

# Development of Shanghai Hotel Industry after the Epidemic and Suggestions

Guanrui Li

*The Education university of Hong Kong, Tai Po, Hong Kong, China, 999077  
s1127661@s.eduhk.hk*

## ABSTRACT

In the first half of 2020, almost every industry in China suffered from the epidemic. As a result of the epidemic, real economy industries worldwide have been seriously affected. Among these industries, the hotel industry has been the first to be appointed. As Shanghai is the economic center of China, and both the tourism and financial industries are very developed, thus in order to welcome these tourists and scholars, Shanghai has one of the most developed hotel industries in China. This paper, through a method of the case study of China Hotel Industry Development Report 2021 and statistic of RevPAR, will analyze the hotel industry in Shanghai and their development under the epidemic and make recommendations. After analyzing the hotel industry in Shanghai before and after the epidemic, the paper finds that the hotel industry in many Chinese cities, including Shanghai, has been hit by the outbreak of the epidemic and has not responded aggressively. From internal strategies, hotels should improve its day-to-day operations, as well as the profitability of its staff. From external publicity, we give suggestions from marketing sections. From the policy support, we suggest the government should come up with policies and benefits that are conducive to the development of the industry as a whole.

**Keywords:** *Pandemic, Shanghai, Hotels, Human Resources*

## 1. INTRODUCTION

The background of this paper is based on the 2020 Shanghai epidemic, which forced the closure of many hotels in Shanghai, one of the leading cities in China's hospitality industry, and the author cannot help but consider the link between the epidemic and the closure of these hotels.

The current hotel industry has the problems of unclear responsibilities, unclear contents and unadvised technology [1], Zou mentioned in his paper that the most important factors for the development of the hotel industry are cost control, choice of a location, supporting services and brand network [2].

This paper, through a method of the case study of the China Hotel Industry Development Report 2021 and statistics of RevPAR, will analyze the hospitality industry in Shanghai and its progress under the epidemic and make recommendations. This paper will first compare the overall hospitality industry in

Shanghai with that in previous years, then analyze the impact of the epidemic on the hotel industry in the last one to two years, compare it with some other industries and analyze the causes other than the epidemic and offer solutions. At the same time, the author will analyze the second part of the hospitality industry in Shanghai by analyzing the business income of distinctive hotels in Shanghai with different stars.

Through the data survey and discussion in this paper, the author hopes to obtain a template for other cities to be followed in response to the epidemic. The author also hopes that in the future, hotels in Shanghai and other cities will be able to react to similar problems.

## 2. HOTEL INDUSTRY OVERVIEW

### 2.1 Hotel industry developments in 2020

According to the "China Hotel Industry Development Report 2021", in 2020, there will be

59,000 fewer hotel-type accommodation facilities with 15 rooms or more in mainland China, with 2,294,000 fewer hotel rooms, of which budget hotel rooms will be reduced by the most significant number of 2,072,000 rooms [1]. The data shows that just at one of the most travel-intensive points in time, like the Spring Festival in 2020, compared to last year's Spring Festival, the occupancy rate of hotels dropped by 46.24%, and hotel RevPAR (i.e., Revenue Per Available Room, RevPAR = total room revenue/total number of rooms) dropped by 299.75 Yuan during the epidemic [2]. According to the relevant report of the China Hotel Association, China's accommodation industry was "hit hard" in the first quarter of 2020: 74.29% of hotels and B&Bs closed directly, with the average number of days closed reaching 27, and the turnover of accommodation enterprises such as hotels and B&Bs lost more than 67 billion yuan in the first two months of 2020, and the loss of rental apartments nationwide is about 700 million yuan. All these figures vividly show us the predicament and powerlessness of the hotel industry in the face of the epidemic in the first half of 2020 [3]. Immediately after the economic center of China, as of August 2021, there are more than 11,200 hotels in Shanghai.

Furthermore, under this considerable base, the hotel industry still encountered an intense crisis in 2020, which is analyzed as follows.

## 2.2 Problems in hotel industry

From the perspective of the hotel body, in 2020, the whole world experienced the epidemic's impact, which led to the continued low revenue of many hotels at the beginning of 2020, and many hotels even had to choose to close down to prevent business bankruptcy temporarily. From a staffing perspective, the hotel industry is typically labor-intensive, with a low front-end employee wage base. The epidemic has also led to a shortage of talent, a significant increase in labor costs, and a significant increase in corporate spending on grassroots staff. As the turnover of the hotel decreased, the revenue of the company itself was much lower than before. The top management of the company could only choose to reduce the salaries (including the top management and front-end staff) to reduce the personnel expenses or to maintain the survival of the company by laying off staff. At the same time, the company's cash flow has apparent problems.

We know that the tourism industry and the hotel industry are inextricably linked, and the downturn in the hotel industry will be a direct consequence of the downturn in the tourism industry. Moreover, in the first half of 2020, we see Shanghai's travel industry entering another significant depression. However, Shanghai's inbound tourism has entered a mature period in recent years, and has a slight growth trend, but since January

24, 2020, when Shanghai announced the launch of an effective public health emergency response mechanism, the number of inbound tourists has plummeted. From January 30 of the same year, Shanghai inbound and outbound cruise ship voyages are all canceled. Due to the global epidemic and the impact of immigration policies. Inbound tourists to Shanghai dropped by more than 80% in the first half of the year compared to the same period last year. In April, the number of inbound tourists to Shanghai reached its lowest point and decreased by more than 97% compared to the same period last year. Since May, Shanghai's inbound tourism has been slowly picking up. Although the number of outbound tourists from Shanghai also dropped by more than 80% compared to the same period last year, the month-by-month data show a different trend from inbound tourism. The tendency of the Shanghai outbound travel market is deteriorating. By June, Shanghai's outbound travel market had reduced by more than 99% compared to the same period last year when it was almost stagnant. In terms of domestic tourism, thousands of cultural and tourism venues in Shanghai have suspended their opening to the public after the epidemic. Moreover, more than 200,000 group tourists have canceled their trips. Meanwhile, according to the Shanghai Cultural Tourism Bureau, Shanghai Disneyland received 5.5 million visitors in 2020, down 48% year on year, with annual revenue down 46% year on year. Then, with the gradual end of the epidemic and the rebound of inland travel and increased demand for inbound isolation, these realities also open up the possibility of increased business for some hotels.

## 3. SUGGESTIONS FOR SHANGHAI HOTEL INDUSTRY

This paper puts forward the following suggestions in response to the above-mentioned status quo of the hotel industry: First of all, in terms of capital, hotels should ensure that their capital flow is not broken [9], and they should maintain a cash flow that can support more than six months at all times. Especially during the epidemic, the hotel should always be prepared for the unstable traffic and occupancy rate and should always be prepared for the occupancy rate not reaching its own level." With a major epidemic in society, it is inevitable that governments will provide new easing policies for businesses." Lu Ronghua introduced, at present, China, Japan and other countries have introduced a number of relaxed policies to support the recovery of enterprises. For example, the introduction of low-interest or interest-free loans, tax and social security payment reductions aims to defer the payment of various types of social security taxes. It shows that these relaxed policies are effective guarantees to slow down the financial pressure of enterprises. Lu Ronghua believes that the hotel industry can get out of the predicament not only with the help of the government, but also by relying on

their own strength and ability to obtain the support of financial institutions [4].

### ***3.1 Suggestions for daily operations***

In terms of daily operations, hotels should always do their best to prevent and control the epidemic, which is not only the responsibility of the hotel staff, but also the best protection measures for the guests staying in the hotel, such as the hotel preparing alcohol drops disinfectant, alcohol swabs, and disposable masks for the guests, etc. [10]. This is the development for all guests in the lobby. The hotel should also disinfect the room after each guest who goes out in the guest room. Each guest's request for environmental health and safety should be respected.

### ***3.2 Suggestions for government departments***

In terms of government orientation, hotels should focus on national policy trends, etc. In the face of repeated epidemics, the state often introduces many regulations to curb the further development of the epidemic on the one hand and to promote economic recovery on the other. In terms of the bailout, the government tends to lower tax rates, reduce or waive corresponding prices and commissions, etc., aiming to maintain market stability while supporting hotels and ensuring their vitality. This will ensure that the hotel can provide a safe and pleasant environment for customers, which are one of the main points to attract more visitors during the epidemic.

### ***3.3 Suggestions for marketing section***

In the marketing section, hotel companies should first develop a marketing plan that best suits their need. Under the epidemic, hotels are bound to face problems such as loss of customers, so they should introduce corresponding preferential policies to stabilize their regular guests and prevent further loss of consumers. Then, hotels should also explore new sources of clients and offer attractive offers. For example, in the face of health care workers or military personnel and their families, the hotel can provide exclusive preferential policies, on the one hand, to show our respect for the sanctity of their work; on the other hand, this is also an excellent publicity tool in the eyes of the outside world. This can expand the influence of the hotel and attract more diverse kinds of customer groups.

### ***3.4 Suggestions for employees and people's expenses***

Finally, internally, we also offer two suggestions regarding expenses and employees. First of all, in terms of expenses, savings are necessary in order to start with. Hotels can reduce their inventory of products, for

example, by lowering the product reserve rate from 150% to 130%, and for non-essential items, even consider lowering the reserve rate to 100%. This can be an excellent way to reduce the occurrence of wasting. At the same time, the number of employees should also be cut, reducing the number of employees in non-essential positions, assessing and rating employees, and implementing the final elimination system, which can also motivate employees to work.

At the same time, in addition to the purely industrial aspect, the hotel side should also focus on the combination with the tourism industry [7]. Hotels can cooperate with local tourist attractions in Shanghai. Several hotels next to the Oriental Pearl can choose to cooperate with the Oriental Pearl TV Tower; for example, guests with the hotel room card can reduce part of the visit fee, and with the room card, they can enter some particular areas, and thus launching the hotel-Oriental Pearl combined ticket. Hotels near Happy Valley can cooperate with Shanghai Happy Valley to provide services such as bus transfer and fast track, and also take the opportunity to launch promotions such as "half-price tickets to Happy Valley" and "hotel-Joy Valley package tickets." Hotels in the vicinity of the Shanghai Museum can collaborate with the museum, taking the opportunity to launch "commemorative door cards," "commemorative creative peripherals," and other projects. Museum staff can speak of the museum culture into the hotel, and held free exhibitions in the hotel at the same time for hotel visitors regularly. In the business district or around famous restaurants, the hotel can choose to coordinate with them, such as free parking vouchers or coupons or discount coupons. At the same time, well-known restaurants or catering companies provide hotels with a customized food market, so that guests can experience the famous local cuisine without leaving home [5].

### ***3.5 Suggestions for individual hotels***

In terms of individual hotels, we note that the Grand Hyatt Shanghai, an old luxury hotel with 548 rooms opened in 1999, was named the "World's Tallest Hotel" by the Guinness World Records Millennium Edition in 2000. However, under the epidemic's impact in the first half of 2020, such an old luxury hotel had only RMB 611 million in revenue, a 50% decrease year-on-year, and a loss of RMB 157 million. Meanwhile, the RevPAR was only 326RMB, down more than 70% from 2019's RevPAR [6]. In his speech, Li Congrui, Chairman of the Board of Directors of Jinmao Hotels, pointed out that the consumer market was hit hard by the impact of the new crown epidemic. The tourism industry entered a cold winter, domestic and overseas travel was suspended across the board; personal travel and corporate travel were also restricted. The hotel market boom index and business performance hit

bottom. However, Li Congrui believes that with the epidemic easing in mainland China, the suppressed consumer travel demand will be released. Along with the resumption of work and production, the hotel occupancy rate is slowly rebounding. "In this severe market environment, the company actively conducts effective control of cost and expense control, cash flow management, staff placement, and future operation layout, ensuring maximum cash flow inflow, enhancing the return on stock capital, paying close attention to and implementing preferential government policies and other measures to ensure as much as possible that cash flow risks are controllable and help tide over the epidemic period smoothly, "Chairman Li also pointed out[8]. In general, hotels should make full use of their geographical resources and closely integrate with the surrounding customer hotspots to give themselves a wider customer base.

#### 4. CONCLUSION

After analyzing the hotel industry in Shanghai before and after the epidemic, this paper finds that the hotel industry has been hit hard by the impact of the epidemic. The problems were mainly in the form of reduced revenue and a significant reduction in industry turnover. In addition, it gives some practical-level suggestions for changes in the hotel industry, including internal strategies, external publicity, and policy support. From internal strategies, we suggest hotels should improve its day-to-day operations, as well as the profitability of its staff. From external publicity, we give suggestions from marketing sections. From the policy support, we suggest the government should come up with policies and benefits that are conducive to the development of the industry as a whole.

The principal problem with this paper is that the data collection is limited, and it is not convenient to do a side-by-side comparison of the data, considering that the original hotel industry market is different in each city. If a subsequent paper can give a horizontal comparison index, then the author will conduct a horizontal analysis for the index.

Now in 2022, we see that the whole hotel industry is also a trend of redevelopment, and numerous hotels are taking measures such as cash flow, hotel management, human resources management, etc., as described in this paper. The author also hopes that the epidemic will end soon and that all industries will recover as before and turn into the creative thriving appearance.

#### ACKNOWLEDGMENTS

I am grateful to my teachers for their help in this essay, which started in July last year and continued until the end of the essay now. I was very grateful to them for their help from the beginning when I was not clear

about the logic of the framework of the finished paper now. I also wish to thank Prof.Chew for his help throughout my study process and for expanding my knowledge in the field of FinTech. Thank you so much to everyone who helped me.

#### REFERENCES

- [1] Tongqian Zou. Critical Success Factors and Business Models of Economy Hotels. *Journal of Beijing Second Foreign Language Institute*, 2003, 03, pp. 29-32.
- [2] Bo Liu.Exploring the management mode and ideological and political work innovation of state-owned hotels. *Modern Trade Industry*, 2022, 03, pp. 43-45. doi:10.19311/j.cnki.1672-3198.2022.03.017.
- [3] Xinhua Chen. 2021 China Hotel Industry Development Report, 2021, pp. 6 - 22.
- [4] Luoluo. (n.d.). Analysis of the impact of the epidemic on the hotel industry at 59,000 hotels will be shut down nationwide in 2020. Retrieved January 11, 2022, from <https://www.iimedia.cn/c1020/78159.html>
- [5] Maidian. (n.d.). Shanghai hotel sample, hotel industry, economic development data in the first half of 2020. Retrieved January 11, 2022, from <https://www.meadin.com/yj/217907.html>
- [6] TravelDaily. (n.d.). How can hotels break the cash flow crisis in the post-epidemic period?. TravelDaily. Retrieved January 11, 2022, from <https://www.traveldaily.cn/article/136756>
- [7] TravelDaily. (n.d.). The tourism industry is gradually recovering, how does the magic city of Shanghai hit the key shot?. TravelDaily. Retrieved January 11, 2022, from <https://www.traveldaily.cn/article/139674>
- [8] TravelDaily. (n.d.). How can hotels break the cash flow crisis in the post-epidemic period?. TravelDaily. Retrieved January 11, 2022, from <https://www.traveldaily.cn/article/136756>
- [9] Fang Xueqin. Research on the problems and countermeasures of cash flow management in the hotel industry [J]. *Popular Business*, 2021, 16, pp. 14-16. DOI:10.12309/j.issn.1009-8283.2021.16.008.
- [10]Cao Zheng. Thinking on the strategy of hotel service marketing in the post-epidemic era [J]. *Journal of Commercial Economics*, 2020, 22, pp. 69-71. DOI:10.3969/j.issn.1002-5863.2020.22.019.