

## Effect of COVID-19 On Tourism And Hospitality Industry

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### Abstract:

*Our world is still coming to terms with the sudden outbreak of Covid-19 and industries are grappling with the consequences of the economic slowdown. The impact of the novel Coronavirus on india's Hospitality sector has been unseen and unheard of. India's Hotel and Hospitality industry's occupancy has declined sharply in the first quarter of 2020. Some Economist say Covid-19 will adversely impact India's economic growth "Severely". There is a probability of country enter into recession. The purview of this paper is focused on consequences of Covid-19 on Hospitality industry. In the 3<sup>rd</sup> week of March 2020, at an all India level, the hotel sector witnessed a decline of more than 65% in occupancy level as compared to the same period of the previous year with more than 60% of organized hotels in India already shut. As of now, there are barely any bookings being made for the future and the current ones all stand cancelled. There is layoff of "casual staff" or "contracted staff" which create unemployment. All this will impact GDP'S and further reduce yield to hotel owners. It is also indicated that the working*

*capital of hotels will be stretched in 2020. Both the Central as well as State Government will have to play a crucial role to protect this segment, as closure of hotels in this industry may lead to loss of tax revenues as well as employment.*

### INTRODUCTION

The outbreak of Coronavirus disease 2019 (COVID-19), first identified in Wuhan, the capital of Hubei, China, in December 2019 and since then having spread globally, has been recognised as a pandemic by the World Health Organization (WHO) on 11 March 2020. Taking into consideration its severe intensity, seen in the context of India having the highest rate of density population in the world, the Governments, both at Union and State levels, commenced necessary actions on war footing to prevent the spread of this pandemic. Learning the lessons from the developed countries like Spain and Italy, India put all its machinery and material into motion to curb and/or prevent the disease. What started as one day *Janta Curfew* on 22.03.2020 by the Prime Minister of India and lockdowns by some of the state governments, the entire country was declared to be under lockdown from the midnight

of 24.03.2020, and the same continues to be so till now or atleast till 03.05.2020, unless extended. Corona virus had its impact in the industry in general, which has seen, not only cutting the salaries but also laying off its employees. The hotels are vacant and airlines have closed their wings. The live events industry has also estimated a loss of more than Rs. 3000 crores

According to survey, Covid-19 is having a “deep impact” on Indian businesses. Further it is added that already Covid-19 Crises has caused an unprecedented collapse in economic activities. Lockdown and restrictions on commercial activities and people gatherings are likely to strongly impact global and domestic growth. On the price scenario, slowdown in demand and production activities, a sharp fall in the global price of crude oil and price decrease in other major commodities such as energy, base metals and fertilizers among others are expected to exert downward pressure on inflation. For India, the overall trade impact is estimated to be at 129 million dollars for the chemicals sector, textiles and apparel at 64 million dollars, the automotive sector at 34 million dollars, electrical machinery at 12 million dollars, leather products at 13 million dollars, metals and metal products at 27 million dollars and wood products and furniture at 15 million dollars.

## COVID-19

COVID-19 is a disease caused by the “novel corona virus”. Common symptoms are:

- Fever
- Dry cough
- Breathing difficulty

Some patients also have aches and pains, nasal congestion, runny nose, sore throat or diarrhea

About 80% of confirmed cases recover from the disease without any serious complications. However, one out of every six people who gets COVID-19 can become seriously ill\* and develop difficulty in breathing. In more severe cases, infection can cause severe pneumonia and other complications which can be treated only at higher level facilities (District Hospitals and above). In a few cases it may even cause death.

## EFFECT OF COVID-19 ON DIFFERENT INDUSTRIES

The global economy is staring at another recession as the novel Corona virus pandemic has forced businesses across the world to suspend operations. Sectors such as Auto, Pharma, Chemicals, electronics, Information technology, Shipping, Tourism and Aviations, Hospitality Industry, Textiles seems to be having a difficult time ahead of them. There is a explanation hoe

the ongoing pandemic will impact various business sectors:-

- The shutdown in China has prohibited import of various components affecting both Indian auto manufacturers and auto component industry.
- Though India is one of the top formulation drug exporters in the world, the domestic pharma industry relies heavily on import of bulk drugs due to lockdown in different parts of country it lead to trading halt.
- China is a major supplier of specialty chemicals for textiles, especially Indigo required for denim. The business in India is likely to get affected and people are securing their supplies.
- India's electronics industry is fearing supply disruptions, production reduction, impact on product prices due to heavy dependence on electronics component supply-directly and indirectly-and local manufacturing. The spread of coronavirus could have pushed down the sales of top electronic companies and smart phone makers which have major supplies to India.
- IT companies are heavily dependent on manpower and are not able to operate due to restriction in movement of people

arising from lockdown and quarantine issues. Consequently, they are not able to complete or deliver the existing projects in time and are also declining new projects.

- The aviation sector has also been impacted by the spread of corona virus. The outbreak has forced domestic carriers to cancel and temporarily suspend flights. The temporary suspension of flights to would lead to domestic carriers missing out on gross revenue targets.
- Many garment or textile factories in India have halted operations owing to the outbreak of corona virus, adversely affecting import of fabric, yarn and other raw materials from China.

## **PRE COVID-19 PHASE OF HOSPITALITY AND TOURISM INDUSTRY**

Before the global pandemic hit, the Indian Hospitality industry along with tourism was one of the key segments driving the growth of the service sector in the Indian economy. Furthermore, banking on the government's initiative of upgrading and expanding the country's infrastructure like airports, national highway etc. the tourism and hospitality industry is bound to get a

bounce in its growth. The last 5 years has seen tremendous supply growth in this sector, with small property owners converting their assets into guest houses, Backpackers hostels and hotels. India has a rich culture – heritage. The ‘Unity in diversity’ tag attracts most tourists. The coastlines, sunny beaches, backwaters of Kerala, Snow capped Himalayas, the quiescent lakes, oberoi uday villa in Udaipur and Palace on wheels in Rajasthan are incredible. Social Media Platforms such as Facebook, Instagram and twitter have been extensively used by travel bloggers and influencers, Travel magazines and other market players like Make my trip, Tripoto ecto advertise tourism and motivate people to explore India.

Marketing has played a key role in mobilizing travelers, better affordable accommodation options have offered something for every kind of traveler depending on budget and requirement. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country. As of 2019, 4.2 Cr. Jobs were created in the tourism sector in India which was 8.1% of total employment in

the country. As per WTTC (World Travel and Tourism Council) travel and tourism in India contributed 9.2% of the GDP in 2019. According to DPIIT ( Department for promotion of Industry and Internal Trade, during the period April 2000-March 2019, the hotel and tourism sector attracted around US \$ 12.35 billion of FDI. During 2019, a total of 2.93 million foreign tourists arrived on E- Tourists visa registering a growth of 23.6%.Hospitality and Tourism Industry also boost up Foreign Exchange Earnings (FEEs) during the period Jan 2019-Dec 2019 were Rs 2,10,981cr. ( Provisional estimates) with a growth of 8.3% over same period of previous year.

## **POST COVID- 19 PHASE OF HOSPITALITY AND TOURISM INDUSTRY**

Corona virus, now globally carrying the status of a pandemic, has led to worldwide crisis with its effect on the tourism and hospitality industry potentially heavier than those of 9/11, SARS and the financial crisis in 2008. Whenever there has been any major impact on the economy of any country, tourism has always been the first one to get affected as people start to cutdown on their

travel budget first. This pandemic is the biggest challenge that any country has ever faced as international travel could be adversely impacted by up to 25% this year which is equivalent to a loss of 3 months of travel.

### IMPACT ON GLOBAL TRAVEL AND TOURISM SECTOR- FEW ALARMING ESTIMATES:-

- ❖ IATA estimates that global airlines need an emergency fund of up to US\$200 billion as they fight for survival.
- ❖ According to WTTC, the Covid -19 pandemic could slash 50 million jobs worldwide in the travel and tourism industry, reflecting a 12-14% reduction in jobs.

### COVID -19 AND ITS IMPACT ON INDIAN TOURISM AND HOSPITALITY INDUSTRY:-

Covid-19 has impacted travel and tourism like no other event before in history. Government have put public health first and introduced full or partial restrictions on travel. The Indian tourism industry is projected to book a revenue loss of Rs. 1.25 trillion in 2020 as a fall out of the shutdown of hotels and suspension in flight operations after the onset and spread of the coronavirus(COVID-19) pandemic. The overall occupancy in the branded hotel segment in 2020 is estimated to decline by 16.7-20.5%points over 2019, while ADRs are estimated to decline by 7% to 8% for the year.

The outbreak of Covid-19 has adversely impacted the occupancy levels at hotels across 11 major cities, resulting in a decline of up to 29% in revenue per available room (RevPAR) during January-march in 2020. While occupancy level in a range of 5-17% points, the RevPAR was down 13-29% across 11 cities- Ahmedabad, Bangluru, Chennai, Delhi, Goa, Gurugram, Hyderabad, Jaipur, Mumbai, Pune and Kolkata. Credit rating agency ICRA expecting that, the mounting credit stress may force several hotels to shut down their business permanently.

The Indian tourism and hospitality industry is staring at a potential Job loss of around 38 million, which is 70% of the total workforce. This is one of the worst crises to hit the tourism Industry and it has impacted all segments- inbound, outbound and domestic, leisure, cruise, adventure, corporate meetings, conference and exhibitions. As per IMF estimates, there will be 2% point less in annual GDP. The tourism sector alone would face a 70% decrease in output.

### **STEPS TO BE TAKEN TO TACKLE THE IMPACT OF COVID -19 ON HOSPITALITY AND TOURISM SECTOR:-**

India is witnessing a nation-wide coordinated effect never seen before in an attempt to flatten the Covid -19 growth curve. The government determination to

deal with the situations in a country of our size and complexity is laudable and deserve to succeed. The hotel sector, which is going to bear an enormous burnt on account of the consequential lockdown in the country, will require the government's economic assistance to help the sector recover from the devastation caused to all its multiple stake holders. There are following steps should be taken by various parties to tackle the impact of Covid- 19:-

**STEPS TAKEN BY GOVERNMENT:-**

The government of India should take steps in the right direction by announcing its to setup a Covid-19 taskforce measure necessary to combat the economic effects of the pandemic on the country

**(A) MONETARY SUPPORT**

- ❖ Provide a moratorium of 6-12 months on all loans, including working capital payments and overdrafts .
- ❖ Ensure credit rating agencies do not down grade rating of businesses.

**(B) FISCAL SUPPORT**

- ❖ Provide a 12 month corporate tax holiday to travel, tourism and hospitality sectors.

**(C) POLICY SUPPORT**

- ❖ Annual renewal of licenses paid for in 2020 should be extended till the end of 2021 without a

incremental fee or charges.

**STEPS TAKEN BY OPERATORS:-**

Hotel operators should also look to extend the hand of solidarity to their owners by providing certain relief measure. For this they have to take various steps which are as follows:-

**(A) REDUCTION IN BASE AND INCENTIVE FEES**

The relief should be in the form of reduction in Base and Incentive Fees as well as Distribution, Technology and reimbursable costs, measured by correlating the total impact of the crisis on the hotel to the return of normalcy in operation post-COVID-19.

**(B) DEFER CERTAIN BRAND STANDARD PROVISION**

FF&E is an important fund set up by the hotel for periodic replacement and up-gradation, the funds should be released immediately and redeployed either towards initial working capital to resume hotel operations.

**STEPS TAKEN BY HOTELS:-**

In order to cope up with Covid -19 circumstances, various steps should be taken by hotels which are as follows:-

**(A) STOP-GAP PLAN**

Hotel should use the opportunity to devise and implements a “Stop gap plan” to ensure that when demand bounces back, hotels are well prepared to benefit from the upswing. Stop gap plan should include:-

- ❖ Implement a subtle digital and social media marketing strategy to retain mindshare of customers.
- ❖ Continue to remain in discussion with relevant local government authorities.
- ❖ Develop a reopening plan and budget.

#### (B)PREPARE AND PLAN FOR THE REOPENING

The reopening plan of a hotel should be based on the prism of past preopening plan. Hotel should look to implement the reopening plan in the shortest best possible time available, as when demand return the customer will become a bigger and more demanding “king”.

#### (C)TASK FORCE MANAGEMENT TEAM

In order to tackle the scenario of post covid-19 there should be a task force management team. The task force team should evaluate short term recruitment to bridge any gaps in operations.

#### (D)RE-ENGAGEMENT AND SUPPORT FOR RETURNING TEAM MEMBERS

- ❖ Provide adequate support to the returning employees to restart their work life, including assistance on matters such as housing etc.

- ❖ Roll out training and re-engagement processes for their specific duties and departments.

#### (E)SALES AND MARKETING

- ❖ Effective digital and social media strategies must be rolled out as part of the communication plan
- ❖ Follow a mechanism whereby all the bookings that were previously cancelled or deferred are honoured in good spirit
- ❖ Instead of ‘Glocal’ go ‘Local’: demand from outstation travellers will be low in 2020, hence, it is time to focus and rely on local demand. Special experiential packages and promotions targeted at ‘locals’ should be the driving mantra.
- ❖ Promote packages for specific target groups such as ‘Staycations’

#### (F)MAINTAIN PRICING CHARTS

- ❖ Hotels should think ‘long-term’ and promote value-added services and flexible booking terms instead of reducing rates.
- ❖ Discounts can be creatively packaged, by bundling services into customized packages & promotions, without adding substantially to the hotel’s cost while leveraging the property’s exclusive characteristics to remain competitive.

- ❖ Offering a flexible cancellation and rebooking policy will reassure existing & potential guests.

- ❖ Reassure Guests and Employees by intensifying routine maintenance and increasing deep clean measures.

#### (G) INCREASE ANCILLARY REVENUES

- ❖ Focus on ancillary revenues that may be generated through non-core revenue-generating areas such as Gyms, Spas, etc
- ❖ Provide services that have traditionally not been part of the hotel's core offerings such as food delivery through online platforms.

#### (H) PRUDENT SPENDING

- ❖ Refrain from any form of spending that may not have a direct revenue benefit
- ❖ Continue cost-saving measures even when demand is back to normal to recover the losses during the crisis.

#### (I) INITIAL WORKING CAPITAL

- ❖ A 90 to 180 days initial working capital credit line should be established.

#### (J) COMPLIANCES

- ❖ Ensure that the hotel is compliant with any revised government and brand norms.
- ❖ Ensure the hotel continues to follow the health and cleanliness guidelines.

#### **CONCLUSION:-**

The tourism and hospitality industry has always been one of industries hardest hit by pandemics and crises. Through out history, the industry has borne the brunt of major pandemics and plague, notably, the Spanish flu (1918-1920), SARs (2002-2004), swine flu (2009-2010) and Ebola virus (2014-2016). Tourism has a dynamic element which involves movements and this invariability fuels the spread of viruses. Pandemics and outbreak of diseases render destinations unattractive to tourists who are risk averse. Usually, travel restrictions, border closures, quarantine and social distance measures are instituted by governments to minimize or curtail the spread of viruses. During the outbreak of pandemics, almost everything connected to tourism is affected. Meanwhile, the World Travel and Tourism Council has indicated that 50 million travel and tourism jobs are at risk due to COVID-19.

Airlines, tour operators, travel agents, attraction sites, car hire, restaurants and hotels have all been adversely impacted. All businesses and service providers along the tourism value chain including the farmer who supplies vegetables to a restaurant and a taxi driver who shuttles tourists from the airport to hotels are all affected.



Undeniably, hotels are one of the hardest-hit industries by COVID-19. As a result of massive cancellations of flights, tours, events, hotel reservations and a resultant decline in inbound travel, hotel occupancy rates and average room rates have dropped sharply causing unprecedented declines in profit margins. According to experts, the pandemic will linger on for about two years. However, the fear of travelling and enforcement of social distance protocols will not go away soon after the pandemic subsides.

Hotels must adopt survival strategies against COVID-19. This calls for repackaging the hotel service to make it more attractive in this COVID-19 era. After all, desperate situations require desperate measures. Indeed, in most destinations, governments have instituted a number of austerity measures to help cushion businesses including hotels and restaurants off the debilitating effect of the pandemic. This has been in the form of relief funds, tax cuts, subsidies, credit facilities and employment support.

With the outbreak of Coronavirus and the resultant impact on hotels, we can only say that the industry is down but not out. Hotel managers must institute a crisis management plan based on the COVID model outlined above to ensure that they keep their heads above water.

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