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The SARS Pandemic and its Impact on the Hospitality Industry for Crisis Mitigation

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### Abstract

This article proves that pandemics greatly affect the hospitality and tourism industry. Certain infectious diseases and pandemics spread rapidly in hospitality settings and lead to global outbreak. Global outbreak of deadly diseases has the capability to financially hurt the hospitality and tourism industry. It's important for the hospitality industry to have knowledge of previous global pandemic outbreak cases and their influences and effects on the industry. The following research article focuses specifically on the SARS pandemic outbreak's impact on the hospitality industry. The information in this research article provides factual advice that can be applied and contributed to hospitality crisis mitigation plans.

### The SARS Pandemic and its Impact on the Hospitality Industry

In 2002, a severe acute respiratory syndrome (SARS) was first reported, and overtime, led to global pandemic outbreak. In 2003, an infectious person rapidly spread this virus in a hotel. This led to hotel guests further spreading the virus through air travel and other locations. The World Health Organization eventually “issued emergency travel recommendations to alert health authorities, physicians and the traveling public to what was perceived to be a worldwide threat to health” (Ruan, Wang, & Levin, 2006, p. 205). These emergencies created by SARS ultimately hurt the hospitality industry’s financial stability and stock performance.

### Hypothesis

If hospitality and tourism industries acquire and use the knowledge of the historical SARS pandemic global outbreak in the form of a crisis mitigation plan, then they will be better prepared for future pandemics.

### Literature Review

**Radun, D., Niedrig, M., Ammon, A., & Stark, K. (2003). SARS: Retrospective cohort study among German guests of the Hotel M, Hong Kong. *Eurosurveillance*, 8(12), 228–230. doi: 10.2807/esm.08.12.00436-en**

Radun, Niedrig, Ammon, and Stark (2003) explained the major origin of the SARS virus. An infected doctor who spent the night “at Hotel ‘M’ was identified as the index case for four national and international clusters of SARS” (Radun, Niegrig, Ammon, & Stark, 2003, p. 228). Guests that stayed in Hotel ‘M’ during this time period were traced and examined and one traveler who had stayed overnight the same night as the index patient, on the same floor as the index patient, but did not have contact with him, contracted the SARS virus meaning this study helps suggest that “close vicinity to the index patient may have played a role in transmission” (p.

228). The cohort study by Radun et al. (2003), further elaborated that “in line with findings of environmental investigations in the hotel, environmental contamination should be considered as a possible source of infection” (p. 228). The purpose of this study is to “shed more light on risk factors and modes of transmission of SARS in the hotel setting” (p. 230).

**Fleck, F. (n.d.). How SARS changed the world in less than six months. Bulletin of the World Health Organization. Retrieved from**

**<https://www.scielosp.org/article/bwho/2003.v81n8/625-626/en/>**

This article explained how the global outbreak of the SARS pandemic is traced back “to one man and one night he spent in a Hong Kong hotel” (Fleck, n.d., para. 1). The article clarified that, “there is no doubt those travelers fanned out across the world, triggering outbreaks in Singapore, Toronto in Canada, and Hanoi in Viet Nam as well as in Hong Kong itself” (para. 2). It was “rapid travel” that “helped SARS to spread, but rapid communications helped to contain it” (para. 7). The article included the World Health Organization’s response to the SARS virus. The World Health Organization’s messages instantly created “fear into the public across the globe, triggering drastic measures: mass quarantine in hospital wards enforced by armed guards, infectious passengers hauled off planes, and closed businesses and schools” (para. 12). This all led “to further depress the international tourism and airline business” (para. 13). This is an informational article about the SARS global pandemic to educate.

**Cherry, J. D., & Krogstad, P. (2004). SARS: The First Pandemic of the 21st Century.**

***Pediatric Research*, 56(1), 1–5. doi: 10.1203/01.pdr.0000129184.87042.fc**

Cherry and Krogstad (2004) explained the primary research process on the SARS virus. Cherry and Krogstad encouraged this research to be reviewed “in regard to future epidemics, and to use the SARS experience as a model for future pandemics” (Cherry & Krogstad, 2004, para.

1). This article showed that tests and research done for the SARS coronavirus proved that the virus is similar to other coronaviruses. This research finding “not only permitted the rapid development of highly specific diagnostic tests, but also helped in the epidemiologic tracking of the pandemic” (para. 3). This research can be applied to future pandemics of coronaviruses.

**Chen, M.-H., Jang, S. S., & Kim, W. G. (2007). The impact of the SARS outbreak on Taiwanese hotel stock performance: An event-study approach. *International Journal of Hospitality Management*, 26(1), 200–212. doi: 10.1016/j.ijhm.2005.11.004**

Chen, Jang, and Kim (2007) explained specifically of how the SARS outbreak “weakened the Taiwanese economy” (Chen, Jang, & Kim, 2007, para. 1). Most specifically, “the tourism industry suffered the most, experiencing the highest stock price decline (approximately 29 percent) within a month of the SARS outbreak” (para. 1). The hospitality industry struggled with stocks because “The World Health Organization (WHO) issued a global alert about the SARS on March 12. On April 2, it recommended postponing all but essential travel” (para. 3). This research can “be used to prepare businesses for the similar epidemics” (para. 1).

**Ruan, S., Wang, W., & Levin, S. A. (2006). The effect of global travel on the spread of SARS. *Mathematical Biosciences and Engineering*, 3(1), 205–218. doi: 10.3934/mbe.2006.3.205**

Ruan, Wang, and Levin (2006) studied the impacts that SARS pandemic had on the hospitality industry globally. This research held accountability of the SARS rapid spread on international travel because “with modern fast air transport, global spread of infectious agents becomes much easier” (Ruan, Wang, & Levin, 2006, p. 206). This study proved that “travel by the exposed and infective individuals is one of the main channels to spread the disease, and travel by the undiagnosed asymptomatic individuals is potentially more harmful than that of the

infectives” (p. 216). These researchers hoped that “the outcome and conclusions on global control strategies for SARS may be useful in controlling outbreaks of other similar infectious diseases” (p. 216).

**Kim, S. S., Chun, H., & Lee, H. (2005). The effects of SARS on the Korean hotel industry and measures to overcome the crisis: A case study of six Korean five-star hotels. Asia Pacific Journal of Tourism Research, 10(4), 369–377. doi: 10.1080/10941660500363694**

Kim, Chun, and Lee (2005) performed a study and examined the impact of the SARS outbreak on the Korean hotel industry and investigated the hotel industry’s “crisis management contingency concept” implementation (Kim, Chun, & Lee, 2005, para. 1). This study considered the SARS outbreak as a crisis which is further defined as “an event that can tarnish a company's reputation or is severely detrimental to a company's long-term profitability, growth or even survival” (para. 7). Without a crisis mitigation plan, “lack of preparation can result in the loss of visitor confidence, a permanently damaged image, loss of revenues, and requires heavy advertising costs to regain public confidence and rekindle customers' interests” (para. 41). The SARS outbreak ultimately “taught the hotel industry a priceless lesson on the importance of crisis management” (para. 40). This study’s purpose is “to provide lessons from the experience of the Korean hotel industry during the SARS-affected period” (para. 1).

**Niininen, O. (2013). Five Star Crisis Management — Examples of Best Practice from the Hotel Industry. Approaches to Disaster Management - Examining the Implications of Hazards, Emergencies and Disasters. doi: 10.5772/55209**

Niininen (2013) outlines how “tourism as an industry has many characteristics that can make a crisis more probable” (Niininen, 2013, para. 7). This is because “the tourism industry is

about the movement of people (i.e. all individuals with the means and motive to travel are potential tourists). Thus the variety of psychological or social responses to unexpected events from the guests of an international hotel will challenge even the ‘best laid [crisis] plans’ as well as the communications skills of experienced PR Managers to maintain calm” (para. 7). The study by Niininen (2013) “consisted of in-depth interviews with Hotel Managers or Hotel Security Managers located in Hong Kong, London and Finland” and “most of the interviewees had managed a variety of crises situation” (para. 2). The overall purpose of this article is to educate that “the Hotel Managers’ duty of care should also involve planning and preparing for unforeseen events; running ‘what if’ scenarios, designing action plans for all departments, allocating individual responsibilities; building back-up capacity and training their staff to respond in appropriate manner to security concerns” for crisis management (para. 2).

### **Methodology**

Presenting credible research on the SARS virus pandemic global outbreak is justified because inclusive information on the origin, spread, and economic impact of the outbreak will help the hospitality industry remain informed with suitable crisis mitigation plans, should future, possibly similar situations occur. Many peer reviewed studies have presented their research to provide lessons and educate hospitality professionals on the ways in which, global pandemics impact the hospitality industry. This paper investigates the inquiries conducted, and subsequent theories formed, by multiple researchers to effectively explain the origin of the SARS virus in hotels, the global spread of the virus via the tourism industry, and the long-lasting toll the virus has had on the industry’s profitability. Data collection methods for this paper include the research and compilation of scholarly articles as qualitative data.

### Findings

Ironically, the SARS pandemic outbreak began in the hospitality industry, at a hotel (Hotel 'M') in Hong Kong. An infected doctor who spent the night "at Hotel 'M' was identified as the index case for four national and international clusters of SARS" (Radun, Niegrig, Ammon, & Stark, 2003, p. 228). Guests who stayed in Hotel 'M' during this time were traced and examined leading the global outbreak of the SARS pandemic to be traced back "to one man and one night he spent in a Hong Kong hotel on 21 February 2003" (Fleck, n.d., para. 1). This man was somehow able to mysteriously transfer "SARS to at least 16 other guests on the same floor during his brief stay" (para. 2). Furthermore, "there is no doubt those travelers fanned out across the world, triggering outbreaks in Singapore, Toronto in Canada, and Hanoi in Vietnam as well as in Hong Kong itself" (para. 2).

This virus spread rapidly due to travelers and "in less than four months, some 4000 cases and 550 deaths of SARS outside China and Taiwan can be traced to" the original guest's one-night stay at the Hong Kong hotel (Fleck, n.d., para. 3). The rapid, global spread of SARS "made people take the infectious diseases threat more seriously and made them realize that in today's closely interconnected and highly mobile world, every country is vulnerable" (para. 6). It was "rapid travel" that "helped SARS to spread, but rapid communications helped to contain it" (para. 7).

The World Health Organization's response to the SARS virus played a large role in the impact it had on the world and the hospitality industry because within the World Health organization's second alert of the virus, they "issued an emergency advisory notice for travelers and airlines. The warning made headlines across the world as authorities scrambled to contain the disease or prevent outbreaks from imported cases" (Fleck, n.d., para. 8). This instantly

created “fear into the public across the globe, triggering drastic measures: mass quarantine in hospital wards enforced by armed guards, infectious passengers hauled off planes, and closed businesses and schools” (para. 12). This all led “to further depress the international tourism and airline business” (para. 13).

The hospitality industry then struggled with stocks because “The World Health Organization (WHO) issued a global alert about the SARS on March 12. On April 2, it recommended postponing all but essential travel” (Chen, Jang, & Kim, 2007, para. 3). The SARS virus shapes an outline for proof that global pandemics have the ability to hurt the economy and the stock market (para. 1). Most definitely, “the tourism industry suffered the most, experiencing the highest stock price decline ([in Taiwan,] approximately 29 percent) within a month of the SARS outbreak” (para. 1). It is proven that the SARS outbreak hurt the Taiwanese hospitality industry because “seven publicly traded hotel companies” were explicitly and professionally evaluated and all “experienced steep declines in earnings and stock price during the SARS outbreak period” (para. 1). Although by the World Health Organization reducing travel, the spread of the virus would also reduce, this travel recommendation drastically reduced hospitality business and this step financially hurt hospitality companies which, corresponds directly to the industry’s poor stock performance outcome (para. 1).

A crisis mitigation plan is a very important method to prevent organizations from tarnishing during catastrophes and global pandemics such as the SARS virus. Cherry and Krogstad (2004) found that “the most important factor in preventing a future epidemic or pandemic of SARS, as well as epidemics or pandemics with other new viruses, is sound public health policy and the use of standard infection control procedures” (Cherry & Krogstad, 2004 para. 22). Niininen (2013) correspondingly found that important aspects to crisis mitigation plans

included “being prepared for crisis situations”, “managing costs during crisis”, “make full use of local advice”, maintain “good communication with guests” and consumers, and the “use of technology to enhance hotel security” (Niininen, 2013, para. 15).

### **Limitations**

The study conducted by Kim, Chun, and Lee (2005) was limited due to the fact that there could be other underlying factors influencing the hospitality and tourism industry in addition to a pandemic. The study acknowledged that additional “negative situations or environmental factors that influence tourism demands are natural disasters, social or political instability, wars, economic crises, terrorism and outbreaks of contagious diseases” (Kim, Chun, & Lee, 2005, para. 4).

Hosts of the SARS virus may be asymptomatic leading to limitations of study. In the study conducted by Ruan, Wang, and Levin (2006), “[a] Canadian resident returned to Canada as asymptomatic and caused a SARS outbreak in Toronto (WHO, May 20, 2003). Therefore, travel by the exposed and infective individuals is one of the main channels to spread the disease, and travel by the undiagnosed asymptomatic individuals is potentially more harmful than that of the infectives” (Ruan, Wang, & Levin, 2006, p. 216). This is an unanticipated challenge of evaluating the SARS virus spread and impact on the hospitality industry.

Ruan, Wang, and Levin (2006) also carried limitations in their article due to their limited sample size. Ruan et al. (2006) focused on the spread of the SARS virus from Hong Kong to Toronto most specifically. This study formalized “a simplified model for two regions, say Hong Kong and Toronto, and stud[ied] how the disease spread from one region to another” (Ruan, Wang, & Levin, 2006, p. 216). The study used the examination of mainly Hong Kong and

Toronto to form the results “that the return of residents does not affect the basic reproduction number if infectious individuals” (p. 216).

Additionally, a further limitation is the narrow applications of the combined studies’ conclusions. The results of the studies on the impact of the SARS virus on the hospitality industry cannot be guaranteed to exactly apply to all future pandemics’ impacts on the hospitality industry but instead can only provide suggestions and advice. For example, Cherry and Krogstad (2004) acknowledged that “if a reoccurrence of pandemic disease were to occur, it is likely, since its origin will be from an animal, that the new virus will be different from the present human SARS-CoV” (Cherry & Krogstad, 2004, para. 21). This limitation is due to differences in virus structure, differences in population and samples, locations, and more.

### **Implications**

This research implicates that the SARS virus globally spread via tourism outlets. The SARS virus implicated impacts on numerous hospitality industries. It is implied by Chen, Jang, and Kim (2007) that “among different segments of the tourism industry, stock prices of hotels could have immediate negative reaction right after the SARS outbreak, and other industry segments such as restaurant, travel agency, rental car companies could also be directly exposed to significantly negative stock market returns” (Chen, Jang, & Kim, 2007, para. 34). The studies combined in this research urge to influence a proactive and informed response by the hospitality industry on future pandemic outbreaks in all hospitality industry segments.

The research also implicates that the SARS virus influenced a negative impact on the hospitality industry globally in regard to sales, profitability and stock performance. This research should be used to combat future, similar circumstances. Chen, Jang, and Kim (2007) imply that with this research, “in the field of hospitality finance, future researchers could adopt the [model

from their research] as an excellent vehicle to understand the extent to which stock returns can change in response to good or bad news disseminated from special events such as mega sports events, political events, natural disasters, war, financial crisis, and terrorist attacks” (Chen, Jang, & Kim, 2007, para. 39). Therefore, this research can be implicated towards crisis mitigation plans for the hospitality industry.

### **Conclusion**

The purpose of this research article is overall to “shed more light on risk factors and modes of transmission of SARS in the hotel setting” because deadly viruses can easily and unknowingly spread via environmental contamination in settings such as a hotel (Radun, Niegrig, Ammon, & Stark, 2003, p. 230). By specifically examining the impact of the SARS outbreak on the Korean hotel industry, Kim, Chun, and Lee (2005) were able to simultaneously investigate the industry’s “crisis management contingency concept” implementation (Kim, Chun, & Lee, 2005, para. 1). Cherry and Krogstad (2004) found that “the most important factor in preventing a future epidemic or pandemic of SARS, as well as epidemics or pandemics with other new viruses, is sound public health policy and the use of standard infection control procedures” (Cherry & Krogstad, 2004 para. 22).

Niininen (2013) explains that hotel crisis mitigation plans to prevent future emergency situations can be challenging because it’s important for hotels “to recognise the early ‘warning signals’ and take appropriate action” (Niininen, 2013, para. 4). Furthermore, it’s important for hotel managers to recognize that “a crisis typically demonstrates the characteristics of suddenness, uncertainty and time compression thus demanding immediate action from the manager” (para. 5). Thus the variety of psychological or social responses to unexpected events from the guests of an international hotel will challenge even the ‘best laid [crisis] plans’ as well

as the communications skills of experienced PR Managers to maintain calm” (para. 7).

Interviews conducted in the study by Niininen (2013) found that important aspects to crisis mitigation plans included “being prepared for crisis situations”, “managing costs during crisis”, “make full use of local advice”, maintain “good communication with guests” and consumers, and the “use of technology to enhance hotel security” (para. 15). So, “in [the] tourism industry, ‘... it is no longer a question whether [a crisis] will arise, but when and how it will be dealt with’ therefore hotels’ crisis plans should be more generic in nature, thus offering personnel accepted behavioural protocols without attempting to script for every eventuality” (para. 7). Be aware that “the Hotel Managers’ duty of care should also involve planning and preparing for unforeseen events; running ‘what if’ scenarios, designing action plans for all departments, allocating individual responsibilities; building back-up capacity and training their staff to respond in appropriate manner to security concerns” for crisis management (para. 2). Hotel managers will need to prepare for the fact that “organisations are regularly dealing with the pre-crisis; during-crisis or post-crisis issues thus highlighting the need for an early ‘diagnosis and treatment’ of a crisis to reduce the negative impact to the company” (para. 6).

Ultimately, research found that, as a crisis, the SARS outbreak (and, thus, others like it) was “an event that [had the power to] tarnish a company’s reputation or [be] severely detrimental to [that] company’s long-term profitability, growth or even survival” (Kim, Chun, & Lee, 2005, para. 7). All of which, indicates that it is crucial to have plans in place to mitigate a crisis. The absence of such a plan, “can result in the loss of visitor confidence, a permanently damaged image, [and] the loss of revenue,” while, simultaneously, requiring the acquirement of “heavy advertising costs to regain public confidence and rekindle customers’ interests” (para. 41). Although how a crisis is managed “can determine the magnitude of the impact a crisis will have

on the organisation”, “prompt and expertly dealings with a crisis situation and those affected by this crisis can also open new opportunities for future business success” (Niininen, 2013, para. 5).

The SARS outbreak “taught the hotel industry a priceless lesson on the importance of crisis management” (Kim, Chun, & Lee, 2005, para. 40).

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