Strategic responses of the hotel sector to COVID-19: Toward a refined pandemic crisis management framework

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ABSTRACT

The Covid-19 pandemic has long-lasting impacts that require the hotel sector to revise, innovate and transform their businesses. However, the literature related to this area remains vastly under-developed. Based on 219 articles collected from global news media and an integrated crisis management framework, this research note map out "strategic responses" from the hotel sector and suggest implications for hotels to address the evolving pandemic situation. Three modifications were proposed to refine and further develop a pandemic crisis management framework.

1. Introduction

The COVID-19 pandemic has seriously disrupted the hotel sector with a projected loss outweighing all previous crises combined, including the 9/11 terrorism attack, 2008 recession or SARS epidemic (Oxford Economics, 2020). The average revenue-per-available-room (RevPAR) fell by nearly 90 % in the second quarter of 2020 and is forecasted to continuously decline due to travel bans and tourists' fear of being stranded (Courtney, 2020). There is thus an urgent need for practical guiding frameworks that could assist the hotel sector in becoming more resilient during and after the pandemic.

Although there exists a growing body of literature on crisis management, the current models tend to suggest a "one size fits all" approach, often overlooking the fact that crises vary largely in duration, scale and impacts (Speakman and Sharpley, 2012). Besides being more tourism-focused (as opposed to hospitality-focused), these models are also mainly conceptual, rarely tested empirically and do not propose practical strategies to address specific crisis such as a global pandemic (Ritchie and Jiang, 2019). This research note, therefore, seeks to initiate discussions towards the development of a more practical and refined pandemic crisis management framework for the hotel sector. Utilizing global news media sources, strategic responses of hotels are collected, analyzed and mapped out via an integrated strategic crisis management model (Ritchie, 2004; Wang and Ritchie, 2011). The note thus also

makes practical contributions by identifying "strategic responses" that have been adopted by the hotel sector in dealing with the Covid-19 pandemic.

2. Methodology

The analysis of news media can produce important insights into contemporary issues as the media timely reports actors' responses to the evolving situation across the globe (Phi, 2019). Global news articles were collected via NexisLexis (one of the world's largest electronic database for news and public-records) by using the keywords "coronavirus" or "COVID-19" and "hotel or resort or hostel" and "strategies or solutions". This search yielded more than 10,000 results for the periods between 1 January and 1 August 2020. Hence, the connector "W/5" was added to identify all documents where the terms "strategies or solutions" were located within maximum 5-word with the terms "hotel/resort/hostel".

Only printed news articles originally written in, or translated into English and published in leading international/national newspaper outlets were included to filter potentially fake news. The database was then further screened to remove irrelevant and duplicates, and which resulted in a dataset of 219 articles (271 pages, 118 482 words). This dataset was analyzed by utilizing Leximancer - a systematic, replicable approach to interpret and code a large volume of textual data (Phi,

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2019). Leximancer reduces bias and enables new insights and reflections on the topic by automatically identifying key concepts and generating visual concept maps (Scott et al., 2017).

3. Findings

The concept map created by Leximancer (see Fig. 1) reveals seven major themes regarding hotels' pandemic management practices in order of frequency: (1) Emergency transformation, (2) Business innovation, (3) Services changes, (4) Health & safety measures, (5) Negative impact, (6) Recovery strategies and (7) Government policies. The concept occurrences under each theme are 1023, 973, 930, 910, 581 and 570 respectively.

As can be seen from Fig. 1, the "Negative impact" theme shows that the news media has focused on the detrimental effects of Covid-19 pandemic on hotels' performance (i.e., occupancy and hotel revenue). The theme "Government policies" represents the critical role of governments in implementing pandemic management policies such as quarantine, forced lockdown, stay-at-home order and social distancing. More importantly, the three themes (Emergency transformation, Health & safety measures and Services changes) reflect reactive strategies applied by hotels as they try to adapt to the evolving restrictions enforced by the government. The hotel sector, however, also starts to exercise agency through proactive strategies to support business recovery and post-pandemic growth, reflecting in the two themes "Business innovation" and "Recovery strategies".

Further content analysis was applied to identify hotels' strategic responses to five Covid-19 pandemic phases, guided by an integrated crisis management framework (Faulkner, 2001; Novelli et al., 2018; Ritchie, 2004). Fig. 2 provides an overview of these key strategies.

3.1. Phase 1: pre-event and early symptom

In the pre-event and early symptom phase, saving strategy is the most common hotel practice of crisis preparedness. At the early onset of a pandemic, hotel groups (e.g., Posadas in Mexico) have quickly suspended or retrieved their investments in new projects to reduce investment risk (Latin Finance, 2020). More proactively, MGM China or Lemon Tree Hotels in India applied an "asset-light" policy, selling real estates and only keeping the management right of these properties (Macau Daily Times, 2020). These hotel groups can thus boost short-term returns and ensured cash flow in compensation for future revenue and profit loss. Saving strategy is employed differently by small and medium-sized hotels, mainly through freeing up working capital, improving business efficiency and postponing non-essential renovations (Israeli et al., 2011).

3.2. Phase 2: emergency

When the pandemic became apparent (i.e., rapid increase in the number of cases in the local population and booking cancellation), many hotels immediately implemented a defensive or surviving strategy through cost-cutting measures (Wang and Ritchie, 2011). Popular hotel practices range from reducing staff working hours, increasing unpaid leave and involuntary separation (Leung and Lam, 2004) to reducing outsourcing services (Kim et al., 2005). In the emergency phase,
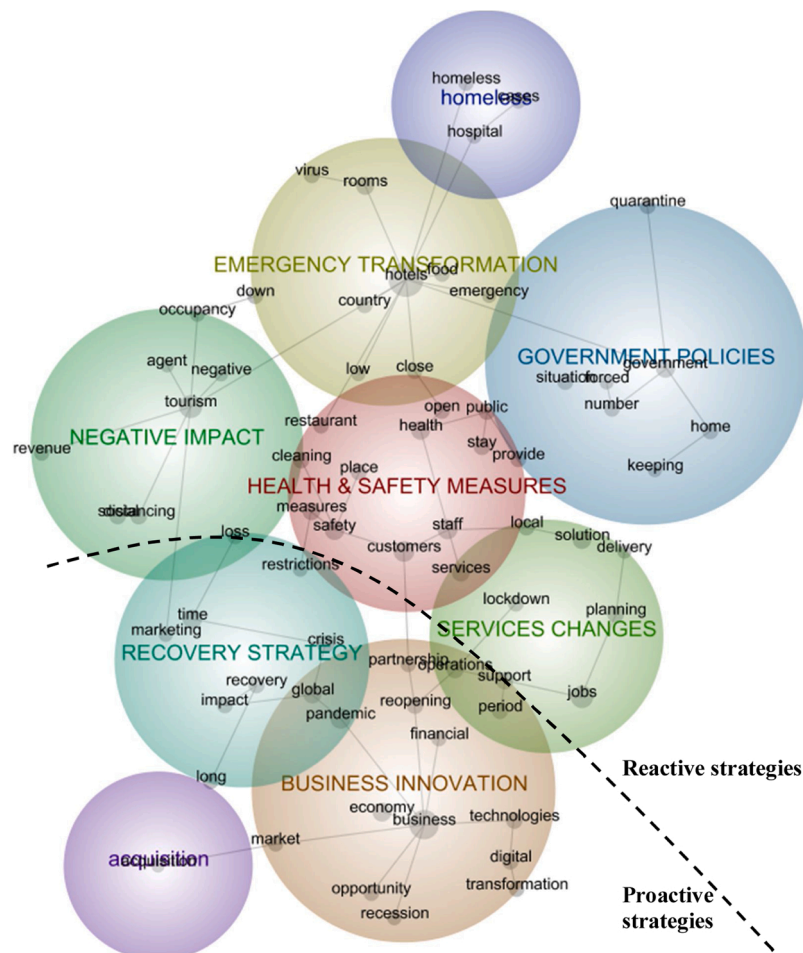

Fig. 1. Conceptual heat-map of hotel responses to COVID-19 in the global news media.
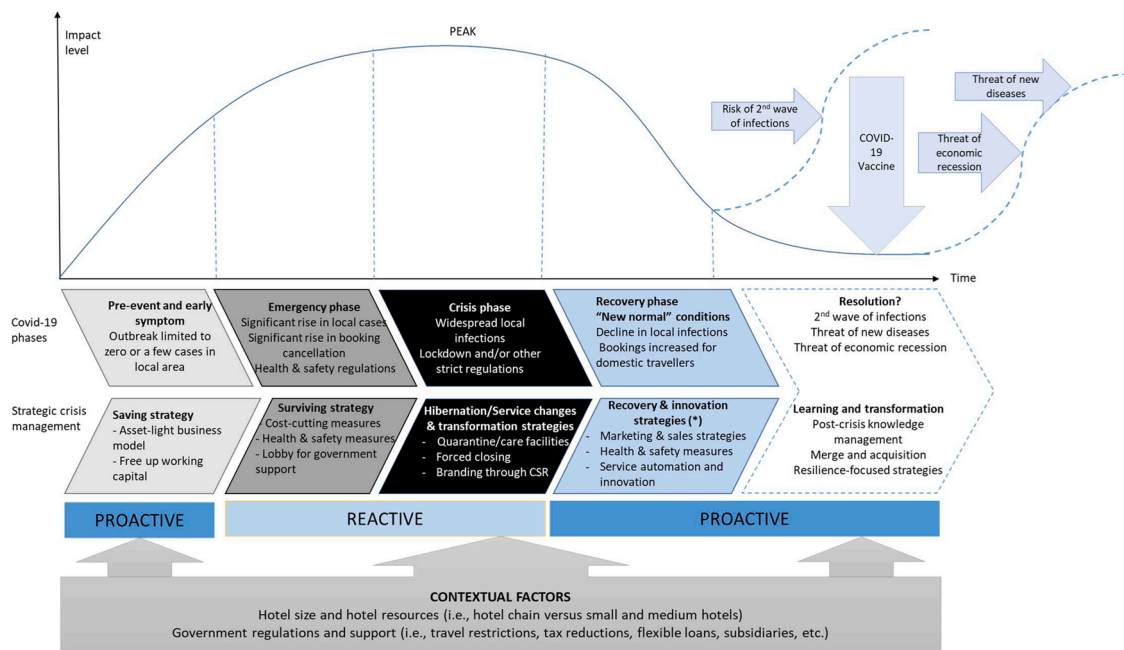
Fig. 2. A strategic framework of hotel pandemic crisis management.

governmental regulations (i.e., travel advisory and travel ban, border closing, health and safety guidelines) determine both the demand and daily operational procedures at hotels. Many "health and safety" procedures were implemented to follow guidelines and reduce customers' concerns, such as enhanced cleaning and safety training for staff-customer encounters, especially in restaurant operations (see Fig. 1). Also, the hotel sector intensified lobbying efforts for government support, which are essential for hotels to overcome the coming crisis phase (Dhungana and Magar, 2020).

3.3. Phase 3: crisis

In the crisis phase, lockdown policy was enforced in most countries with some exceptions such as Sweden. Hence, hotel managers had very limited control and were presented with only two strategic options: service transformation or hibernation. The 14-day-compulsory-quarantine regulation opened a small window of opportunity for big hotels that have sufficient rooms, staff, health & safety standards, and connections with government bodies to provide quarantine services. A small portion of hotels has also been used as temporary housing for homeless people and/or medical staff, and even transformed into Covid-care units (e.g., Hotel Surya and Crowne Plaza in Delhi, India) (Chaturvedi, 2020).

Hibernation strategy was embedded at different levels under the theme "Service changes" (see Fig. 1), from keeping minimal operations, reducing staff/jobs to temporary closing. Staff reduction is not a sustainable human resource management strategy due to its devastating impacts on casual and immigrant workers, along with difficulties in recruiting skilled labour in the recovery phase (Davidson and Wang, 2011). In developed countries (e.g., the US, the UK, Australia and Switzerland), stimulating packages have been launched, including wage subsidy, tax reductions, flexible loans and payments for hospitality businesses (Williams and Price, 2020). This allowed hotel managers to apply salary reduction policies instead of a massive layoff. However, the same welfare levels were not applied in many developing countries, suggesting more difficulties for the hotel sector in these countries.

In an effort to improve cash flow, many hotels with restaurants provided take-away and food delivery services for local communities. Additionally, sale promotions through "pay now, party later" discount vouchers/deals were increasingly utilized in European countries and

China (Mulvihill and Beaumont, 2020). As the pandemic persists, large hotel chains such as Hilton, Wyndham and Marriott have invested in branding through CSR programs, including providing free accommodation services for health workers, along with charity donations. Furthermore, online marketing campaigns (e.g., virtual room experiences, cooking classes, interior design lessons) were broadcasted widely through social media platforms to the vast majority of the world population in lockdown (Kucukusta et al., 2013). Some hotels with strong cash reserve also utilized closing time for refurbishment and expansion of the premises in preparation for the recovery phase (Roan and Kelly, 2020).

3.4. Phase 4: recovery

When the number of cases decreases and governments loosen travel restrictions, travel demand from domestic travellers quickly bounces back and becomes the main force for hotel recovery. For example, the occupancy rate of US hotels reached 50 % in August after a dramatic drop to below 20 % in March (Oliver, 2020)."Recovery strategies" mainly target domestic tourism with staycation packages due to international travel restrictions. To reduce tourists' risk perception, strong coordination between hotels, government bodies and the rest of the travel ecosystem (e.g., DMOs, travel agencies, tour operators) is needed to deliver consistent messages to guests (TRINET, 2020).

The pandemic has fast-tracked "business innovation" though service automation and revenue diversification. In particular, new automated service processes (often powered by Artificial Intelligent) such as contactless check-in/check-out, digital menus, online service ordering, mobile concierge apps and smart room control have been adopted at an accelerated rate (Jiang and Wen, 2020). Digitalization enables hotels to reduce physical interactions and infection risks while still providing personalized care to ensure guest satisfaction (Maaty, 2020). Furthermore, there has been more attention to business model innovation. For example, annual membership/subscription-based distribution system has been adopted to reduce both the impacts of temporary demand changes and commission fees (Khlat, 2014). Hotels with kitchen facilities have offered a mix of short-term hotel services and medium to long-term rent contracts to compensate for the low occupancy rate (Wynn, 2020).

3.5. Phase 5: resolutions

After a crisis, the whole systems may not return to a normal situation, as parts of the system are likely to have changed (Scott et al., 2008). In countries where the Covid-19 is relatively under control, the hotel sector has started to strategically adapt to an uncertain (post)-pandemic world. Due to the threat of a second wave of infection and the looming recession that ensues, an important part of crisis preparedness and resilience strategy for smaller businesses is to continue with saving strategy, whilst pro-actively exploring options for technological efficiency and innovations (Brown et al., 2017). The traditional business model of hotels, which depends mostly on short-term room sales revenue, should be adapted toward a more diverse revenue model.

Another challenge in the "new normal" conditions is in finding ways to maintain the "human touch" and strive a balance with service automation (Rivera, 2020). Some hotels have deployed companion robots to mitigate customers' feelings of loneliness and isolation during quarantine periods (Henkel et al., 2020). Wellness services in hotels may become essential because consumers' preferences for slow tourism and health-oriented tourism may be strengthened after the pandemic (Wen et al., 2020).

Unavoidably, a proportion of small and medium-sized hotels would run out of resources, providing opportunities for larger hotel chains to take over. Merger & acquisition are thus expected to reshape the hotel sector in the near future (Crouch et al., 2020). Hotel chains (e.g., Hilton, Marriott) that have applied saving strategy and secured sufficient financial resources at the pre-crisis events can also continue to with their previous plans of opening new hotels (Clemence, 2020).

4. Toward a refined pandemic crisis management framework for the hotel sector

Further refinement of existing crisis management models is critical in new evolving crises (Jiang et al., 2019). Based on the findings, three key areas are suggested to refine and expand the conventional crisis management framework in tourism and hospitality.

First, the pre-event and early symptom was merged into one phase. The occurrence and magnitude of crises are often unpredictable, but it remains feasible to expect a crisis at some time (Ghaderi et al., 2014; Ritchie and Jiang, 2019). Therefore, hotel managers need to develop an effective signal detection as the first line of defence in crisis management (Paraskevas and Altinay, 2013). Even though crisis management planning may not be effective in dealing with complex and unprecedented crises (Paraskevas, 2006), hotels could be proactive in saving financial resources to ensure cash flow when their revenues are dropped in emergency and crisis phases.

Second, key strategies of the hotel sector in response to the pandemic were integrated into a well-accepted crisis management model (Faulkner, 2001; Novelli et al., 2018; Ritchie, 2004). While Fig. 2 was presented as a linear framework, it is important to note that these strategic responses are not necessarily applied in only one specific phase. Rather they can be employed simultaneously, albeit with different priorities for different hotels in different countries (e.g., cost-cutting measures and lobbying efforts may continue well into the recovery phase).

Third, the findings also suggest that some key contextual factors (i.e., hotel sizes, hotel resources and government regulations/support) have strong influences on the hotel sector's responses to the crises. These contextual factors were thus added in Fig. 2 to expand the traditional crisis management framework. On the one hand, this research note reveals that large hotel chains are, in general, better equipped than small and medium-sized hotels in pandemic crisis management. Large companies possess stronger brands, better communication technologies, a proven record of management experience, strong financial support and also lobbying power (Ritchie et al., 2011). On the other hand, this finding poses the question of whether the government should focus on providing more support and favourable regulations for smaller hotel businesses.

5. Conclusion & future research

A significant crisis like the Covid-19 pandemic has transformed the hotel sector and requires hotels to adapt their business in the "new normal" conditions. This research note thus contributes to the literature by refining the pandemic crisis management model within the context of the hotel sector based on global hotels' strategic responses. It also serves as a starting point for future discussion and research in this area. Admittedly, the use of news media in English may overlook some useful information from other languages. Future research should expand the database with non-English news articles to better understand hotels' strategies within specific countries. Second, more in-depth investigation of different classifications of hotels (e.g., international hotel chains versus local/small hotels) will further reveal creative strategies utilized by different hotel sizes and resources. Third, the proposed pandemic crisis management model should be further tested and validated in future crisis situations at regional and country levels. Finally, more studies are needed to explore the influences of governance and stakeholder dynamics in hotel pandemic planning and management.

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