



IMPACT OF COVID-19 ON THE INDIAN HOTEL INDUSTRY

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Abstract: Today, COVID-19 has impacted each and every industry in the world; however its consequences on the hotel & hospitality sector have been unseen or unheard before. In a short span of time, the virus has severely unleashed itself across the world. The entire world has witnessed an increase in the number of active corona cases on a daily basis. The common accords backed by medical experts are isolation and lock-down in order to slow down the spread of the virus. The world has however gone into partial or complete lockdown; the overall impact on human life, economy and businesses are inestimable, both in the short term and long term due to the uncertainty. This paper gives a brief on the impact of COVID-19 pandemic on the Indian hotel industry. In India, the hotels and hospitality sector has suddenly declined in the first quarter of 2020 because COVID-19 has impacted various segments of this sector. The industry has come across large-scale cancellations for travel bookings and hotel accommodations and may continue to do soon in the months to come. The nationwide lockdown has closed hotel and travel sectors, blocking their earnings sources. In order to recover from this crisis situation, the Indian hotels sector can frame and adjust strategies in the near term and prepare for the future.

Keywords: *business crisis, COVID-19, economic loss, hotel segment, performance fall.*

I. INTRODUCTION

Coronavirus pandemic has hit approximately 150 countries, affecting over 800,000 people and leaving several thousand dead and the count keeps going up, every single day. The outburst of coronavirus in India has impacted numerous businesses across the country. In India, on 30th January 2020, a laboratory confirmed case of COVID-19 was reported in Kerala. Prime Minister of India imposed a countrywide lockdown from 24th March which closed majority of the segments across the country. The outbreak of COVID-19 compelled imposition of lockdown and ban on various activities came as a blow to the hospitality industry. The tourism industry was the first one to face the effect of COVID-19 because of which hotels industry got affected. The countrywide lockdown shuttered almost all hotels and travel sectors; further hindering their earnings sources.

The occupancy levels in hotels have been drastically hit resulting in some hotels having to either shut operations or run with limited facilities. The tourism and hospitality industry supports other allied industries. The coronavirus pandemic has inflicted chaos on businesses and several industries; severely affecting the hotel industry. There was a severe fall seen in foreign and domestic travels across both the tourism and business traveller segments. All this impacted gross operating profits and further reduced yields to hotel owners. There can be possibilities that in such pandemic situations the hotels would lower the prices to reduce the service perishability.

Service sector like tourism and hospitality have always been a significant contributor to employment generation and a huge source of foreign exchange earnings for the country. This sector not only employs workers in cities but also provides livelihood to people across social strata in rural areas. The tourism and the hospitality business are bound to feel the heat of the pandemic. There are mass cancellations of travel bookings and hotel accommodations which will further continue in the months to come. Some hoteliers do not see this sector reviving any time before this year end. The Indian hotels sector is grappling with significantly low demand and few upcoming bookings.

II. COVID-19 AND ITS IMPACT ON THE INDIAN HOTELS SECTOR:

Since the outbreak of COVID-19 the Indian hospitality industry has suffered undoubtedly. The coronavirus outbreak hasn't left any industry untouched. The demand has declined as this sector is facing its biggest crises ever. India started feeling the ripple effects of the global COVID-19 turmoil towards the end of February 2020, which worsened in the beginning of March 2020. The first week of March, India reported a steep decline in hotel occupancy status and some establishments were being turned into quarantine centers for suspected patients. Also the 70-day government-enforced lockdown crippled the hospitality industry. Luxury hotels, semi-luxury hotels, guesthouses, home-stays etc. are adversely affected since the breakthrough of the pandemic.

Several restaurants and cafes were been shut and large hotel chains are struggling to pay salaries, and in some cases, even laying-off the staff. The vast hospitality industry vast which includes lodging, food services, event planning, transportations etc. is severely affected. There is a high possibility that the second quarter of the year will be worst hit as hotels will not be able to drive rates and may even seek to attract business at deep discounts. Also, many hotel owners have decided to shut down or suspend operations till the health crisis sees an end. Owners of budget hotels are finding it challenging to bear the maintenance expenses.

The comprehensive safety measures that hotels would be taking may not be adequate to convince people. The lockdown has also inflicted havoc on budget hotels, homestays, and guest houses, which had flourished in the last few years. Various big hotel chains and small resort chains have faced losses during the peak season of tourism. Faced with an extraordinary crisis, hotels are chartering their way, keeping hygiene and minimum contact in focus. Huge alternations will be required in the daily routines keeping in mind the minimum contact as priority. Certain properties that were converted into hotels had offered a great deal to customers. However, after pandemic hygiene and health becoming the top priority, they will have to struggle to match the standards of bigger names.

A survey was conducted on the hotels operators in India to understand the impact of COVID-19 on their business.

The study shows that post-lockdown the operations have not resumed completely; around 50% are partially open, 43% have temporarily suspended operation whereas 7% have resumed operations (Figure: 1).

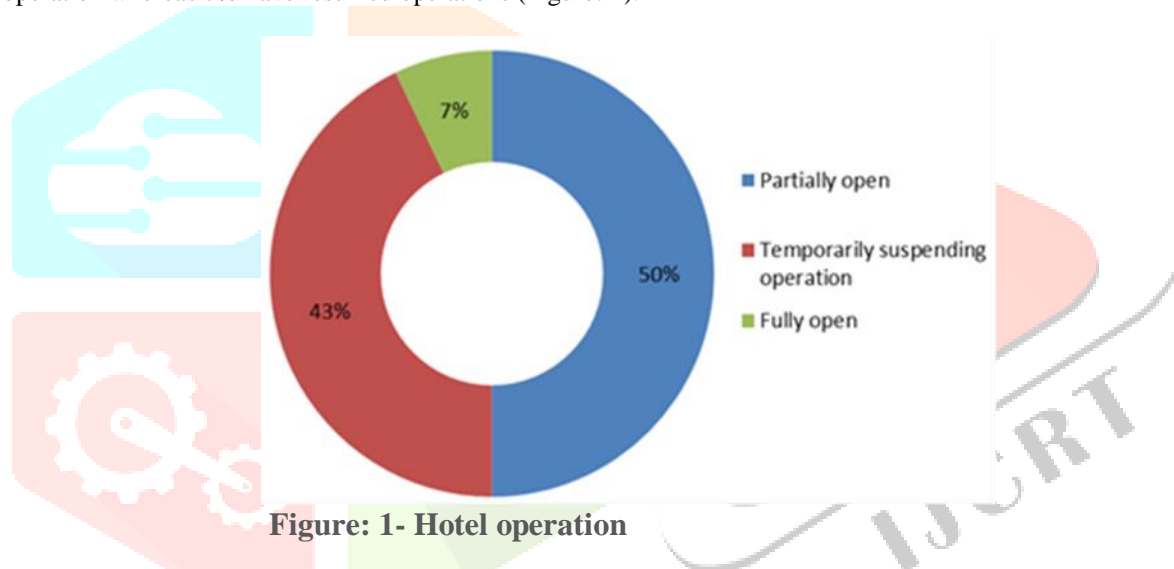


Figure: 1- Hotel operation

The study denotes 70% of respondents expect that it may take 6 to 12 months for the market to recover. Also, many were of the opinion that states relying heavily on tourism might open booking soon, nevertheless will easily take 9 months or more to bounce back to normal. (Figure: 2)

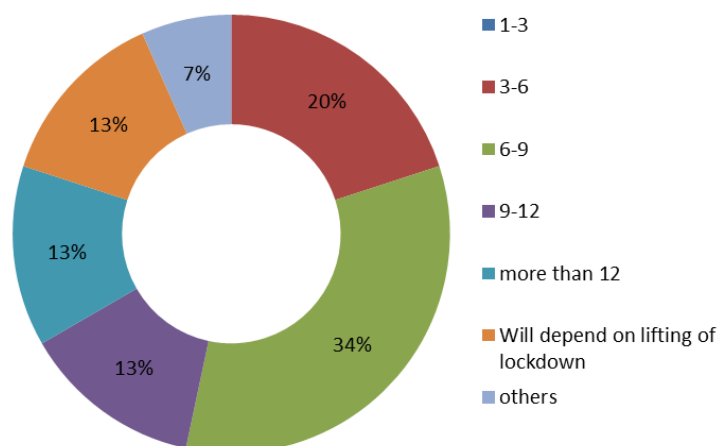


Figure: 2- No of months in market recovery

Certain essential services need to be adopted by hotels to ensure complete safety of employees and guest. As per the survey conducted measure like disinfecting the place (23%), thermal screening of guests (18%) and employees (20%), sanitation training to employees (23%), sanitation audits (14%) etc. (Figure: 3)

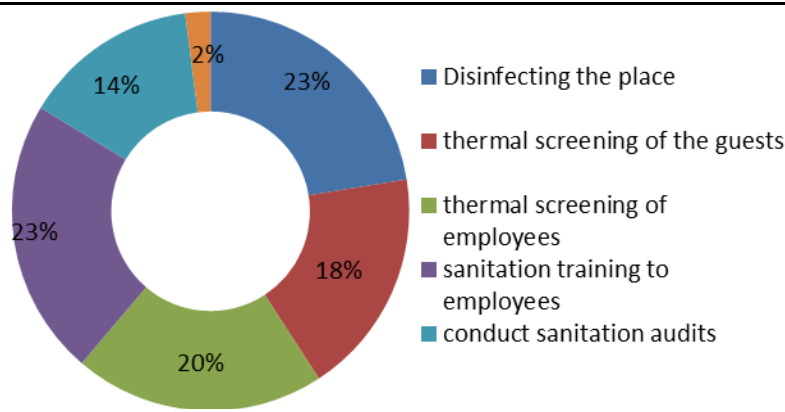


Figure: 3- Services to be adopted

The study also revealed (Figure: 4) that there will be multiple challenges the hotels will have to face once they are allowed to re-open. The biggest task would be the safety of guest and employees in terms of health (45%), gaining customers trust (23%) and adhering to government rules and regulation (23%) will be the next challenge. There are possibilities that the cost or rates (6%) have to be negotiated.

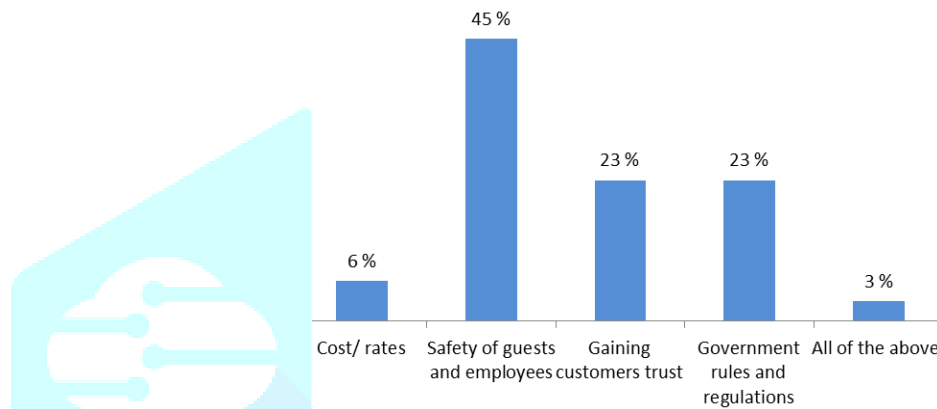


Figure: 4- Challenges faced on re-opening

There is a strong need that the Indian hotel industry should re-evaluate hospitality to survive the COVID-19 pandemic. A change in strategy is the need of the hour where reinventing and renovating will help suffice the new normal. As per the study conducted, 32% have offered special rates and 23% have given offers and discounts for future stays. 18% have used tactics for cost cutting and renovation strategies. (Figure: 5)

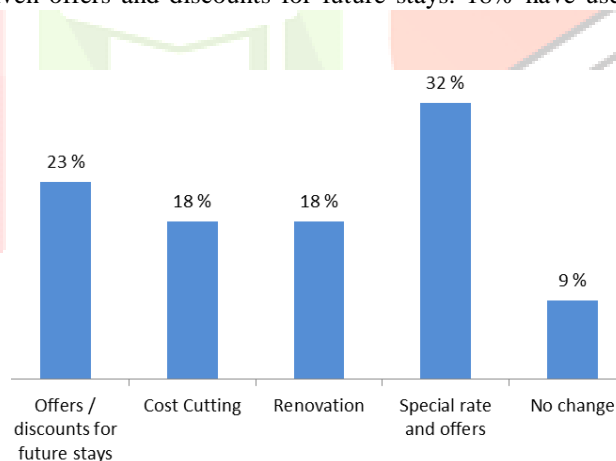


Figure: 5- Strategies implemented

Due to countrywide lockdown and COVID-19 menace, process of reservation-cancellation that was carried out has adversely affected the hotel business and is expected to face revenue loss in 2020. Also, a parallel negative impact can be seen on employment in the future as a cost cutting tool. Various costs cutting measure can be implemented to compensate the situation. 48% opted that the hotel rooms can be used for quarantine purpose. In order to gain 29% want to focus on domestic travellers where as 19% want to save by encouraging employees to take leave without pay. (Figure: 6)

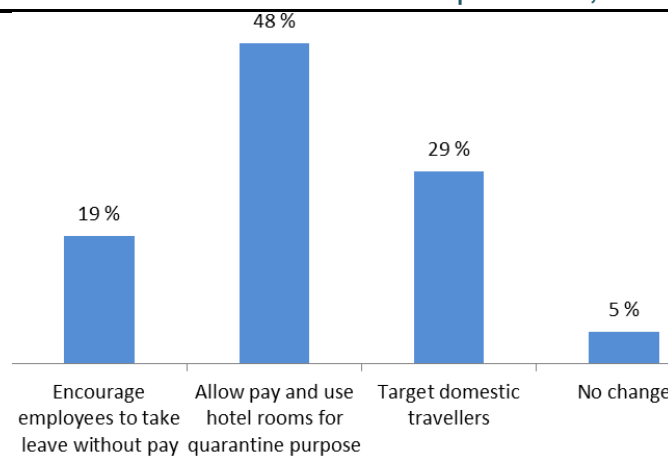


Figure: 6- Cost cutting measures

Though the coming months look tumultuous, there is a possibility the business may take a few months to pick up, or a few quarters to recover completely. The most important aspect will be health and safety in terms of hygiene and sanitation of the hotel and the guests. On the positive side, once the lockdown is lifted, people will want to travel, cautiously.

III. SUGGESTIONS FOR THE GOVERNMENT OF INDIA:

The hotel industry is susceptible to intimidations posed by unexpected catastrophes such as epidemics, natural disasters, and terrorist attacks. Undoubtedly, COVID-19 has hit industries like hospitality, aviation and tourism which are interdependent on each other. Though, the Government of India has taken up necessary measures to combat the economic effects of the pandemic on the country; sector-specific measures have to be highlighted to help in combating the loss. Presently, a collaborative approach is need of the hour for recovery and growth of hospitality industry. Certain remedies are needed which can compensate the loss to hoteliers to some extent. Hotel occupancy in India is going to be very low in the coming months. So hotels will have to either shutdown or run using alternative methods.

The government has taken the following move to support and combat the economic effects of the pandemic on the country:

Financial Support:

- Incentive package suggested stabilizing the sector supporting the workforce to ensure that there are no job losses.
- Moratorium on interest and principal repayment for three months, including working capital payments and overdrafts.
- Offer a 12-month corporate tax holiday to travel, tourism and hospitality sectors.
- Submit all statutory dues such as advance tax, custom duties, excise duties, PF, bank charges etc. at central and state level for 12 months.

Policy Support:

- Annual rejuvenation of certificates paid in 2020 should be extended till the end of 2021 without an incremental fee or charges.

Direct Support to Recover Demand:

- Waive off / Reduce GST on products offered by the sector for a one-year period.

This phase of distress has made it impossible for an independent operator to pay rent for the property during the period of zero income. Certain steps from the government can be a huge relief during the period of lockdown.

Apart from the above measure, ensure that the hotel is compliant with any revised government and brand standards. The hotel should continue to follow the health and cleanliness guidelines at any given point of time. Guests and employees should be reassured by increasing maintenance and hygiene measure.

IV. STATE GOVERNMENT SUGGESTIONS TO COMPENSATE THE LOSSES IN HOTEL INDUSTRY:

In a proposal to overcome the economic strain due to COVID-19 lockdown, the Centre is working on suggestions given by some states of India. The economies of States and Union Territories such as Puducherry, Kerala, Goa, Himachal Pradesh and some North-eastern states depend on tourism and hospitality to a great extent.

To combat the poor business this season due to the absence of tourists, state government from the state of Himachal Pradesh, India had proposed that it would welcome tourists with COVID-19 symptoms to spend two weeks under quarantine. This 'Quarantine Tourism' was expected to help the tourism industry to recover its financial losses. However, the plan was rejected by hotel associations of the state, prioritising the social responsibility in terms of health and safety.

Goa government demanded a relaxation to open restaurants maintaining social distancing at 50 percent capacity. The Brihanmumbai Municipal Corporation (BMC), Mumbai tied up with hotels near international airport to create quarantine facilities/zones where travellers who wish to stay in the hotel for 14-day quarantine period can avail the services at a fixed rate and reduced tariff. These alternatives have not lessened the issues faced by the hoteliers.

The government is considering reopening of tourism and hospitality sectors, which have suffered a massive blow due to the COVID-19 lockdown. Meanwhile, the Ministry of Tourism is currently preparing guidelines for hotels and tour operators in consultation with the states, which they need to adhere to once they resume their businesses. The hotel industry has demanded that the government allocate funds that can be used as working capital to pay salaries until things improve.

V. LOOKING FORWARD POST COVID-19:

The impact of COVID-19 is enormous on hospitality industry where every function has to be renovated in a way not seen before. The relationship between the industry and customer will have to start by rebuilding trust hence regaining customer's confidence will be the first step in overcoming the crisis. Due to contagious nature of the virus, it is crucial to observe severe hygiene measures to trace and control the environment in which the business will take place. Hoteliers will have to amend, implement, update or adapt rules and regulations in order to ensure the staffs are not contributing to the spread of pandemic and ensure the safety of the customers.

Hotels and restaurants are preparing to reopen after nearly four months however the top players from Indian Hotel & Restaurant Association predict possibilities of 50 percent hotels may shut permanently in some states. Governments will have to play a huge role in saving the hospitality industry which contributes approximately 10 percent to the national gross domestic product (GDP). The Central and State governments should undertake reforms to ease up regulatory hurdles for the hospitality industry and come up with steps to survive the aftershock of the pandemic. The unskilled and semi-skilled workforces are the backbone of the Indian hospitality sector and they needs to be protected.

Post COVID-19 business continuity, cost optimization and returns on income will be the major concern for the business owners. The initial revenue earned may be low which may result in temporal increase in the costs. The hotels will have to bear the expenses like staff salaries and maintenance cost etc. on an on-going basis but there is no guarantee that all the measures to make their facilities safe will ensure a revival in customer's trust. The customer's trust has to be regained by providing right information through proper communication in a gentle and non-aggressive manner to reassure them of the safety.

Knowing the contagious nature of the pandemic, it is important to follow safety measures and policies especially for hotel businesses that rely on personal interactions. This may include measures like:

- Complimentary hand-sanitizer stationed at the entrances and exits
- Self-service payment systems
- Bookings through online applications
- Non-contact services

Though the pandemic has blown off the hotel sector in India, we hope that the industry will recover soon. Taking appropriate actions may help the hotel industry to return to doing business as usual.

VI. CONCLUSION

With the globalized world going into partial or complete shutdown, the overall impact on human life, economic growth and businesses are immeasurable, both in the short term and long term due to the uncertainty as things evolve. The hospitality sector has observed extraordinary slowing down of business this year in wake of the COVID-19 pandemic. The Indian hotel sector has been hit hard, fighting with significantly low demand in terms of few future bookings.

Hotels are a prominent prey of pandemics; hence there is a need to examine how hotels should establish contingency plans for pandemic control. There is a strong need for future research to evaluate different approaches through which which hotels could work with governmental agencies to develop coordination mechanisms and comprehensive crisis management schemes. It is essential to change the look and feel of the hotel industry whether big or small to maintain the social distancing norms and regain customer's confidence. There is a need to adjust with the strategies and prepare for the future.

Government should bring relaxation on the taxes imposed on hotel industry, or to provide certain loans with minimum interest rates and must issue additional funds for the betterment of industry in the near future. Hotel industry has proactively taken numerous precautionary measures to alleviate the immediate impact of COVID-19. Hotels also need to think about establishing strategies for recovering the losses and regain positive image amongst the guests. However, hotels will need to continue their efforts to quickly adapt to the rapidly changing business environment in order to sustain.

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