



A Review of the Impact of the Epidemic on the Hotel Industry

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ABSTRACT

The epidemic of novel coronavirus in 2020 brought a huge impact on the world economy and society, and the impact of the outbreak on the operation and development of hotels has received more and more attention from scholars, and different scholars have different research perspectives and results. Based on this, this paper composes the existing research results and analyzes the direct economic impact of COVID-19 on hotel operations, the coping strategies of the restaurant industry, and the long-term impact on the restaurant industry in the post-epidemic era, respectively. The findings indicate that the epidemic has directly affected the hospitality industry's operations by disrupting jobs, reducing working capital, and changing market demand. In addition, the economy was weakened by the closure of most of the hotel industry, even leading to lower stock market returns. This inspires the need for market participants to adjust their business strategies in a timely manner so as to reduce the impact of the post-epidemic era on the industry's growth and thus achieve a healthy and sustainable industry.

Keywords: *Hotel Industry, Epidemic, Economic, Industry Development.*

1. INTRODUCTION

1.1. Research Background and Motivation

Since the outbreak began in 2020, people in most countries have chosen to stay at home for the safety of being infected. This has led to economic declines in many industries, most notably restaurants. Because if people are staying at home then no one is going to go out to the restaurant and then they're not only going to have to pay their employees but they're going to have to pay their rent and they're going to have to make almost no profit at all. This has led to many restaurant companies going out of business. The epidemic has a great impact on the catering industry. Firstly, it leads to the shutdown of the catering industry. During the epidemic period, all catering enterprises are required to close their stores. Secondly, the epidemic situation leads to the failure of the performance of most catering enterprises. As the number of customers decreased due to the epidemic, the food delivery industry was also unable to operate due to people's vigilance. People don't order takeout because they're worried about germs. Also, because it is more dangerous to work during the epidemic, catering companies need to pay more for food delivery workers. Thirdly, the epidemic situation has led to the failure of

many catering enterprises to survive. As the catering industry is highly dependent on working capital, catering enterprises affected by the epidemic do not have enough working capital to support their operations. In addition, affected by the epidemic control, the procurement channels of food materials have been reduced, and the price of food materials has also been raised, which has greatly affected the supply chain of the catering industry.

Although restaurant operators have experienced and survived many crises in recent decades, this new epidemic will have a devastating impact on the world economy, which is unprecedented in modern times. For the first time in history, the world is facing a crisis, which stagnates the future of all types of restaurants and has an extremely important impact on the world economy, especially the catering industry, and the thousands of people working in and relying on this industry. The catering industry generally has the problem of "three high and one low", that is, high rent, high labor cost, high cost of food materials and low gross profit. During the epidemic, the restaurant business almost came to a standstill. In addition to a large number of cancellations and a sharp decline in operating income, restaurant enterprises also need to face fixed operating costs such as loss of raw material preparation, high house rent, employee salary and social security.

Meanwhile, the profits of most catering industries have been greatly affected, which has a continuous impact on the operation of catering enterprises. There are many obstacles in the operation of the supply chain due to the lack of working capital. The support of working capital is weak, the cash reserves of the catering industry are limited, and the daily operation relies on the rolling flow of single store, which is highly dependent on working capital. Many catering enterprises are small enterprises. Under the current situation of revenue and capital turnover, most enterprises lack liquidity support. Price fluctuation, reduction of procurement channels, reduction of logistics transportation and front-end production capacity, and increase of unstable factors in the supply chain of catering industry. The catering supply chain has been greatly affected by the epidemic, which is mainly reflected in price fluctuations, procurement channels and logistics distribution efficiency. The maintenance of enterprise supply chain is facing great difficulties.

At present, the market of restaurant enterprises is in a saturated state, and the competition is becoming more and fiercer. The originally profitable restaurant enterprises have relatively sufficient cash flow and will not have too much impact; Enterprises with breakeven or low profits face great difficulties in continuing operation due to insufficient cash flow; Enterprises that were losing money and on the verge of bankruptcy are expected to close down completely after the epidemic. Many catering enterprises have to face transformation. During the epidemic period, most catering enterprises are closed, and many catering merchants can only change from offline to online business model. For the heavy-duty catering enterprises dominated by hall food, enterprises that pay attention to food quality and dining atmosphere have launched takeout to expand their sources of income. However, during the epidemic period, people at home are willing to buy raw materials online and cook by themselves, and the frequency of ordering takeout is also reduced. In addition, the huge pressure of high commission fees on the platform and the reduction of the number of takeout workers due to traffic control make distribution difficult, It makes these catering enterprises worse.

1.2. Research Significance

The review of the epidemic's impact on the restaurant industry is significant to the hospitality sectors affected by the COVID-19 pandemic to understand the measures they can take to facilitate effective recovery. The review also provides comprehensive information on the pandemic impacts that hotel industry stakeholders can apply to ensure that they try to recover and resolve the issues brought by the COVID-19. In addition, the review provides the stakeholders with necessary information on the impacts that are likely to be experienced even in the

Post-COVID era in the hotel industry for preparedness to adapt to the new situations and transformations. Consequently, the review also provides a significant analysis that other future researchers can use to further research the impacts of the COVID-19 pandemic on the hotel sector, more so in the Post-COVID era.

1.3. Paper Organization

The article is organized as follows: the first part is an introduction to the theory, the second part is a literature review and classification based on existing research results, and the third part is a conclusion.

2. LITERATURE REVIEW

The sudden outbreak of COVID-19 was an unexpected disaster for the whole world, but as experts and scholars study COVID-19, this paper gradually finds ways that can deal with it. Currently, there are more and more studies on COVID-19 and the impact of COVID-19 on the service industry. In this paper, the keywords "COVID-19" and "impact of COVID-19 on the restaurant industry" were used to search the literature published in recent years in Google Scholar database, and then the data were visualized to produce the following visualization results.

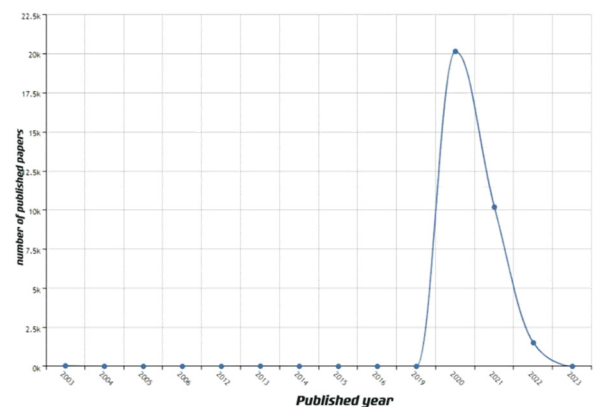


Figure 1 Visualization results of articles published with the keywords "COVID-19" and "impact of COVID-19 on the restaurant industry"

As can be seen from Figure 1, with the outbreak of COVID-19, scholars have gradually launched their research on COVID-19, especially when the number of published articles peaked in 2020 and began to decline again.

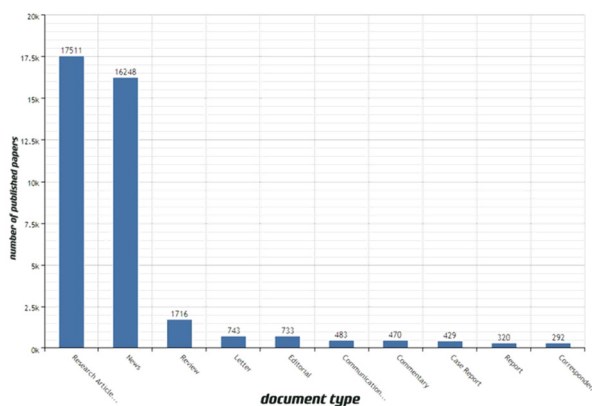


Figure 2 Visualization results for article types published under the keywords "COVID-19" and "Impact of COVID-19 on the restaurant industry"

As can be seen from Figure 2, the type of articles is mostly research-based academic papers, which is more in line with the current situation, as we need more academic papers to provide us with references to better understand the impact of the COVID-19 and to provide measures and solutions to prevent the epidemic.

2.1. Direct Economic Impacts of COVID-19 on the Hotel Operation

The direct impact of the pandemic on the hotel operation is another area that has captured the attention of researchers and scholars. For instance, Davahli et al. carried out research to identify the direct impacts of the pandemic on the hospitality sector[1]. The study depicted how the hotel sector was one of the disadvantaged by the pandemic leading to direct; workers employment issues, loss of jobs, revenue reduction and change in market demands. Lee et al., who carried out another similar research on the direct impact of -19 on the hotel, identified that the COVID-19 pandemic lowered the return exchange of countries[2]. Through researching China, the study was able to identify that in most countries like China, economic activities were affected, leading to lower returns. The research also moves further to depict how the impacts of the pandemic lowered economic activities in the hospitality sector, leading to a decline in GDP.

In addition, other scholars have tried to analyze the impacts of the pandemic and the hotel sector unemployment. For example, the research carried out by Bauer, Anja, and Enzo Weber on how the different sectors were directly affected, leading to unemployment, depicts that 80% of the hotel and accommodation sector was closed[3]. This closure is closely associated with the unemployment of most people globally, most of whom were forced to stay at home without pay. Furthermore, this portrays that approximately 20% of the hotel and accommodation was assumed to be operating because

only takeaway services were allowed, leading to lower income and higher unemployment rates.

2.2. Impacts of the Pandemic on the Hotel Industry Sustainability and Recovery

Several researchers and scholars have tried to research and analyze why the pandemic greatly affected the hotel sector and the possible mitigation strategies that can be put in place to facilitate hotel recovery. For instance, the Rodríguez, José Miguel, and María del Mar Alonso depicted that the recovery of the hotel sector from the pandemic necessitates financial support to the hotels, carrying out sanitary protections to prevent the spread and also hotels establishing economic-financial initiatives in addition to food and service provision to cope with the pandemic pacts[4]. The research also noted that the hotel industry was mainly affected financially due to the limited food and services provided in this period, and thus the main recovery would be through the provision of finance to facilitate opening up. By analyzing the hotels in Spain, the researchers also provided an example of initiatives taken by five hotels, where they implemented strict hygiene standards and digitalization and carried out extensive communication programmes for their employees. Another similar article on the Pandemic impacts on the hotel sector and the recovery challenges was carried out by Fu, Yan-Kai. The research identified that the main impact of the COVID-19 pandemic was limited financial circulation due to closure. The research also identified that the only recovery strategy was through the government providing relief and revitalization measures to the hotel sectors[5].

2.3. The Long-lasting Impacts of the Pandemic on the Hotel Industry in the Post COVID-19 Era

Several researchers have also tried to identify the impact of the pandemic on the hotel industry in the Post-COVID-19 era. For instance, Hao et al. research was carried out to analyze the impacts of the pandemic in the post-pandemic era by studying the China hotels. The research identified that the pandemic would impact the hotel industry in the post-pandemic in four main ways. The research first identified that the pandemic would lead to the hotel industry becoming multi-business due to online businesses, and there will be a market reshuffle in the hotel industry due to e-retailing. In addition, the research identified that the hotel industry would be transformed due to the digital and intelligence technologies leading to the hotel industries concentrating on the digital sales of their products and services due to the persistent application during the COVID-19 era[6]. Another similar research on the pandemic on the hotel industry in the post-pandemic was carried out by Filimonau and Viachaslau, who identified that in years to come, the hospitality industry would be affected by the COVID-19 through the increased food and plastic

waste[7]. Furthermore, the research concluded by highlighting the hotel industry's need to develop alternative food networks(AFN) and Short food supply chains (SFSCs) to mitigate the food and plastic waste in the Post COVID-19 era. The impacts of the COVID-19 pandemic that will still be experienced in the future hospitality sector were also analyzed by Han et al.; the authors identified that in the Post-COVID, the pandemic impacts would continue to affect the hotel industry through the creation of food insecurity[8]. Although the pandemic was not directly linked to food and water transmission, the research indicates that it created food insecurity globally by affecting the food supply systems. The hotel industry is directly reliant on the food and will thus be affected during the COVID and Post-COVID era through food insecurity, high cost, and limited supply of food raw materials due to limited production during the pandemic[9,10].

3. CONCLUSION

3.1. Main Findings

Despite the COVID-19 being a health pandemic, most economic sectors were affected, and the hotel industry was not exceptional. In summary, the restrictions of the COVID-19 pandemic as a measure to curb the spread greatly affected most of the hotel sector operations to the extent of closure. From the research, the pandemic directly impacted the hotel industry operation by interfering with work, operating capital reduction, and changing market demands. Besides, the economy was weakened through the closure of most of the hotel industries leading to lower stock market returns and a decrease in GDP. Furthermore, the pandemic resulted in an increased unemployment rate as most of the hotel industries were permanently closed while others just offered takeaway. The research on the hotel industry and sustainability from the research review also brought a new finding on how the hotel industry is trying to recover from the disorder created by the pandemic. The researchers' review indicated that the major recovery of the hotel industry could be successful through government support and enacting measures that can enable the hotel to reopen. Since the finance was a great area undermined by the pandemic, the research indicates that recovery strategies can only be successful if the government provides relief and revitalization measures to the hotel industry. It is also evident that some long-lasting effects were brought by the COVID-19 pandemic that is likely to be experienced in the post-COVID era in the hotel industry. Due to digital sales and marketing and automation, the literature review depicts that most hotel industries will continue with this trend, even in the Post-COVID period. On the negative side, the pandemic lowered food production, a factor that researchers and scholars have identified as a long-lasting effect on the future through food insecurity. The distortion of food

supply to the hotel industry depicts the possibility of an imbalance between the supply and demand in the food supply system.

3.2. Future Studies

Although the review has tried to cover most of the impacts of the pandemic on the hotel sector, there are some limitations. First, the paper has relied on the secondary data from different authors and scholars, and they were not tested during the reviewing process. The research is also limited as there is no comparison of the primary and secondary data. The review also generalized the impacts of the hotel industry as a general review. Therefore, there is a weakness in the generalization due to assumptions of analysis of specific impacts on specific countries, as there are differences in operation and economic status. Although the review has covered most of the research impacts of the Covid-19 Pandemic on the hotel industry, there is some recommendation that future researchers could consider. First, there is a need to research and review specific departments of the hotel sector that the COVID-19 pandemic impacts to provide comprehensive data and information. In addition, future researchers should consider carrying out primary research and comparing it with the review to get more information and facts about the impacts of the COVID-19 pandemic on the hotel industry. Future researchers should also build on analyzing the preparedness of the hotel sector in case of the outbreak of other pandemics in future; this is because currently, there is no research on how the hotel industry can mitigate and adapt to the issues of the pandemic if they arise again in future to avoid them from being caught unaware.

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