

# **IMPACT OF COVID-19 ON THE HOSPITALITY INDUSTRY**

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# INTRODUCTION

The COVID-19 pandemic has antagonized the hospitality industry with unparalleled difficulties and challenges. The ways to flatten the impact of the COVID-19 curve like travel, public lockdowns, mobility restrictions, home-based orders social distancing, etc. all resulted in the paradigm shift of temporary closure of businesses in the hospitality sector and in the reduction of the business demand that was permissible to stay to function. The majority of the restaurants are directed towards the reduction of the limits of their operations only to take-outs. The limitations have been placed on traveling and the stay-at-home orders leading to a huge decline in the revenues and occupancies in the hospitality businesses. However, with time, the process of reopening has gradually started to help in the reduction of these limitations, for instance, reopening of the dine-in cafe and restaurants with the proper guidelines of social distancing and slowly the reduction of limitations on the international and domestic travel (Achmad & Yulianah, 2022).

## HOW TO MANAGE THE CURRENT SITUATION

The hospitality industry is the first one that experiences extremely bad effects of the COVID-19 pandemic. The pandemic has led to a major impact on the hospitality industry and put major strains on the part of both the supply and demand. It has led to

- Dramatically reduction in the revenues because of the unpredictable ecosystem of travel.
- Financial, and operational challenges, involve the problems such as repayment of debts, liquidity, etc.
- Uncertainty of the speedy recovery from such a virus

Due to the increase in the effect of the COVID-19 pandemic across the globe, the main focus of the businesses, and government, is on public safety. The hospitality industry is the first one that experiences bad weather constraints and yet remained focused and understands the financial and operation impact on the hospitality businesses. The impact is not ascertainable on both supply chains and on revenues.

The investor, operator, and the team have put in their efforts to mitigate the issues related to working capital and cash and also to stay close with the stakeholders. But even after so many challenges and difficulties during the pandemic, this sector has shown its remarkable workings and its real commitments to help society (Achmad & Yulianah, 2022). For instance, by providing their revenue towards the vacant hospital beds and hospital employees. The situation has also come up with platforms of the various new opportunities and new business models, for instance, The new concept related to sharing platform of the human capital, initiatives were taken in the direction towards staycation and usage of the lesser efficient time towards an operation that would be generally raised forward such as the social media strategies, security plans, asset count, operational procedures, etc.

As the limitations related to the pandemic are slowly getting relaxed, the hospitality businesses try to seek to gear up towards reopening as fast as the business can. The hospitality business

mainly contributes to the economy of Germany which constitutes the second most solid travel base in the country of Europe. Those who are in the hospitality industry seeking to find out as many as possible ways to steep out of the pandemic and get on the track. The following are the processes that would assist the businesses in the tough situations.

### **Cloud technology**

While there is a relaxation in the public lockdown still the COVID-19 pandemic is all-around showing that communal distancing is the most significant part that the businesses need to take into consideration and work on it. With the help of cloud technologies, businesses can continue to suggest and provide their facilities without or at least in contact with the customers. Now, the functions, and the processes, are easily carried out via PMS i.e., Property Management System. Also, cloud-based technologies have several advantages and permit employees to facilitate their work without or at least in contact with the customers. Checking the availability of the rooms and facilitating the delivery of the meals are also carried out with this system easily (Crespí-Cladera et.al, 2021).

### **Health Security**

With the reduction of the limitations related to the pandemic, travelers tend to wait eagerly to visit and explore various places but the hospitality business should have a remarkable commercial recovery plan to grab the attention of their clients. The business shall mainly focus on the services they would facilitate, the protection protocols, and transparent conversations with the customers to better grab their attention. The hospitality business can seek to facilitate the basic amenities such as housekeeping, kitchen and the security groups, etc. These tell the customer that the business put the needs of their customer first and would tend to attract them more to the business (Varga et.al, 2021).

### **Keep updated**

As a recognized establishment, the business tends to be up-to-date with government protocols and directives. The advanced info is continually getting published therefore the establishments need to make certain that they share the facts with the customers, and the stakeholders, must stick to reliable sources and healthcare service facilitators for the COVID-19 news and the latest updates.

With due consideration and care, the hospitality business can emerge as the strongest and toughest in the future. All of these necessitates a high expense on planning and strategies before the customer books the services with the organization. Those who are in the hospitality industry seeking to find out as many as possible ways to steep out of the pandemic and get on the track.

## **HOW TO DEVELOP A BUSINESS IN A RISKY INDUSTRY**

To redevelop the business, the establishments need to set up they're to priorities to make certain of the long-lasting growth in the hospitality industry for that the following must be taken into consideration.

### **Investment in the digitalization processes**

Digitalization has been a recurring problem for years in the hospitality industry. Due to the COVID-19 pandemic, online platforms for booking have taken a big place in the total volume. The ways by which a business can improve the specific issues are-

- Continual monitoring of the digital media plans and schedules. With the usage of the communal media scheduler, the business can enhance its efficiency and can also save much of its time (Hayes et al. 2021).
- Get the reviews of the customers that are listed on websites and communal media handles to improve the working status.
- Seek to diversify the channels of distribution of the business online. Even OTA's are less than that in real but still, the hospitality business must enhance the hotel's online existence.
- The primary aim of the establishment is to have an established platform with accurate pictures and information with the right tools that assist in influencing the customers to visit the establishment.
- To make certain that the establishment has a well-organized conversion funnel and also the customers know the most possible manner of direct bookings.

### **Revise the Market Strategy**

With the COVID-19 pandemic, the customer base of the hospitality industry has drastically shrunk. To make the clients seek to travel again is not so easy task but with the right tools and messages, the business can be able to rebuild the client's trust. This is possible with the help of the following ways-

- **Working towards the establishment of digital marketing campaigns:** If the establishment tends to target the correct onlookers via various channels such as search engines, social media, etc then there will be qualitative traffic emerging on the establishment bookings sites. Seek to make certain that the businesses must take the benefit of all the opinions through such channels. If the establishment doesn't know these types of campaigns, then they can seek to connect with the agencies of digital marketing.
- **The right message shall be conveyed to the targeted audiences** and mainly related to their health and safety during such situations.
- **Create synergies with other establishments:** This means that the businesses shall partner with spas, fitness hubs local restaurants, etc. to promote their businesses.
- **Take benefit of the travel promotion ingenuities:** Most countries have initiated the promotion of national tourism and seek to include it in such conversation.

### **Say YES to Innovation!**

Due to the COVID-19 pandemic, the customer base for the hospitality industry has drastically shrunk. So, to keep the establishment firmly standing in the business environment it is very important to differentiate itself against its rivals.

- **Adopt touchless methods:** After the outbreak of COVID-19, contactless technology has taken its place almost in every area so that there might be fewer chances of the

spread of germs. This can be a nice selling point at the time of promotion of the establishment (Varga et.al, 2021).

- **Cloud-based technologies:** With the assistance of cloud technologies establishments are capable to remain to suggest and offering their accommodations without or at least in contact with the regulars. Now, the functions, and the processes, are easily carried out via PMS i.e., Property Management System. Also, the cloud-based technologies intrinsic numerous advantages and provide the workers to enable their work without or least contact with the customers (Breier et al. 2021). Scrutiny the accessibility of the rooms and easing the delivery of the meals are also carried out with this system easily.
- **Stap up-to-date and look out for the innovative trends** that are prevailing in the industry. As the new trends are emerging that would assist the establishment in the attraction of its clients more.
- **Seek to diversify the array of facilities** to facilitate the service to more customers assists in the increase of customer base (Guerra-Montenegro et.al, 2021).

## **HOSPITALITY INDUSTRY RECOVER FROM COVID-19 SOONER THAN ANOTHER ECONOMIC SECTOR**

The pandemic has had an impact on every sector across the globe. The hospitality industry has been strongly hit by its outbreak. The limitations have been placed on traveling and the stay-at-home orders leading to a huge decline in the revenues and occupancies in the hospitality businesses. Hotel chains, restaurants, and function hall businesses globally came to a halt yet the hospitality industry is the most progressive in the country. However, the hospitality industry by revising its market strategy is expected to recover at a faster rate than other economic sectors but it will take time (Dube et al. 2021). Companies such as MakeMyTrip have also witnessed an increase in demand which tells that there are chances of a strong and faster recovery possible in the hospitality industry.

With due consideration and care, the hospitality business can lead to emerging out as the strongest and toughest in the future. All of these necessitate a high expense on planning and strategies before the customer books the services with the organization. Those who are in the hospitality industry seeking to find out as many as possible ways to steep out of the pandemic and get on the track.

During a severe crisis, the companies were trying to collect the funds for running their business and were trying to survive in the market. The hospitality industry is trying to make the most of the working and cash capital by implementing measures that can rise and help the working capital liquidity in different cases and support the business for longer durations stress testing is being performed to ensure continuity of the business. The companies have dealt with severe liquidity and cash flow issues. Thus, to recover from the losses and adapt to the current situations new models and policies need to be implemented. Currently, the hospitality sector is running somewhat in a smoother manner and has also found some new models to survive the upcoming conditions (Wu et.al, 2021).

## SWOT Analysis

The SWOT (Strengths, Weaknesses, Opportunities, and Threat) analysis for the Hospitality Industry at the time of the COVID-19 pandemic is shown below.

<b>Strengths</b> <ul style="list-style-type: none"><li>• Promotion of SIT</li><li>• Safety protocols,</li><li>• Hygiene measures</li><li>• Government assistance</li><li>• Responsible tourist actions</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Loss of substantial income</li><li>• Effect on the tourist market</li><li>• Overseas travelers are at the high risk</li><li>• Impact on the Airline's travel agencies</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• New practices and tools</li><li>• Sustainable tourism</li><li>• Novel methods of business model</li><li>• Social media and online medium</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Less disposable income generated</li><li>• Loss of employment</li><li>• Global economic-related kind of recessions</li></ul>

### Strengths

- Increasing the domestic tourism
- Adaptation of the various safety protocols, hygiene measures, etc
- Promotion of SIT i.e., Special Interest Tourism like nature-based travel, tea tourism, etc.
- The cluster of the local and small groups
- Responsible for tourist actions like self-sanitations, maintenance of social distancing activities
- Encouraging the lesser-distanced travel and tourism niche
- Government assistance in the hospitality industry

### Weaknesses

- The high chances of risk towards the MICE tourism
- Major impact on the airline traveling agencies results in the collapse of the agencies, and loss of substantial income and employment.
- There is a high effect on the tourist market
- Residents' viewpoint in the direction of overseas travelers is at the high risk

### Opportunities

- The initiating of various new practices and tools such as virtual tours and out-door entertainment

- Encouragement of sustainable tourism
- Promotions of the communal media and the online medium
- Diversification of the segment related to domestic tourism such as biodiversity, nature trails, etc
- Novel methods of the business model are adopted

### **Threats**

- Global economic-related kind of recessions
- Direct and indirect loss in employment
- Less disposable income is generated for the employees
- Downturn of MSME (Medium, Small and Medium Enterprises) international businesses

## **CONSTRUCTIVE WAYS TO DEAL WITH THE SITUATION AND ITS EFFECT ON THE INDUSTRY IN THE FUTURE**

The Hospitality businesses seek to develop a liquidity turnaround strategy, identification of risks, and capital optimization towards protection and create a resilient foundation for dealing with COVID-19. The hospitality industry is trying to maximize the working and cash capital by implementing measures that can increase and help the working capital liquidity in different cases and support the business for longer durations stress testing is being performed to ensure the continuity of the business (Wood et al. 2021).

During the time of the severe pandemic outbreak and longer duration lockdowns, the uncertainty in decision-making, and the lack of demand the hospitality sector has suffered enough. It was found to be doubtful whether the sector will ever be able to recover the losses or not (Wu et.al, 2021).

During a severe crisis, the companies were trying to collect the funds for running their business and were trying to survive in the market. The companies have dealt with severe liquidity and cash flow issues. Thus, to recover from the losses and adapt to the current situations new models and policies need to be implemented. Currently, the hospitality sector is running somewhat in a smoother manner and has also found some new models to survive the upcoming conditions.

### **Looking for funding sources-**

Due to Covid-19 and the preceding lockdown, the major impacts were observed in the hospitality sector. The hospitality sector is trying to look for funding from different sectors whether be government organizations, non-government organizations, or financial agencies (Wood et al. 2021). The funding will help to support the loss that the sector has faced during the pandemic making the recovery rate faster yet smoother.

### **Business Adjustments and New Policies Implementation-**



The hospitality sector is trying to make adjustments by making negotiations in the lease, optimizing the cost, deferring the payments and delaying the CAPEX, etc. Due to the creation of the uncertain market during the COVID-19 the sector is making continuous harsh yet difficult decisions to upgrade the market and maximize the profits. New policies are made and implemented to increase and uplift the lost market.

- **Increasing the Cash flow by Self-help and Quick Measures-** To increase the cash flow benefits by identifying the self-help and quick-win measures like refinancing and non-permanent rental concessions, the borrowing capacity can be increased even in the current facilities that are in debt (Wood et al. 2021).
- **Mapping and Prioritizing the Capital Maps that can Work-** With the help of revised assumptions, forming and mapping cash flow maps and forecasts for a period of initial 100 days, using all available options, and identifying the weak points, the hospitality sector can return to its prior ground level.
- **Adapting the Environment which is now the “New-Normal”-** With the current changing dynamics of the traveling guidelines, lockdowns, restrictions, and government guidelines the companies will be allowed to get back the stable yet continuous cash flow in the upcoming times.

As the pandemic has affected most of the business and had allowed us to adapt for the future outcomes and the ever-changing era, the vision for the near future has been challenged and changed. The business partners and clients are trying to shape the finance in such a manner that it will not affect the growth of the business in the long run.

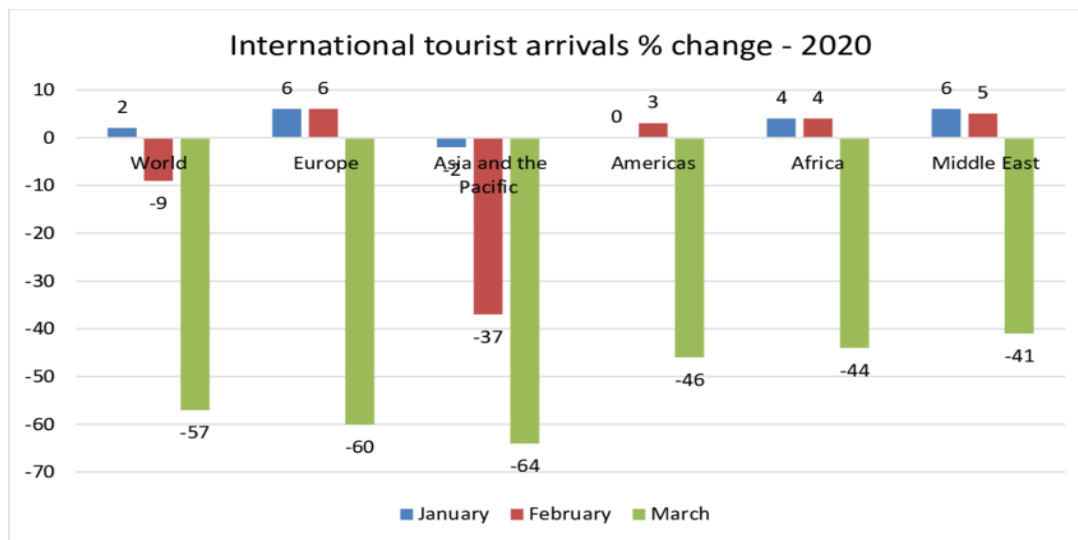
The pressure that Covid-19 has recently created has made a huge impact on the mindset. The planning of the finances is being transformed in such a manner that the pressure that the pandemic has created can be dealt with and repaired by the hospitality sector and shortly, these conditions can be dealt with in a better manner (Crespí-Cladera et.al, 2021). The hospitality sector companies are transforming in such a manner that the short-term challenges can be dealt with in a better manner.

- **Detailed planning of the Scenario-** Conducting planning of the scenarios in such a manner that the restructured and the transformed plans can be implanted in the upcoming pandemic eras and the business community can be protected in all terms.
- **Identification of Opportunities and their Implementation-** Many new processes such as consumer behavior, digitalization, globalization, etc., and tax planning, operational improvements, and optimization of cost are studied and implemented for better adaptability in hospitality services.
- **Finding the Perfect Refinancing Option-** Reconfiguring or resetting the obligations to find the best refinancing option many changes are being made such as an extension and amendment of a solution during the financial stress or re-sizing the debt or offering equity to increase the strength of the balance sheet, the perfect refinancing option can be found and targeted (Crespí-Cladera et.al, 2021).

Through the divestments and managed exit, the companies in the hospitality industry are undergoing reconfiguration in their business to uplift their finances. The company can identify

and support its core business by removing non-core assets and including the profitable units that were least affected during the pandemic.

Following the UNWTO, nearly about 45 percent or approx. 97 destinations have partially or shut their boundaries towards international tourists while 30 percent or approx. 65 destinations have been suspended partially or totally towards the international booking of flights, 18 percent or approx. 39 destinations are executing these guidelines in a changed manner, banning the entrance of international passengers (Guerra-Montenegro et.al, 2021).



**Figure 1: International tourist arrival in %**  
[Source: Fernando, 2020]

## CONCLUSION

In the post-pandemic parts, this whole of our study and research conducted will act as an aid and help us to recover from the economic crisis that took place during the pandemic era. The hospitality industry will have to take the necessary steps and need to implement them in such a way so that maximum consumer satisfaction can be achieved. Customer satisfaction will uplift the hospitality companies' economy. The offerings made by the company need to be changed and modified in such a way that customer satisfaction can be built on terms of their current financial conditions and interests taking care of all the hygiene parameters. Along with that, they need to promote the customers to come out of their homes and enjoy and rejuvenate to increase their life efficiency in terms of happiness. The hospitality industry needs to plan and prioritize its environment according to the increased costs, lower revenues, investments, and capital conversation. The perfect balance needs to be achieved between the conservations and the investments made.

The pandemic crisis will fade along with time. The recovery in the economy will improve with time and the casinos to restaurants and hotels will rise and move forward with confidence. The sector will become successful in the near about times and will earn great profits. The time for the hospitality industry has come to adapt, and thrive to the new normal changes to get them on the track which will ultimately make them successful in the near times.

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