

# Crisis Management

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## COVID-19 and the global hotel industry: A roadmap to recovery, part 1

By Yuki Hu, Eva Liu & George Yu - IDeaS (<https://ideas.com/solutions/advisory-services/>) | March 2, 2020

Just before the 2020 Chinese Spring Festival in late January, with the regional hotel industry forecasting more than 450 million domestic incoming travelers to China, the sudden COVID-19 coronavirus outbreak hit the “pause button” hard -full stop.

The total number of festival travelers didn't even hit 152 million this year. Compare that to the 2019 Spring Festival, which reached 420 million, and Chinese hotels were down 64%.

The loss of tourism during the Spring Festival period has now reached over 550 billion RMB yuan (nearly \$80 billion USD). The Chinese Center for Recreation and Tourism Research has estimated the total loss of Chinese tourism this year could reach three trillion RMB yuan. That's 10 times greater than the estimated loss after 2003's SARS outbreak.

Here's a look at the impact of these numbers on the hotel industry in China, the surrounding region and worldwide.

## SARS and COVID-19

Overall, SARS and COVID-19 are very different beasts indeed. The speed of the current epidemic's transmission, the number of patients, the number of deaths and the length of the outbreak have already surpassed or are on track to make SARS seem paltry by comparison.

Moreover, the size of the hotel industry has also changed dramatically, with the number of Chinese hotels in 2019 being 50 times that of 2003.

Although there are differences, we can learn a great deal from SARS in terms of speed and length of the recovery process.

In July 2003, the China National Tourism Administration officially lifted the restrictions on cross-regional travel and outbound travel, but the hotel industry was slow to rebound. Passenger traffic picked up in the second half of 2003; however, the retaliatory growth did not occur until December, and the “back-to-normal” point for the industry wasn't reached until a full year after the outbreak ended.

With the Chinese hotel industry currently on indefinite hiatus and many hotel employees already on mandatory leave, hoteliers across the mainland - as well as surrounding Asian markets and even the wider global industry to a growing extent - may find themselves in a state of confusion and panic. What's important now is to remain calm and maintain rational thinking with a focus on long-term strategies that account for multiple possible outcomes.

Here are some actionable recommendations and steps to take now, across five critical areas of your hotel's organization, to proactively begin the road to recovery:

### 1. Revenue management, sales and marketing

**Right time:** Keep a close eye on your hotel's revenue budget and forecast and make appropriate adjustments. Throughout the COVID-19 crisis, the team from **IDEaS Revenue Solutions** (<https://ideas.com/>) has been working closely with its Chinese and Asia Pacific clients to help them make full use of their automated revenue management systems, which deliver data-driven competitive insights and science-based forecasting of market demand and performance trends.

Predictions of speed to market recovery should not be overly pessimistic, but realistic in the short term, middle term and long term corresponding with sales strategy adjustment. Whether your forecast process is automated or manual, it is especially important as not only the foundation of pricing control, but also the basis for making major decisions such as staffing, operation and cash flow. An automated forecasting and dynamic-pricing solution can help to integrate hotel operations and back-office management with your sales and marketing and revenue management teams.

**Channels, communication and confidence:** Maintain channel promotions and sales during the epidemic. Also, practice good corporate social responsibility and actively respond to any calls from the government, communities and industry associations, etc., to help uphold a positive public image.

In the recovery period after the outbreak stabilizes, the focus of publicity should be to assure travelers of a sanitary, safe environment for healthy and productive travel.



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In the early days after the SARS epidemic, confidence of the traveling public was low and no immediate substantial rebound was in the offing. Publicity around health and travel safety will play an active role in boosting demand.

Publicity channels for the APAC region are abundant: brand website, WeChat blog, Little Red Book, Dou Yin and other popular Chinese social media platforms, for instance, can be great to get that “all-clear” message out when the time is appropriate.

For the time being, channel management may be different from previous routines. There won't be many customers making reservations in different channels every day, so making good use of each channel to establish hotel brand positioning and deliver key messaging is the most important focus.

Hotel sales teams and channel managers should also dedicate efforts to maintain good communication with their respective corporate clients and distribution partners. The team should stay connected with clients not only to show concern for their well-being, but also to keep up with their travel and reservation policy updates.

In that way, after the end of the epidemic, you may expect prompt improvement of the hotel performance and shortened duration of the recovery period.

**Right customer:** Focus on consumer behavior patterns. Marketing teams with the available staffing should spend their time and efforts on analyzing and forecasting the future commercial trends, market segmentation and customer profile changes after the crisis is over.

For example, when the crisis passes, high-frequency consumption of food and beverage, especially in areas less affected by the outbreak and surrounding cities, may be the first to start to recover. Individual corporate travelers will likely bounce back faster than large meetings. Sales and marketing leaders should be attuned to these trends and prepare to respond appropriately.

Currently, hotels analyze their competition intensely. In the future, hoteliers should supplement competitive analysis with deeper study, insight and research into the needs, expectation and satisfaction of their guests.

**Right product:** After the recovery period, the market segmentation will have seen significant change, and hotel management needs to make adjustments accordingly. Optimize your market segmentation and grasp the most valuable customers to secure and reclaim competitive strength.

From a financial perspective, hoteliers need to consider not only business-as-usual revenue streams from hotel operations, but also develop diversified products, such as food delivery, professional laundry services, limousine services, etc., to drive profitability through alternative revenue sources. E-commerce can also be considered to promote and sell hotel products such as bathrobes, bedclothes and electronic products, etc.

If possible, hoteliers can arrange to have unique floors opened which are germ and bacterial free with stricter disinfectant procedures:

- Self-services with artificial intelligence technologies to avoid facing other people.
- Room control via mobile app to avoid touching in-room buttons.
- Room cleaning by specifically trained/screened housekeepers.
- External-circulation fresh air system and floor drain to prevent aerosol infection.

- Individual body temperature checks.

In addition, hoteliers may consider offering extended-stay business and sell hotel rooms as serviced apartments to help contribute to a stable cash flow.

**Right price:** Focus on your competitive set and market trends to make appropriate adjustments to your pricing strategy, and keep an eye on your competitors' reactions, such as whether they remain open or not.

If possible, increase the range of your competitive rate shopping and also focus on all nearby competitors in the same business class to understand the market supply and the inventory on different channels accordingly.

During the freezing period, price sensitivity is different than it normally would be. Hoteliers need to set pricing structures with consideration of their value assessment and also of their current cash flow. Do not drop rates with more discounts or set more restriction on cancellations.

Based on many client-success stories, the automatic data analysis-based pricing approach will meet customer needs while helping maximize hotel revenue. Service value is the foundation of price, and the balance of value and price is the key for hoteliers to improve the competitive advantage and broaden revenue streams.

*\* Click here for Part 2 (<https://www.phocuswire.com/coronavirus-global-hotel-strategy-part-2>), which assesses the impact of COVID-19 across food and beverage, meetings and events, operations and finance.*

For more information, IDEaS will host a webinar with STR on March 10, as well as provide detailed guides to help hoteliers manage and recover from travel disruptions. **Click here to learn more (<https://go.rev.ideas.com/COVID-19-key-market-impacts-and-tips-webinar>).**

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