Hotel Business

HB EXCLUSIVE: Chesapeake adds hotels, adapts strategies

BY GREGG WALLIS ON
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GREENBELT, MD—Like so many companies dealing with the COVID-19 pandemic, Chesapeake Hospitality had to make some tough decisions and adapt to the new normal.

"We are a 63-year-old company," said Chris Green, president/CEO, Chesapeake Hospitality. "Our culture is what we hang our hat on. We were experiencing the greatest renaissance and growth in our company ever. We had developed a team of high-quality individuals, so we had a decision to make as a board when this hit of what we were going to do as a management company. One of our core values is integrity and for me that means doing what's right even when it's really hard. We decided as a management company to make the hard choice to continue doing what we are supposed to. We had signed contracts with people to do business and to take care of their assets and look over their financials and help them, and we needed our team to do that."

As was the case with companies throughout the industry, Chesapeake had to furlough or layoff some of its field staff. "We decided to retain 100% of our corporate staff, even though we had to take pay cuts at the corporate level…and we accelerated the service to our owners and to our associates," said Green. "We took the position that, if we retained 100% of our people, we knew they were good, and we repurposed them into some different tactics, and we continued to power through."
The company's accounting team was focused on the cash flow forecast, "making sure that our owners every week knew exactly what their cash position was, where their debt issues were and how we could assist them through that," he said.

Green said the sales and e-commerce team was focused on the time when business started to open up again. "We didn't say, 'What does it look like now?' We were looking like 'How do we get back?' So our VP of revenue strategy built our segment strategy with our team, and our sales team continued to do weekly sales reports, even though they are pretty gloomy; we are identifying opportunities and then, of course, we are sharing across our enterprise so that we could be back faster than anyone else because, ultimately, not only do we need to get our owners back in the right position, we have to get our people back to work. Those were our real driving forces—getting our team back and getting our owners healthy."

That focus has seemed to work for the company as it added three new properties in the month of July— the Hilton Garden Inn Kent Narrows in Grasonville, MD, and the Wyndham Gettysburg and the Courtyard by Marriott Gettysburg hotels in Gettysburg, PA—and expects to add another in September. "Adding three properties is 10% growth," he said. "That is good anytime. We added three great properties, and we have a fourth that is going to be added on Sept. 1, a full-service property in a great location. We also added a country club, which is owned by one of our owners, to the mix just out of our relationship. It is something we have done in the past and they needed help, so we are doing it for them, too. That said, we continue to see development opportunities. Remember, it is simple when your goal is not growth. When your goal is excellence, growth is a byproduct. We are doing really well."
While these are welcome additions, the pandemic has affected business. "I have got to have a few more hotels, probably 10 total, to meet the same revenue levels that I am used to prior because the hotels' revenue will be muted," he said.

However, he noted, the recent additions help with that. "So I am going to have some additional RevPAR into the company for a period of time, which will be great because as the hotels ramp back out toward '22 and '23, where all system revenues will grow, opportunities will grow, but we can grow with the revenue stream and not necessarily have to be out adding a ton of new hotels to the company," said Green.

Green noted that in February, the company had 10 or 12 deals on the horizon. "We still see that to be where we will be going over the next 12 months," he said. "The challenge is that everything got put on hold. Some of them are new-construction. Some of them are waiting for debt to get placed. There is going to be a lot of headwinds for projects because I think we are in the third inning of the coronavirus pandemic and its impact—or maybe even the second inning."

There is good news for Chesapeake, however. "I am seeing our overall RevPAR gain outpacing our entire comp set," he reported. "In June, we took 7% share from our set even in this horrible environment. To me, the proof is in the pudding if you are paying this level of high touch."
The company will continue to adapt its systems and strategies to get through the next stages of the pandemic. "Every management company has always had an office" said Green. "We have just come through with the longest ever live test of remote work for everyone. We have had to adapt systems. We have had to adapt infrastructure. We've had to adapt technology to make sure that we are still providing that level of service as we process through. There are going to be opportunities for management companies like ours who have invested through the pandemic to improve our systems and to improve our remote capabilities to be able to service our clients because I do think, in the near term, returning to offices is not fully likely for a lot of jobs." HB

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