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Lessons from Disaster: COVID-19 and Chinese Hotels

Few industries have suffered more from the COVID-19 than hospitality and tourism, and China's hotel sector has many lessons to learn. In a thought-provoking exploratory study published recently, Dr Fei Hao, Dr Qu Xiao and Dean Kaye Chon of the School of Hotel and Tourism Management (SHTM) at The Hong Kong Polytechnic University cast light on the fundamental impact of COVID-19 on the sector, and propose strategies for Chinese hotel firms to overcome their current difficulties and emerge ever stronger. First and hardest hit by the devastating impact of COVID-19, Chinese hotels now have the chance to lead the global sector out of crisis and into a bright new future.

The global health crisis sparked by the outbreak of COVID-19 in early 2020 has affected every stakeholder in the tourism industry, casting a dark shadow over China's formerly thriving hotel market. Tourists' inability or reluctance to travel have made cancellations rife, threatening the survival of hotel firms and the income security of employees. The expansion of domestic hotel groups has decelerated, and all too many hotels have been forced to close. The researchers observe that this scenario has "led to a sharp decline in the market value of stocks in the hotel sector".

However, all is not lost. Although China's hotel sector was the first to be hit by the pandemic, it has implemented timely measures to cushion its economic losses, protect its employees and customers, and contribute to society's efforts to wage war on COVID-19. "After witnessing positive signs", the researchers add, "the sector adopted a series of innovative measures to revitalise its performance". Realising that the world could learn much from Chinese hotels' response to the pandemic, the researchers set themselves the important task of identify the "major strategies that have been or should be implemented by the hotel sector to alleviate the catastrophic effects of COVID-19".

The unprecedented and rapidly evolving challenges presented by COVID-19 call for innovative communication to facilitate the exchange of information for fast, flexible decision-making. "As in all disaster situations", write the researchers, "the first step involves the formation of an efficient and responsible disaster management team and the appointment of a team leader". As high-performing teams are invaluable assets at times of disaster, hotel firms should strive to retain, retrain and incentivise outstanding employees during the pandemic.

Meanwhile, cost and efficiency savings can be generated by sharing labour, installing intelligent systems, and laying off low-performing workers. "Hotels must also establish a responsive and efficient standard operating procedure to enhance their disaster management capabilities", advise the researchers. They should organise and maintain a team of expert consultants to tackle the challenges posed by COVID-19, and compile and update guidelines for responding to the pandemic.

Press Release

新聞稿

Little can be achieved without a steady cash flow. Hotel firms should not only seek financial aid from the authorities, the researchers suggest, but also apply “self-save” strategies to reduce non-essential costs, enhance their operating capabilities, monitor their cash flow and make dynamic adjustments promptly. Some hotels in China have set a good example, the researchers tell us, “by strategically closing, partially closing or reducing properties and facilities, postponing non-essential building and system maintenance, minimising fixed costs and cutting non-essential services”.

Other hotels have collaborated with their parent firms to overcome financial hurdles, as many hotel brands in China today are offering reduced management and franchise fees, waived marketing and system fees, and discounted COVID-19 protective supplies. Indeed, the revitalisation of the hotel market after the pandemic is likely to generate a new pattern of brand expansion, with an increased focus on leading brands. The researchers note that “hotel firms should seize this opportunity to increase their market share and individual hotels can actively cooperate with major firms for transformation and upgrading”.

No less important to the recovery of the hotel sector is restoring customer confidence. Several hotel brands in China already offer free cancellation, re-booking assistance and extended loyalty programme membership. As well as offering strict hygiene and sanitary measures, many leading brands have set in motion technological solutions to protect and reassure their guests. For example, Dossen, Huazhu and New Century now offer contactless services to limit physical interaction and minimise their customers’ stay in public areas. “This reduces the risk of COVID-19 transmission and cross-infection”, explain the researchers.

These efforts reflect a wider commitment to society on the part of Chinese hotel firms. At the height of the pandemic’s first wave, the researchers note, they were quick to show solidarity and demonstrate their social responsibility by providing invaluable infrastructure and services for those in need. Many hotel owners worked closely with government authorities to repurpose their premises as hospital extensions, medical crew dormitories and quarantine stations. Others provided free accommodation, meals and transportation for frontline medical staff.

The health and economic impacts of the pandemic have irrevocably changed the supply-demand balance of the global hotel market, requiring hotel firms to re-evaluate their current business model and set a new agenda to enhance competitiveness. This may be a blessing in disguise. Even before the pandemic, the hotel sector was facing fundamental challenges, with increasing pressure to become more customer-centric, digital, agile and sustainable. The researchers thus suggest that the “disaster may be a trigger or catalyst for a robust and more adaptable hotel sector”.

Traditional hotel business models, focusing solely on catering and accommodation, are already a thing of the past. In the post-pandemic era, the hotel sector will embrace reforms facilitating multi-business and multi-channel platforms. “Hotels can maximize their space and utilize it for accommodation, catering, retail, public activities, and the off-line demonstration of products”,

Press Release

新聞稿

write the researchers. They are also expected to rely increasingly on online travel agencies and e-commerce.

Meanwhile, customers will demand ever higher standards for hygiene, health, and sustainability. “New hotel products should allow customers to maintain a healthy and balanced lifestyle, exercise at will, work effectively, ensure social distancing and reduce close contact”, the researchers advise. Identifying and meeting customers’ needs will be facilitated by the use of digital and intelligent services to “eliminate human error, increase service efficiency, stabilise service quality and achieve cost reductions”. This will in turn enhance customer satisfaction and hotel performance in a highly competitive business environment.

Although the long-term economic ramifications of COVID-19 are still far from certain, it seems clear that the global landscape of hospitality and tourism has changed for good. As hotel firms and brands worldwide continue to encounter new and evolving challenges, the lessons learned by and from Chinese hotels will prove invaluable. According to the researchers, the findings of this study – the first to propose a COVID-19 management framework in the context of China’s hotel sector – will “enable hotel practitioners reeling under the pandemic to live better for today and plan well for tomorrow”.

Fei Hao, Qu Xiao and Kaye Chon. (2020). COVID-19 and China’s Hotel Industry: Impacts, a Disaster Management Framework, and Post-Pandemic Agenda. *International Journal of Hospitality Management*, Vol. 90, September, pp. 1-11.

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