

Research on the Impact of the Epidemic on the Hotel Industry

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Abstract: COVID-19 has already had a huge impact on the global economy and, likewise, has caused unprecedented disruption to the hospitality industry. Lockdown policies and travel restrictions everywhere have left many hotels with the prospect of operating with a small number of rooms or facing zero guests. Based on this, under the circumstance that the global situation tends to stabilize, how to transform the hotel industry to adapt to the post-epidemic era to recover losses has become an urgent problem to be solved in this paper. This article will try to come up with potentially valid recommendations by comparing different hotels. The findings suggest that during the pandemic, hotels should be more flexible and adjust their strategies in a timely manner to respond to the situation. Strengthen cleaning and non-contact service management to maintain customer loyalty. This research has important practical significance for the sustainable and healthy development of the hotel industry in the post-epidemic era.

Keywords: COVID-19, hotel industry, management strategy

1. Introduction

Since entering the era of the epidemic, the world economy has been hit hard and countless small and medium-sized enterprises are even facing bankruptcy. Many industries are under pressure to reform and survive under the impact of the epidemic. The hotel industry, in particular, has been greatly affected by the embargo and the restrictions on transport from one place to another during the epidemic. There are also guests who are strict about hygiene under the epidemic and do not trust the hygiene of public places or the health of other guests, and many try to avoid contact with others under the epidemic. Many hotels have tried methods such as reducing prices to try to recoup their losses. Then there are also hotels that adapt to the epidemic situation and make timely adjustments. HayMax Hotels, which owns four boutique hotels in Aspen, Colorado and Sun Valley, Idaho, have invested in technology to minimize the spread of viruses by reducing human contact, so that guests can access their rooms via digital keys. This makes the check-in process safer and more efficient, as face-to-face interactions at the front desk are no longer required [1].

2. Business Model

According to the classification of the form of operation, the business model of the hotel can be divided into self-owned and franchising two models, where the self-owned model can be divided into self-owned property and leasing operation and the franchising model is divided into brand franchising and management franchising [2].

Owned refers to a business model where a hotel management group operates and manages its own properties under its own brand name, either owned or leased. The main difference between an owned property and a leased property is whether the hotel property being operated belongs to the hotel group. Due to the high cost of property development or acquisition, most hotels currently operate their properties mainly from leased properties. The investment scale of the self-operated model is large (mainly for hotel property investment and leasing) and has the characteristics of high risk and high return. Self-employment belongs to the asset-heavy business model and is also a basic and indispensable hotel business model. For start-up hotel brands, it is a necessary way for hotels to create and develop their brands by exploring the market rules and operational models of the industry in a self-operated manner; for more mature hotel brands, the hotels will mainly expand rapidly in a franchise mode, and the ratio of directly operated shops will gradually be reduced to a reasonable level in line with the hotels' own business strategies. For the more mature hotel brands, the franchising model will be the mainstay of rapid expansion, with the proportion of directly managed outlets gradually reduced to a reasonable level in line with the hotel's own business strategy.

In addition, this model is subject to economic cycles. When the economy is buoyant, its profit growth rate is fast, but when the economy is in the doldrums, it faces the risk of declining operating income, loan repayment pressure due to cash flow shortage and property devaluation, which affects the overall profitability of the hotel management group.



Figure 1: Relationship between hotel management group and hotel owned.

Figure 1 shows that in the self-employed model, the hotel owner has to create a new brand, recruit and train its own staff, all of which costs are borne by the hotel owner. The franchising model can be divided into two types: brand franchising and management franchising.

Brand franchising means that the hotel management group does not directly own and operate the hotel, but rather exports the use of its brand, building and decoration plans, staff training, etc. to the hotel owner (franchisee), and receives a one-time brand franchise fee and ongoing franchise fee as the hotel management group's business income. In the day-to-day operation, the three major aspects of staff, finance and goods are all controlled by the hotel owner and supervised by the hotel management group. The hotel management group provides the brand and management system output, without the need for huge investment in fixed assets and manpower costs, which is an asset-light hotel business model with low investment and fast expansion.

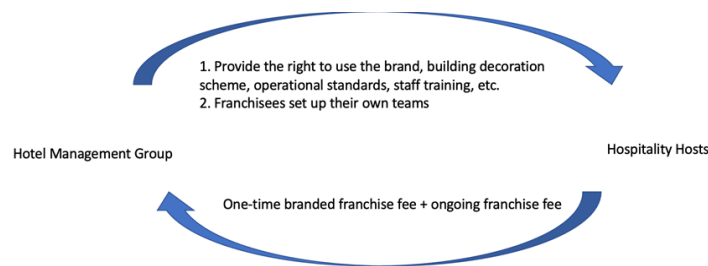


Figure 2: Relationship between hotel management group and hospitality hosts.

Figure 2 shows that in the franchise model, the hotel owner pays a franchise fee to acquire a recognizable brand and a relatively mature management system and staff training, although the hotel owner can also choose to build his own team. A recognizable brand will automatically attract fans of the brand to come and spend money. In contrast to the self-employed model and the franchise model, in the self-employed model, hotel owners need to explore the market themselves step by step, and there is a risk that a brand that has never been tested in the market will be accepted by the market. But with high risk comes high reward, assuming the success of a brand-new hotel will bring huge benefits to the owner.

Management franchise model refers to the hotel owner owns the hotel land use rights and has good hotel building, due to the lack of professional hotel management experience and ability, the hotel entrusted to the hotel management group for management. The hotel management group provides the hotel with branding rights, professional management team, hotel management system, daily operation and other services, and receives management fees and incentive management paid by the hotel owner. In the day-to-day management process, the three main areas of staff, finance and goods are controlled by the hotel management group only but supervised by the hotel owner.

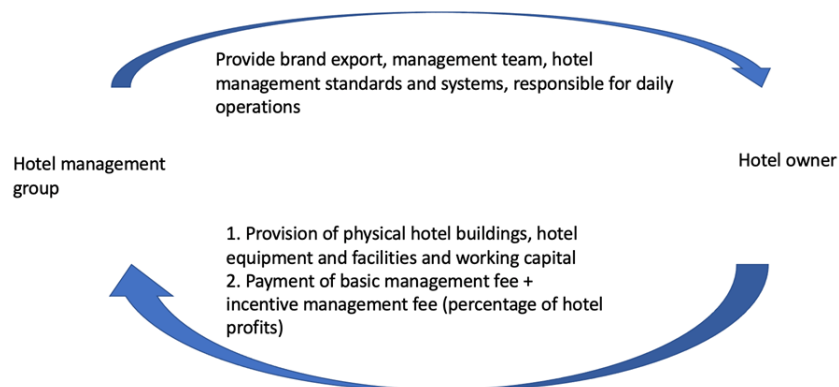


Figure 3: Cooperation process.

In Figure 3, it is clear that the franchise model does not give you full control over the hotel compared to the self-employed model. However, because of the low investment and low risk, you can minimize your losses in the event of a shock such as the epidemic.

3. The Hotel Types

In addition to the differences in business models, there are now an endless number of types of hotels. The positioning of a hotel is a very important aspect of privacy for a hotel as it determines a hotel's target audience, starting capital, location, pricing etc. This article will then compare three representative hotel types to draw conclusions, namely theme hotels, luxury business hotels and budget hotels.

Theme-based hotels are hotels that are designed, built, decorated, produced and served with the most influential regional features and cultural traits of the location of the hotel, the most important feature of which is to give the hotel a certain theme, thus creating a unique charm and personality characteristics that cannot be imitated or replicated, and achieving the purpose of enhancing the quality and taste of the hotel's products. Budget hotel means a modern hotel industry with the mass travelers and small and medium-sized business people as the main service targets, with rooms as the only or core product, low prices, standard services, comfortable environment, excellent hardware and high cost performance. In terms of external performance, economy hotels generally take the form of chain operations, through which they achieve economies of scale and increase their brand value, for example, 7 days Inn hotel. The brand positioning of the hotel is to create a brand image with a focus on Tier 1, New Tier 1 and Tier 2 cities, with a focus on cost-effective, universal hotels in Tier 3 to Tier 6 cities.

The target audience is business and leisure travelers with a young mindset and a high level of culture who are looking for value for money [3]. Business hotels are hotels where business guests, rather than tourist holiday guests, are the main focus. It is generally considered that the proportion of business guests should be no less than 70%. A good business hotel usually has the following characteristics: a good location, relatively close to the center of business activities, and a hotel with all the business facilities.

The location of the hotel is very important. Every location is unique, every footprint is unique, and every hyper-local area surrounding a location - is you've guessed it, unique [4]. In the case of Aman, the resort in Bali was built in 1989 and named Aman Dali 'The Spirit of Tranquillity'. 20 years later, Adrian Zecha believes that the real essence of Bali is not in the crowded beaches but in the early rice terraces near the temples and the cool mountain air. The hotel has influenced the art, music and dance culture of the Balinese interior thanks to its location in the cultural heart of Bali in the village of Ubud, a Kedewatan village on the cliffs of the Grand Canyon of the Ayung River. Designed to resemble a Balinese village, the airy lobby of the hotel was inspired by the gathering hall, or village meet. A glimpse of the turquoise swimming pool looks like a rice field. Eleven of the hotel's 30 suites, which walk down stone paths, come with pools. The spacious three-bedroom suite villas are appropriately leaning close to the hotel. The success of Amanpuri and Amandare shows that Aman has developed a whole new path: it is possible to build an ecologically conserved and aesthetically pleasing resort; smaller hotels can be just as good in terms of business as they are in terms of guest enjoyment; smaller can be better. This is the philosophy behind every Aman. Each Aman location is carefully selected and designed to blend harmoniously with the nature and culture of the region.

Through the above introduction on hotel site selection, we can see that the main hotel in the site needs to have characteristics such as beautiful scenery or a strong historical atmosphere, and then in the hotel construction planning focus on preserving and catering to the natural environment and local culture. For economy hotels and luxury business hotels, the location of the hotel should be chosen so that it is close to the business district or transport station, so that it is easy for business guests to move around.

If the number of rooms in a hotel is the only criterion by which its success is judged, the Amman Hotel would raise an objection. It has never focused on being a hotel big enough to be extravagant, preferring instead to be small, safe and private, as its founder Adrian Zecha says: "It's not that we're necessarily bigger than the big hotels, but our hotels are small and unique, and that's all there is to it. It is Amman Hotels' response to the way of life nowadays. As a result, we have created an environment for our guests to enjoy themselves." [5]. In order to provide a safe, comfortable and private environment for guests, each Aman hotel will not have a large number of rooms to cater for its clientele. Rather, they ensure that guests in each room can live in a scenic, quiet location to enjoy the

natural beauty of the area; while for luxury business hotels, more rooms means more guests can be accommodated, not only in terms of increased revenue, but also for guests who have more social possibilities at the hotel and who may be able to discover possibilities for collaboration while chatting in the hotel's bar; budget hotels focus on value for money and may not have bars, spas or other services in the hotel, with the aim of giving guests a better guest experience for relatively little money and saving the hotel money.

4. Results and Suggestion

4.1. Results

By comparing the business models and types of hotels, we can see that the self-employed model has a higher risk than the franchised model, which has the potential for higher returns. The different hotel types have their own positioning and target groups. A large proportion of themed hotels are located away from the city center due to the pursuit of natural beauty and are greatly affected by traffic restrictions similar to those that have arisen because of the epidemic.

4.2. Suggestion

In addition to what has been said above, the fact is that in times of epidemics hotels should be more flexible and adapt their strategies to deal with the situation in a timely manner. For example, the World Health Organization believes that hotels should make changes in the management of hotel operations during COVID-19 and suggests that protective measures could be considered as a way to ensure that guests can have a safe and relaxing environment in the hotel. Not only did the hotel staff accept and comply with the precautionary measures under the outbreak, but they also innovated different ways to ensure that guests were protected from the coronavirus during their stay at the hotel [6]. Similarly, Marriott International announced their commitment to contactless service and cleanliness during COVID-19 so that people could travel with peace of mind [7]. Yu et al. studied customer attitudes towards hotel hygiene standards during the COVID-19 outbreak and identified the hygiene of hotel staff workspaces, the hygiene of customer use spaces, the personal hygiene of hotel employees and as the basic standards to be met in terms of hygiene [8]. During the COVID-19 outbreak, customers placed greater importance on the hygiene attributes of hotels. This means that hotel choice attributes became different during the outbreak and the ranking of the importance of various factors that customers consider when choosing a hotel changed. Furthermore, there are many studies that can show that many of the commercial value hotels made changes to their focus when operating [9]. Because hotels are aware that guests now place a high value on virus prevention, they are now more concerned than ever with ensuring guest confidence in their safety during their stay. In fact, similar to the no-touch check-in mentioned above and a high standard of hygiene have always been in demand by our customers. In the absence of an epidemic, the hotel industry has received feedback from these customers and has not upgraded and updated to meet their needs. Introduce the old and bring forth the new, upgrade the rights and interests of members, and actively cooperate with external platforms to attract new customers and expand the membership group [10].

5. Conclusion

The outbreak of the new crown epidemic has had a huge negative impact on my country's hotel industry, and customers' consumption needs have also changed a lot. Customers' willingness to spend and confidence have declined, safety awareness has increased, and the demand for "contactless" services has increased. People's travel is restricted, but office, leisure and business activities must continue. Online office, online consumption and online interaction have become hot topics of con-

cern. The article takes hotel smart marketing as the research object and analyzes the impact of the epidemic on the hotel industry's cash flow disruption, occupancy rate drop, and difficulty in online services. The purpose of this research is to find the hotel industry and direction in the face of the epidemic. However, this paper also has some flaws; the paper focuses on theoretical analysis and lacks quantitative research. In the future, it is hoped that more data will be collected, and by constructing an econometric model, we will conduct quantitative research on the influencing factors of different hotels, so as to enrich relevant research results.

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