

# Strategies for Hotels During Crises: Covid-19

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## ABSTRACT

In an economic crisis, most industries suffer from tremendous losses. While many companies hardly make it through the crisis, others take the opportunity to develop their brands and lay a solid foundation for their future. Unlike other economic crises, the recent crisis that started in 2020 was caused by a virus — Covid-19. In our study, we summarized five strategies from past studies: adjustment in spendings, lowering prices, innovation on products, new advertising channels, and changing advertising content. For businesses, especially the hotel industry, these strategies could help them cope with this crisis and further develop their businesses. In addition to learning from the past, we analyzed different hotels' actions and compared them with our strategies.

**Keywords:** economic crisis, Covid-19, strategies, hotel industry

## 1. INTRODUCTION

In February 2020, the sudden onset of the new Covid-19 epidemic disrupted the rhythm of life in China and gradually influenced the world. In addition to being a heavy burden on the health care system, Covid-19 has had a severe economic impact. According to the National Bureau of Statistics of China, "in February 2020, China's production index dropped 54% in a month due to large quantity of people unable to work caused by the virus [1]." Other countries in the world have also suffered from similar decreases in production.

Besides the decrease in production, consumer behavior has also changed dramatically due to declining income and purchasing power. The sudden arrival of Covid-19 has had a huge impact on all industries, including both production and service.

Service industries such as tourism, hotels, transportation, and restaurants have suffered significant losses because of the travel ban. Among them, hotels have been greatly affected. While hotels receive fewer guests, they must bear the huge cost of employees. This research aims to develop solutions in marketing strategies to cope with economic crises such as Covid-19. We analyzed examples and papers about previous economic

crises to achieve our goal. On top of learning from the past, we collected current hotel data to support our solutions.

## 2. METHODOLOGY

For our research, we used both primary and secondary data. Besides doing literature reviews on studies about previous economic crises and collecting data from hotels during Covid-19, we also interviewed an expert: The Vice President of JinJiang International Holdings Co., Ltd., the world's second-largest hotel company is also the largest shareholder of Accor.

## 3. LITERATURE REVIEW

Crises are not new to the world. Many professionals have come up with strategies to deal with these crises in the past. Even though these strategies have been developed in a different context, many could still be helpful.

A study by Kotler and Caslione described consumer behaviour changes during difficult periods and how businesses can reduce costs in response. Since consumers tend to reduce optional spendings and move to lower

price products during crises, marketers need to adjust their resources [2] quickly. Based on changes in the market and their strategies and weaknesses, businesses shall decide on adjusting spendings in employment, production, purchases, investment, and other areas.

Other than adjusting spendings, a study by Simon shows different solutions to dealing with consumer behaviour changes. Consumers in crisis will become afraid of the future, which will reduce their spending. Therefore, one solution for businesses is to lower prices [2]. More importantly, they need to communicate with the consumers about these price cuts. This means letting consumers understand that the discount offers them more value, not reducing the product's value.

In addition, Simon states that businesses should make innovations to manage consumers' fear of the future. Because of the crisis, consumers re-evaluate their needs and worries [2]. To accommodate consumers' needs, businesses should adjust current products or develop new products and services more suitable to the situation.

Advertising is a key means for attracting consumers at any time. In a crisis, the cost of advertisement is a burden for all businesses. A study by Alter suggests that instead of traditional advertisement channels, businesses could consider using a wider range of alternative ones such as YouTube [3]. These channels cost little to upload content and have more viewers. Therefore, instead of costly advertisements on television or offline, businesses should use the internet to their advantage.

Besides using alternative channels, businesses should also consider changing advertising content. Simkin and Dibb suggest in their study that marketers need to make sure consumers could relate to their brands. As consumers' thoughts change during a crisis, businesses should reposition their brands' voices and better communicate with consumers [4]. This could be achieved by changing advertising content associated with the crisis and consumers' changing thoughts.

In summary, for businesses in an economic crisis, our literature reviews suggest five strategies: adjustment in spendings, lowering prices, innovation on products, new advertising channels, and changing advertising content. The following sections will use these strategies to analyze some hotel companies during the Covid-19.

## **4. DISCUSSION**

This section discussed five strategies for hotels during crises with relevant examples and insights from the interview.

### **4.1. Reduce spending**

During the Covid-19, the entire hotel industry has suffered from the shrinking guest flow. To survive this

time, hotels need to attract more consumers to increase their revenue and cut their spendings. Ever since the virus outbreak, consumers have travelled less, and hotels' services have become less desired. Therefore, hotels need to decrease spending on rooms and services, generating zero revenue. More importantly, since the salaries and insurances given to employees are the largest expense, hotel managers need to fine-tune the number of employees.

For instance, "Viehost" (alias) hotel in Vietnam adopted such a cost-saving strategy to ensure its financial capital would be sufficient for future operation [5]. "Viehost" managed to mitigate the useless investment and operating cost by suspending its restaurant buffet service and elevator operation. The cost of electricity, food ingredients purchasing, and hiring cooks were brought down by such means.

Moreover, based on the compulsory laws preventing consumers from staying in hotels, "Viehost" nearly eliminated its cost on campaigns and advertisements because they became useless. Along with other cost reductions, "Viehost" dismissed some of its employees and reduced the number of available rooms. Finally, "Viehost" required 20 per cent of its staff to have a 3-month no-paid leave from February 2020 to May 2020.

Also, in the interview, the VP of JinJiang said: 'Out of all strategies, reducing cost is the priority.' For cost reduction, the leaders of JinJiang decided to temporarily close some hotels leaving only one or two employees for maintenance [5]. The VP explained that to avoid larger expenses for reopening, they must open the hotels once in a while to ensure the equipment is still in good condition. Apart from closing some hotels, JinJiang had reduced 5-20% of the salary for employees in some parts of the world.

### **4.2. Lowering prices**

Under Covid-19, the hotel industry was heavily damaged with low occupancy. At the same time, luxury hotels tend to have higher variable costs and semi-fixed costs. Luxury hotels need a higher occupation rate than economy hotels to cover these costs. To increase the occupation rate, luxury hotels should lower sale prices. When the price of a luxury hotel goes down, consumers would be more willing to pay for it because they can use less money to gain better rooms and services. Especially for people who rarely choose expensive hotels, a lower price means going to luxury hotels they usually cannot afford. Therefore, the occupation rate of these hotels will increase and could cover both fixed and variable costs.

On the contrary, JinJiang holds different opinions from us on lowering prices. 'Since most people will not stay in hotels during the most serious time of Covid-19, lowering prices will not increase enough occupancy

rate to cover costs.’ The leaders of JinJiang thought that lowering prices could not compensate for their losses but would damage their brand image.

Therefore, instead of lowering room prices, JinJiang produced discounted package offerings only after the Covid-19 was under good control to encourage consumers to come back.

### **4.3. Innovation**

Moreover, to convince consumers that it is secure to stay in hotels, many hotels introduced smart technologies as soon as possible to reduce personal contact. For example, in New Orleans, a hotel named Mercantile brought robot butlers into practice. These robots can offer consumers various services such as room delivery or cleaning. Such innovation reduces the possibility of the virus spreading and helps the hotel save costs on employment [6].

Similar to other hotels, JinJiang had some special services during the Covid-19. They decided to use the robots, which were only used on greeting guests previously, to provide most services for consumers. These robots eliminated human contacts and significantly reduced costs on employees. JinJiang had also developed other new services such as pure room and in-room gym equipment. These services satisfy the needs of consumers and provide them with a sense of safety and security. Besides increasing consumers’ sense of safety during the Covid-19, JinJiang also used online platforms to offer food delivery services for people nearby since most people choose not to go to hotel restaurants during the crisis. These deliveries include semi-prepared foods and cooked foods that are more delicious than most take-outs and effectively generate revenues for hotels.

### **4.4. Advertising channels**

A variety of advertisement channels can provide more information about the hotel in more ways. Consequently, more target customers could now access hotel information in many new ways. During the Covid-19, people had less chance to leave their houses, so they spent more time on the internet. In this way, more ways of advertising on the internet could play an important role in attracting customers.

There are many channels for online advertising, such as corporate websites and social media. Hotels should use each channel properly to increase the brand image and thus increase the occupancy rate or even sale price. On YouTube, Hilton’s account has 8.54 k subscribers. In its videos and pictures online, Hilton demonstrated the services of various departments. The clean and tidy environment and each mask-wearing staff show awareness of hygiene and give confidence to consumers whenever they have to travel during the pandemic.

For promotion during the Covid-19, JinJiang cancelled most of its offline activities and converted them into online promotions. ‘The online promotions are much more effective than we thought,’ said the VP, ‘other than attracting consumers, we also started using online live broadcasting to sell our brands to potential investors.’

### **4.5. Contents of advertisement**

The key point to surviving in the Covid-19 is not always about the hotel itself but consumers. The spending-cut strategy cannot contribute to building a long-sustainable hotel but a temporal one. Thus, hotels must focus on the emerging consumers’ needs [6]. During the Covid-19, consumers mostly demand security. In order to show empathy with consumers and offer them a sense of security, hotels need to carry out campaigns to promote their brands accordingly.

For Hilton, its goal is to ensure consumers can trust each hotel and relate its brand with safety. Therefore, it chose to establish partnerships with other companies, such as Reckitt Benckiser Group PLC’s RBGLY, a global leader in producing health, hygiene, and home care [7]. By adding this information into its promotion, Hilton could enjoy the benefit brought by the reputation of RBGLY: Hilton is also thought to be possessing high-quality sanitary conditions.

In our interview, the VP of JinJiang said that they also changed some advertising content. In order to deal with consumers’ changing thoughts, JinJiang changed the content of their advertisements to relate with the Covid-19 and attract consumers. In their new advertisement, JinJiang offered information about whether a hotel is open and special services for consumers to feel secure during a difficult time.

## **5. CONCLUSION**

During a crisis, especially for the Covid-19, we find that two strategies are useful for the hotel industry: reducing spending and innovations. These innovations include both new services and new kinds of information given to the consumers. The other three strategies, lowering prices, changing advertising channels, and advertisement content, are still very important for hotels.

Although the hotel industry suffered huge losses during the crisis, our interviewee thinks this is also a great opportunity. ‘In the crisis, we developed a better understanding of consumers and are forced to make innovations,’ said the interviewee, ‘these are the things we did not put enough effort into during the normal time. The crisis provided us an opportunity for a better future.’ For good leaders of companies, economic crises are opportunities rather than disasters. Businesses need to be creative during crises and consider more about future development than current losses.

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