces, protective equipment, and updated training for employees. Other hospitality companies are also in the process or have already introduced similar measures.

#### ABOUT DAN EMERSON

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