

The Immediate & Long-Term Impact of COVID-19 on India's Hospitality Industry

An Analysis Using Case Studies from New Delhi and Agra

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Abstracts

The COVID-19 outbreak has presented unprecedented circumstances for the fragile tourism and hospitality industry. Historically, the tourism industry is one of the industries hardest hit by pandemics and crises. For example, the swine flu pandemic led to the Mexican tourism industry losing almost one million overseas visitors over a five-month period, translating into about USD 2.8 billion in losses. (Mensah 2020)

The tourism industry is especially hard hit because it is invariably linked to transport services, which serves as a vector for spreading the virus, and therefore is one of the services first suspended to halt a virus' spread. Thus, tourism is both a catalyst and victim of the virus.

The outbreak of the pandemic led to rapid shutdowns in cities and states, as well as severe travel limitations, thus greatly affecting the hospitality industry. Cancelled hotel and travel bookings resulted in revenue loss and unemployment. The psychological fear of travel, exacerbated by travel warnings, quarantine and social distance measures, as well as reduced spending power due to an economic downturn also spell out longer term ramifications for the industry.

This research paper aims to address two important concerns regarding the hospitality industries present and future survival: First, what are the major challenges that hospitality and tourism industry faces amid current conditions? Second, what are the vital learnings from the past year that can help pave the way forward in the industry rebounding to its previous vitality?

Using two hotels as case studies, this research paper will investigate the impact of COVID-19 on the hospitality industry in Delhi and Agra – both traditionally travel and tourist hubs. The case studies entail cost mitigation measures employed by both hotels to help reduce expenditure during the pandemic, as possible solutions that other hotels can adopt, in order to reduce costs as the pandemic's second wave continues.

The dominant sub-themes that emerged through the case studies were the critical need to upskill and emphasise professional development of the employees, increased sense of hygiene and sanitation SOPs, optimism toward recovery and industry revival,

adaptation and innovation around low-capital product and services, and the need for better crisis preparedness.

This research also reflects on implications for decision makers, and managerial recommendations to address the host of issues that will continue to impact players in the hospitality sector.

1. IMPACT OF COVID-19 ON HOTELS

Hotels are one of the hardest-hit industries during the pandemic, with hotel occupancy rates and average room rates witnessing a sharp drop, causing a steep and unprecedented decline in profit margins. In spite of these losses, there are still recurrent expenditure and statutory payments that must be made, including utilities, wage and salaries. Even after the height of the pandemic subsides, the fear of travelling, quarantine, and social distance protocols may linger, leaving a lasting impact on the industry.

In light of these unprecedented circumstances, hoteliers cannot afford to stick to "business as usual". They must adopt survival strategies, revamp their SOPs, and develop new services and offerings that are built to last in a post-pandemic world.

2. INDIA'S TOURISM & HOSPITALITY SECTOR

As the much-maligned visitor, the COVID pandemic, checked in, India's travel industry area endured a monetary crash assessed to be up to ₹15 lakh crore, as businesses frantically scrambled to endure and recuperate in 2021.

In spite of this "dark swan" occasion, major players have continued to make a valiant effort, and are time and effort on promoting 'vengeance travel' in the latter half of 2021. "This was the most exceedingly terrible 3/4 ever for the travel industry [in over a century]... and will require another two quarters till they antibody is conveyed across all source and objective business sectors," Federation of Associations in Indian Tourism and Hospitality (FAITH) Chairman Nakul Anand told PTI. Anand added that while there will be "some green shoots of recuperation in the travel industry, it will be

amazingly limited: situated in certain areas, across some long ends of the week in drive down, homegrown areas".

3. CASE STUDIES

3.1 Radisson BLU Marina, New Delhi

Situated in Connaught Place, New Delhi, the Radisson Blu Marina is a 4-star hotel catering to domestic and international tourists and business travellers.



Below are the details for room occupancy rates, average room rates, and F&B revenue before, during, and after India's nationwide lockdown, which was declared by Prime Minister Narendra Modi on 24 March, 2020.

SPECIFICS FOR RADISSON BLU MARINA (DELHI)

2020					
Month	Occ%	ADR	Room Rev	F&B Rev	Total Revenue
January	89.64%	7,215.30	1,80,45,464.06	56,91,303.48	2,41,89,592.93
February	93.72%	8,263.85	2,02,13,380.31	63,69,939.83	2,72,74,204.52
March	53.12%	6,320.82	84,57,259.42	24,49,301.65	1,12,68,677.99
April	14.34%	3,157.74	12,22,045.64	91,060.00	13,13,189.68
May	47.87%	3,122.08	41,39,874.21	78,990.96	42,19,063.15
June	44.63%	3,102.88	37,38,968.92	23,274.48	37,62,249.40
July	46.27%	3,103.02	40,06,000.00	33,950.72	40,39,938.72
Aug	52.83%	3,160.79	46,59,007.46	73,923.03	47,32,930.49
Sept	66.01%	3,471.19	58,31,602.61	11,09,176.68	69,58,431.37
October	64.21%	3,419.91	55,40,249.89	11,17,545.04	66,86,864.73
November	57.93%	3,783.88	45,74,715.33	18,89,549.85	65,05,291.74
December	72.70%	3,303.81	65,11,816.42	29,60,255.34	94,98,604.78
2021					
January	75.86%	3,548.41	74,26,820.08	31,37,470.12	1,07,19,838.84
February	89.42%	3,821.68	84,65,018.40	47,49,287.18	1,34,31,357.98
March	77.41%	3,986.60	49,99,196.39	27,72,413.58	78,15,337.95

Revenue Analysis:

Prior to the lockdown in mid-March, RoomOccupancy % and Room/F&B revenue was much higher than in the coming months.

Between mid-March and mid-April, when the hotel had no guests, they resorted to partnering with government and private hospitals, providing rooms and food for doctors and hospital staff at a minimal rate in order to cover costs just make normal profit. This continued till January 2021.

In the interim, the hotel started food deliveries in September 2020, therefore the increase in F&B revenue.

After January 2021, the hotel reopened for business to normal consumers, but since the hospitality business was still recovering the Average Daily Rate remains low at approximately 77%.

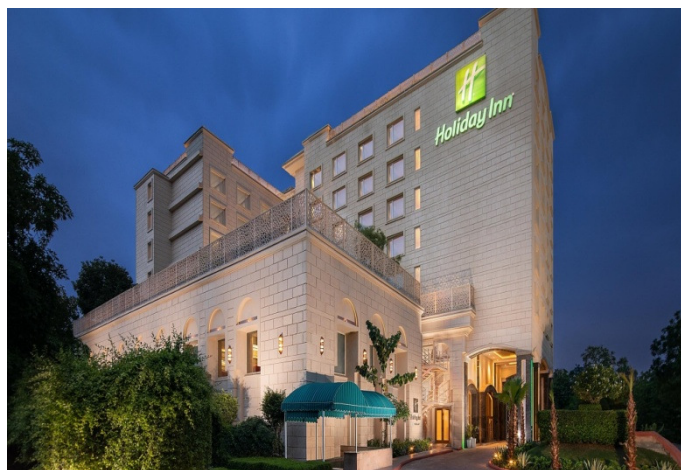
Specific Cost Mitigation measures at Radisson Blu Marina

1. Restaurant The Great Kabab Factory along with back area and Kitchen equipment on second floor is closed (material shifted to main kitchen freezers)
2. The Connaught Bar is closed, we are directing and serving the guest at Fifty9 restaurant.
3. 2nd floor lobby air conditioning is switched Off
4. 1st floor lobby air conditioning to switch off from 0100 hours to 0600 hours.
5. MD/GM office air conditioning to be switched off
6. Hot water generator to operate from 0530 hours to 0730 hours & 1830 hours to 2100 hrs.
7. Chiller to be switched off from 0200 hours to 0300 hours & from 0400 hours to 0530 hrs.
8. AC Chiller temperature to set at 13 degrees instead of 12 degrees.
9. Guest room temperature setting to be increased up to 22 degrees wherever thermostats are functioning.
10. 2nd floor alternate lights to switch off according to circuits.
11. 30 Guest rooms are on energy savings mode in terms of lighting & air conditioning. Only TFA will run.
12. Fifty9 PDR air conditioning to be switched on as per requirement.
13. Fifty9 air conditioning to be run from 0530 to 1030 hours and post 1030 hours every alternate hours or as per requirement
14. Service elevator to switch off, will be run according to requirement.
15. Every individual to be briefed for switching off unwanted lights & AC in their areas.

16. Chief Engineer is staying back ensuring to monitoring and implementation of above measure during weekend lock down

2. *Holiday Inn, Agra*

Situated in Agra's commercial hub, the hotel caters largely to international tourists, or tourists from out of state.



Below are the details for room occupancy rates, average room rates, and F&B revenue before, during, and after India's nationwide lockdown, which was declared by Prime Minister Narendra Modi on 24 March, 2020.

SPECIFICS FOR HOLIDAY INN (AGRA)

2020					
Month	Occ%	ADR	Room Rev	F&B Rev	Total Revenue
January	69.2%	5,778.51	1,85,83,674	90,61,624	2,78,04,901
February	71.2%	3,871.07	1,19,96,456	1,03,64,610	2,24,69,672
March	18.5%	3,152.55	27,14,342	20,27,943	48,24,095
April	0.0%	0.00		-	-
May	0.0%	0.00		-	34,252
June	0.0%	0.00		-	2,88,745
July	0.0%	0.00		-	1,336
Aug	0.0%	0.00	-7,528	-2,040	2,53,372
Sept	18.9%	1,885.86	16,01,096	13,98,685	30,11,356
October	29.7%	2,388.57	32,98,615	28,78,019	62,62,097
November	32.2%	2,802.75	40,58,375	35,66,573	76,53,378
December	54.3%	2,838.62	71,70,358	56,31,893	1,28,54,982
2021					
January	51.14%	2,532.04	60,21,193	38,68,415	99,04,111
February	54.31%	3,051.30	69,60,019	54,04,092	1,23,90,541
March (Forecast)	53.50%	2,223.01	55,30,850	46,08,493	1,02,14,343

Revenue Analysis:

Until mid-March room occupancy and rates were normal. However, during the lockdown, the Holiday Inn Agra, unlike the Radisson New Delhi, decided to completely shut down the

hotel until Mid-September, due to the lack of foreign tourists, which make up the majority of its customers.

From mid-September 2020 until March 2021, the hotel opened its doors to consumers again, but kept the ADR low due to the hospitality industry still recovering.

The Holiday Inn in Agra represents the sector of the industry worst hit by the lack of international travel due to the pandemic. Even now, its room occupancy rates only stand at about 54%.

3. *Cost Saving Measures from other hotels in New Delhi*

- The Lalit hotel gave rooms to doctors, and maintained a food buffet to make use of kitchen staff and supplies
- Hotels in Aerocity located next to the international airport became government appointed COVID wards, in order to overcome losses.
- The Oberoi reduced tariffs to encourage people to come and stay. The enforced strict sanitisation SOPs, and allowed staff to stay in the hotel. They promoted door to door delivery services, and also started charity work in the form of feeding migrants who had suffered job losses due to the pandemic. Towards the end of lockdown, there was a surge in demand for staycations and wedding bookings (which is a substantial revenue stream). The hotel pared down third party contractors, but retained their own employees. They also shut down floors, restaurants, laundry facilities, and reduced salaries (staff 10%, executives 10/20/30%).

4. DISCUSSION & RECOMMENDATIONS

As seen in the case studies, hotels resorted to various means, ranging from reducing service, to developing novel revenue streams, to adapt during the pandemic.

One of the key takeaways from these studies is the need for hotels to diversify their services, to make their organisations "pandemic-proof".

Other key recommendations for recovery include:

- Have an extended cash flow forecast for six months that anticipates base and downside scenarios.
- Minimise all discretionary and capital expenditure. Consider postponing maintenance expenses to conserve cash.
- Put into place pricing models that can quickly respond to market developments.
- Apply for tax refunds and other financial relief measures.

5. Focus on HR, talent and communications. Provide clarity for employees to maintain engagement and morale.
6. Offer guests different options for cancellation, to retain long-term customers.
7. Develop products and services that appeal to domestic customers, ranging from staycation packages, to at-home meal delivery services.
8. Use downtime to re-evaluate business models, train employees, and develop more flexible products and opportunities.

Ultimately, hotels must take their destiny into their own hands, Managers must take steps to institute crisis management plans. The tourism industry has proven itself to be resilient time and again; post-COVID-19 will be no different, as long as the industry can remain agile, and continue to fast-changing market trends.

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