

Hotour speaks plain text: State aid is not a cornucopia

Frankfurt (March 27, 2020). Martina Fidschuster speaks plain language. The Managing Director of Hotour Hotel Consulting admonishes the industry: „The protective umbrella of the German government is not a cornucopia of gold coins! Some of her conversations remind her of the uncertainty and chaos following the Lehman crash of 2008/2009.



State aid from the cornucopia: But each case is treated individually. /

Photo: Adobe Stock Sombra De Luna

The experienced consultant can no longer get out of her calculations. Her clients want her to check their liquidity and the financial aid they are promised. But she also learns a lot from these discussions and many others with business partners - and appeals to the industry. Because today the German Bundestag is passing the details of the state aid.

„The protective shield that the German government has just issued over all micro, small and medium-sized companies does not mean that a cornucopia of gold coins is being poured over the industry,“ says Martina Fidschuster. „In the end, it's always the individual case that counts“.

And this is exactly what reminds her of the time of the global financial crisis: At that time, credit assistance was only granted to the entrepreneur who had also managed well before the crisis and made this transparent. This is no different today. „Banks can certainly tell whether a liquidity reserve was built up in the good years or whether the entrepreneur made full use of it. In any case, companies that cannot plausibly explain their liquidity situation have a hard time (or have difficulties) now.

She understands hotel investors as well as hotel operators, who have been keeping a low profile for exactly four weeks – since the cancellation of the IHIF and ITB. Anyone who shuts down (has to shut down) operations is busy for days/weeks with Excel spreadsheets and annoying bureaucracy. This is exacerbated by the concern for the employees. Federal states such as Germany with 16 federal states certainly do not make the handling of the situation any easier for the hoteliers. And all this in an industry that was confronted with the state-imposed shutdown literally overnight. Hotel groups that are represented with their hotels in several European countries are under constant power – they are confronted with changes and new country-specific regulations almost every hour.

Banks prefer Pro-Active

„This makes it all the more important that hotel operators immediately speak to their owners in a professional manner, explain the situation, and explore difficulties and opportunities together. In the end, only those who act and argue with foresight will receive a loan, including that from the state-owned KfW“, emphasizes the consultant with over 30 years of hotel experience. However, one should not forget that landlords also have obligations.

Nevertheless, Fidschuster appeals for owners or lessors and hoteliers to coordinate with each other before seeking a discussion with the bank. „Banks react quite differently if, for example, the parties have already agreed in advance that the owner, for example, is prepared to pre-finance a monthly rent that the operator must pay back the following year. Merging hotel operations (making three into one) and reducing full service to garni standard may also be possible options to get through this difficult phase.



Martina Fidschuster.
/ Photo: Hotour

This crisis can be solved, encourages Fidschuster. In contrast to 2008/2009, there is liquidity in the market on the one hand and on the other hand, the cooperation between investors, banks and operators has become much more professional. And that is positive. Ten years ago, the German short-time working model also proved its worth. An instrument that, by the way, is the envy of many other countries.

Structural change to come

However, in the current crisis, driven by social hysteria, the industry with its currently loud, high-profile demands for state funding could also provoke contrary reactions, „that it is perceived as a miserable industry whose existence depends on state aid“, Martina Fidschuster points out: „The industry must make it much clearer than before that any bed that is not occupied per night is simply gone as a source of revenue“. Cars, on the other hand, still generate sales even if they can still be finished months later – as soon as China has finally delivered the last missing screw.

As a result of Corona, insiders are already seeing the first signs of structural change. Fancy budget lifestyle hotels usually survive with a break-even of about 40%, while 4-star hotels only survive from 65%. But both often achieve about the same RevPAR. It should be checked whether an upscale hotel can be trimmed to a fine B&B standard! Experience has shown time and again that hotel guests appreciate the F&B area of a hotel, which is associated with high operating costs, far less than locals. It is not uncommon for hotel guests to prefer to go out to eat and drink than to use the hotel's services. But Corona provokes even deeper cuts in the industry: Many investors are now also thinking about conversions (e.g. into retirement homes).

But the industry observer is also certain that the virus has interrupted an entire economic chain - and with it a system that until now has relied exclusively on growth. Such explosive growth as has been experienced in recent years, visible in the overflowing pipelines of hotel groups and a fierce cut-throat competition in A and B destinations, is now being followed by paralysis. And this has definitely had positive effects. „Experience shows that we can assume that many project plans will now end up back in the drawer,“ says Fidschuster. And that will give the existing buildings more space again.



Great Emptiness... / Photo: Timo Wagner Unsplash

Economy can't stand still for more than 1 month

Clemens Fuest, president of the German Ifo Institute, explained the economic consequences of the Corona crisis for Germany in an article for the German daily FAZ (Frankfurt) on Tuesday. In the meantime he expects costs of an unprecedented magnitude since the end of the Second World War. The decisive paragraph in the article reads as follows: „For Germany the damage is likely to amount to at least 152 billion euros. This would correspond to a decline of 4.3 percent in gross domestic product (GDP) for 2020 and would

occur if the German economy were to come to a standstill for a month. But this is still the most favourable scenario for economists. Since there are many uncertainties, the one-month closure of all sectors could also destroy around 270 billion euros. Each additional week would cost Germany between 25 and 53 billion euros. In the case of three months, the Ifo-Institute even considers a GDP collapse of up to 20 percent possible. 700 billion euros of prosperity would then be lost. That would be almost double what the federal government earns in the whole year.“

In any case, the pandemic is not sparing anyone or any industry. And so this remarkable plain-text article in the FAZ ends with a sentence that includes the hotel and catering industry as well as small and medium-sized companies in other sectors: According to the forecast, „the most affected are the more domestically oriented, consumer-related service industries, which have so far supported the economy“.

In a „Monitor“, Hotour Hotel Consulting provides assistance for owners and operators on current events. You can find this checklist in the attached PDF. / map

Hotour Monitor Special Edition Corona Hotels



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