

# THE COVID-19 CRISIS

Disruption on the global Hospitality Sector and Business Response



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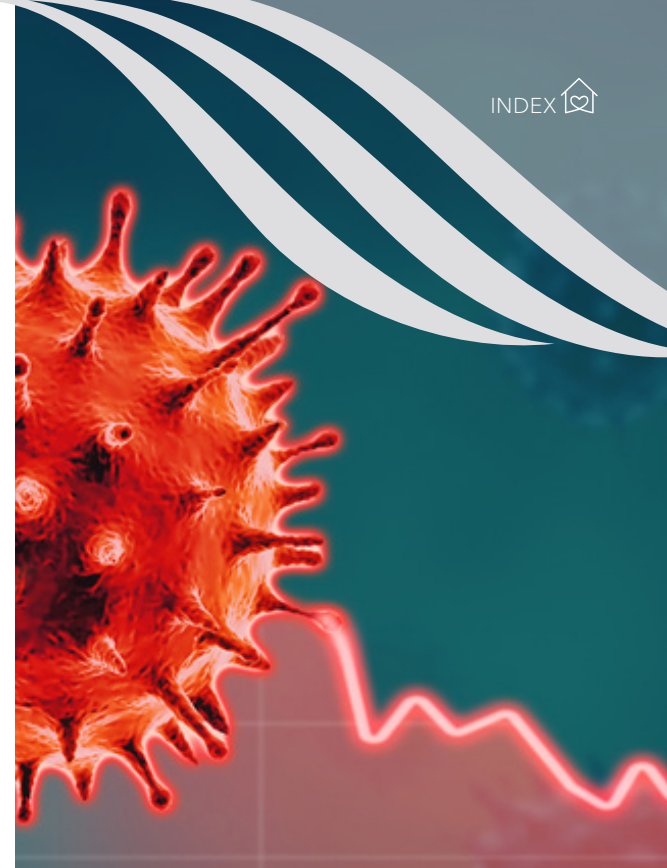
# Executive Summary

The Covid-19 pandemic has caused massive damage to the global economy and brought international travel to a sudden halt by the end of the first quarter of 2020, thus majorly impacting the hotel and tourism industry. Although every sector across the globe was affected, the hospitality industry is among the hardest hit, as its impact has changed the norm for various areas; in the employment business through massive turnover rates, in the dramatic drop of government revenues, and in the foreign-exchange reduced earnings for many developed and developing countries.

This analysis demonstrates that whether the virus is contained or not, economic predictions suggest that it can be as late as 2023 before the industry returns to pre Covid-19 levels of development. Within this framework, hospitality will be influenced by new trends that will bring new opportunities to the hospitality industry. The sector is undoubtedly facing a huge challenge, since the overall effect of the pandemic is uncertain and it has yet to be redefined. It is vital for operators to take measures to minimize the impact and prepare themselves for a confident return.

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Recent forecasts of the first semester of 2020, predict a deep economic recession followed by a bounce-back over the latter half. Nevertheless, there is a main worry that persistent economic instability could prevent a rapid recovery. Whilst hotels adapt to this economic difficulty, they should prepare for current and long-term situations and determine the crucial challenges ahead. Furthermore, the economic repercussions of public-health interventions have a domino effect such as increasing unemployment, closing down businesses, company crashes, credit defaults, declining stock values, market instability, and weaknesses in the financial system. Public-policy solutions to reduce these knock-on consequences, such as measures to avoid mass bankruptcies, aim to boost jobs for furloughed workers, and secure the financial system and the competitiveness of the industries most impacted. The different economic and recovery scenarios proposed by leading global business consultancies and hospitality field analysts will also be thoroughly examined.



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## Key findings

- Most European destinations have experienced a decline of revenue per available room between 30% and 80% year to date (YTD)
- Global commissionable confirmed stays declined an average of 84.3% year-over-year for the 4-week period leading up to June 20. This steep decline is to be expected.
- The airline industry is one of the most affected and is projected to lag other economic activities, with global GDP recovering faster than global Revenue Passenger Kilometers (RPK).
- According to ADARA, the hotel industry peaked at -75% in terms of bookings in week 12 compared to the same period of last year, amid the Covid-19 impact.



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**-Brand Messaging |** Guests demand clear insight from the hotels they are planning to visit. As such, properties should consciously convey their new and enhanced levels of cleanliness as an integral part of their marketing strategies. Always make sure to update your website, social media, email marketing campaigns and any other marketing platform.

**-Re Position Revenue Management with Rate Strategy |** Match revenue management strategy with rate strategy: taking into account expected timelines for recovery.<sup>96</sup>

Although reduced rates would be a vital part of the initial turnaround strategy for a hotel, sales managers need to understand both their short-term and long-term revenue management strategies and channeling. Persistent significant rate cuts would delay the rebound back to pre-Covid RevPar levels.

**Boosting Revenue |** Discover alternative revenue streams which even in the absence of bookings can improve the bottom line. Monetize early check-in and late check-out, integrate automatic upsells and enhancements to promote sales at the guest check-in/out touch points.

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96. StayNTouch. (n.d.). The Hotelier's Complete Guide to Recovery Readiness.

**Reel-in Millennial Travelers |** Engaging millennial visitors would be key to the recovery strategy for many hotels. Millennials have increasingly influenced the "Experience Culture" long before the pandemic, frequently placing emphasis on experiences over material goods. Described as tech-savvy digital nomads, millennial travelers consider travel to be an important part of their lives and, as such, the urge to travel again will certainly only continue to rise and possibly outpace their generational counterparts' wishes.

*Further actionable best practices that hoteliers are recommended to enforce:*

- Allow hand sanitizers to be easily accessible in key areas of the hotels such as entry and exit points, service desks, reception area, fitness centers, bathrooms etc.
- Enhance routine wiping and disinfecting of items and hard surfaces located in commonly used public areas.
- Motivate standards for social distancing via signage, parameters and ground mapping. Enhance contactless services and guarantee that personnel are wearing disposable gloves while handling items and cash.
- Manage and encourage adherence of the preventive measures from visitors.
- Conduct routine check with staff on their well-being, guest compliance, and ensure proper security and access to personal protective equipment (PPE) for employees and contractors.

Over the past few months, major hospitality brands and officials have come together to discuss improved hotel cleaning solutions and processes to reach new standards of health and safety with coronavirus spread in mind. These programs include, but not exclusive to:

**- ITC Hotels Launch 'WeAssure':** ITC Hotels have implemented the leading, sanitation, hygiene, safety and infection control accreditation by National Accreditation Board for Hospitals & Healthcare Providers (NABH) within their hotels, assuring their customers that their safety is paramount.

**- Red Roof RediClean:** Red Roof provides stringent enhanced protocols for cleaning which address the new normal and give customers the trust they need to get back on the road.

**-The Marriott Global Cleanliness Council:** This committee, consists of in-house and external experts in food and water quality, sanitation, infection prevention and hotel operations. They collaborate to create a new set of global cleanliness practices which will be implemented in more than 7,300 Marriott properties around the globe.

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The franchiser cannot be found accountable for the damages of the franchisee. Small business owners will most likely face the most challenging management decisions within the hospitality industry.

There is a chance to see a redesign of business model at several different levels in the hospitality industry. Some of which involve some concepts and strategies of management which are predominant in the hospitality sector. For example, dynamic pricing in revenue management is being questioned. This is because we are in a crucial stage, in terms of demand, and this sort of process has been designed to optimize using a standard model. Of course, such methods will become useful again once the economy returns to normal levels.

While concentrating on management resources, hotel managers can include much stringent environmental considerations when designing their strategic plans in the coming years. Another point of focus will be the hotel capacity framework to overcome two external crises. It must be noted that the tourism industry stakeholders have been plagued by a series of crises over the past 30 years.

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One of the problems that emerged from the crisis is the need to bring into question the globalization of the hospitality concept, when doing so, the opportunities are endless. Many hoteliers earn their living thanks to foreign customers, because customers of various nationalities and cultures are around the same hotel. Hotel industry leaders will have to determine what they want to give their clients, fine-tune the service and prepare their staff to meet the foreign clientele's needs as has been the case customer travelling across the globe and in many cases creating mass tourism. If, however, the long-term equilibrium changes, such as that of more domestic and less global perspectives, could mean that the new paradigm of globalization could be modified for the hotel industry.<sup>100</sup>

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100. Interview with Jean-François Gagne: Impact of Covid-19 on the hospitality industry. (2020, May). Le Cordon Blue International B.V.

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As life as we knew it has been disrupted, companies have an option: either try to reinvent under the old model, or embrace the new realities and fix the old injustices exposed by the pandemic. Therefore, it involves having a purpose-built, sustainability and equity-based approach towards the future. Businesses have a vital role to play in whether the planet is reverting to its pre-pandemic trajectory or shifting its direction dramatically.<sup>101</sup> In addition, no matter how massive the pandemic challenges are for hotel sector, immediate recovery plans are vital for the sector's survival. As mentioned above, adapting is truly the only choice available today for any business, regardless of size and type. Even though times are unpredictable and while we don't have all the answers, the hospitality professionals are doing all they can to provide their customers around the world by reallocating their resources and re-assuring assistance. Besides, with the right strategies in place, hotels can expect a gradual and sustainable growth as this pandemic progresses, until the industry emerges stronger via the enhanced adoption of new technologies, improved infrastructure and expanded services that cater to post-pandemic travelers.<sup>102</sup>



101. Powers, D., (2020, August). This is what real disruption looks like. (n.d.). LS:N Globa.

102. Bremmer, C., (2020, July). Travel 2040. Sustainability and Digital Transformation as Recovery Drivers. Euromonitor International.

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The recovery timeframe for properties management as a vertical to hospitality, can differ depending on a variety of factors including, chain size, location, and type of demand. There is not a single solution to fit it all, but certain principles are widely applicable. Hotels have to look after their staff, remain active through the pandemic and keep the staff protected when they return from furlough. Customer preferences that are continually growing and changing, need to be understood and acted upon. Health and safety issues need to be proactively addressed. The commercial strategy across travel companies must be updated with an emphasis towards “the new normal”. Thanks to a major shift in demand, travel should return in the long run, as there is a dramatic shift in traveler’s motivations from purchasing things to buying experiences.<sup>103</sup>

Even though recovery can vary from country to country, there are some similar trends. People want to travel regardless. Domestic travel will come back first. International travel can take a lot of time to rebound particularly if it requires flying. The areas lacking in domestic markets will rebound more slowly and could open up first to visitors from neighboring countries. International travel is expected to return just as it has in China. The millennials are more likely to reset the start, while economy travel is expected to recover quicker.

Finally, the outdoors and eco destinations will be more the ideal choices over the busy cities.<sup>104</sup>

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103. Krishan, V., Mann, R., Seitzman, N., Wittkamp, N., (2020, June). Hospitality and COVID-19: How long until ‘no vacancy’ for US hotels? (n.d.). McKinsey & Company.

104. Enger, W., Saxon, S., Suo, P., Yu, J., The way back: What the world can learn from China’s travel restart after COVID-19. (2020, May). McKinsey & Company.



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