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Covid-19: The Good, The Bad, and The Recovery

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HOSP 6900: Hospitality Capstone

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Table of Contents

Abstract

Compared to modern world epidemics such as SARS, Ebola, and H1N1, Covid-19 remains the world's deadliest modern epidemic that has resulted in systemic global healthcare crisis, financial crisis, and economic downturns. (Fotiadis, Polyzos, & Huan 2020) Occupancy in hotels has severely dropped, restaurants are forced to close or adapt to new health restrictions, and there is a domino effect that has resulted from these declines in the travel and tourism industry. (Alonso, Kok, Bressan, O'Shea, Sakellarios, Koresis, Buitrago Solis, Santoni, 2020) It is up to these businesses to adapt and be resilient in their new environment as the pandemic has continued to spread. As the industry recovery begins very slowly, it is not expected to hit the demands or revenue of 2019 levels until 2024 or later. (STR 2020) This has caused many researchers to explore what is working in different markets, and what is being looked at as a whole for the hospitality community.

Introduction

Covid-19 has swept the world leaving major impacts on the world's economy, including the travel and tourism industry. (Alonso, Kok, Bressan, O'Shea, Sakellarios, Koresis, Buitrago Solis, Santoni, 2020) This pandemic has caused some critical global responses to attempt to control the spreading including social distancing orders, shelter-in-place orders, as well as many travel restrictions. (Davahli, Karwowski, Sonmez, Apostolopoulos, 2020) This literature review will be looking into many of the trends that have arisen during the pandemic, the hospitality industry's reactions, as well as current thoughts on likely recovery moving forward.

There are a few research questions to be investigated for this paper. What has been the effect of Covid-19 on hotel occupancy and ADR rates? What major trends and datasets are

researchers using as indicators to mark survivability of and recovery from Covid-19? Finally,

what needs to be done moving forward to prepare for when travel returns to pre-pandemic

levels? Due to Covid-19, hotels have become more resilient. It is expected that the policies

developed during this time will remain post-pandemic and will assist the hotel industry with

robust growth after recovery.

Literature Review

Forecast

Covid-19 has proven to be one of the ultimate tests for leaders, entrepreneurs, and employees

in almost all fields, effecting the world economy almost every industry has been hit by this

epidemic. (Alonso, Kok, Bressan, O'Shea, Sakellarios, Koresis, Buitrago Solis, Santoni, 2020)

As of June of 2020, STR published a table showing the actuals from 2019 compared to the

U.S. Forecast – % Change (June 2020 Update)

Key Performance Indicators (% Change vs. Prior Year)
2019A – 2020F – 2021F

| Metric	2019 Actual	2020 Forecast	2021 Forecast
Supply	+2.0%	-4.4%	+5.5%
Supply (Total Room Inventory)*	+2.0%	+1.4%	+1.3%
Demand	+1.9%	-36.2%	+35.4%
Occupancy*	-0.1%	-37.1%	+33.7%
ADR	+0.9%	-21.4%	+5.2%
RevPAR*	+0.8%	-50.6%	+40.6%

*Reflects total-room-inventory methodology, which assumes no temporary hotel closures.

Source: STR. 2020 © CoStar Realty Information, Inc.

forecast of 2020 and 2021. (STR 2020) This shows that in 2019 there were overall increases in

all but one key performance indicator compared to 2018. In 2020 the only increase is in room

inventory as new hotels still opened during the year. Demand as well as ADR dropped at least a

U.S. Forecast (June 2020 Update)
Key Performance Indicators
2019A – 2020F – 2021F

Metric	2019 Actual	2020 Forecast	2021 Forecast
Occupancy*	66.1%	41.6%	55.6%
ADR	$131.11	$103.04	$108.41
RevPAR*	$86.63	$42.83	$60.24

*Reflects total-room-inventory methodology, which assumes no temporary hotel closures.

quarter resulting in lower occupancy rates creating an even lower RevPAR index. (STR 2020)

As of June 2020 STR (STR 2020) believes that the total occupancy for 2020 will result in a

24.5% decline with ADR dropping almost $30 and RevPAR being divided in half. 2021 shows

some forecasted growth with a 14% increase in occupancy expected but ADR and RevPAR will

U.S. Forecast: COVID-19 Recovery Scenario
Indexed to end of 2019
2020F – 2024F
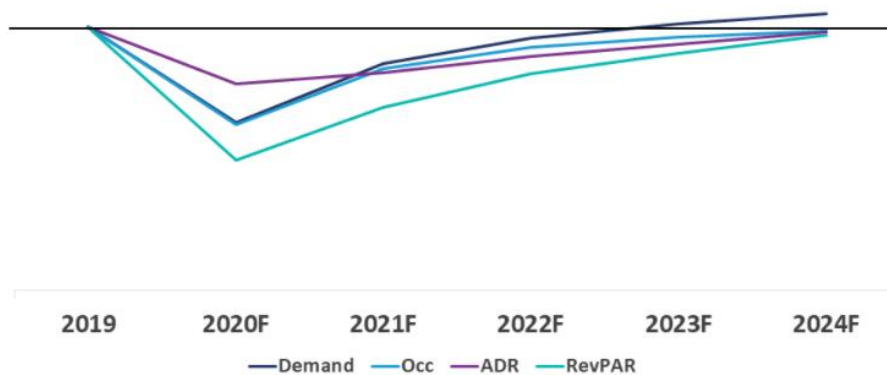
Updated June 2020. Reflects total-room-inventory methodology, which assumes no temporary hotel closures.

take longer to recover. (STAR 2020) STR's recovery Scenario shows that demand should return to previous levels by 2022 but occupancy, ADR, and RevPAR are expected to take more time. STR forecasts these numbers to recover to 2019 rates in 2024 taking multiple years for the hotels to truly recover to prepandemic levels. (STR 2020)

In the first quarter of 2020 Fotiadis, Polyzos, and Huan analyzed the international tourism industry. They predicted that tourist arrivals will range between 30.8% and 76.3% occupancy and will persist until June 2021. They have also predicted that growth in the tourism industry is set back for the next 15 years. (Fotiadis, Polyzos, & Huan 2020)

Hospitality Research Trends

After looking at recovery expectations, there were a few common trends that presented clearly in research linked with these topics. Notable among these trends of focus included worker's issues such as job loss, revenue impacts as well as demand, spread of the Covid-19 virus, along with travel behaviors, safety, and recovery. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020) These trends are a result of the global responses to the pandemic. Many states and countries enacted shelter-in-place orders, travel restrictions, and/or social distancing orders. A large number of countries have travel bans and border closures. Due to restricted travel, 6 out of 10 hotel rooms remain empty across the United States as of June 3, 2020 and as of August 2020 almost half of hotel employees are not working. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020)

Previous pandemics did not have the same impact on tourism as Covid-19 and that Covid-19 will result in longer term impacts; many people are experiencing a panic level about what is being done with the pandemic. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020)

As the pandemic continues to evolve it is increasingly more difficult for analysts to predict the industry's recovery. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020) One study showed that travel behavior is as strongly based on the safety measures being addressed as hotels, recreation sites, public transportation, and the cities themselves. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020)

Another choice topic of research found was resilience during the pandemic. Alonso, Kok, Bressan, O'Shea, Sakellarios, Koresis, Buitrago Solis, and Santoni define resilience in three ways, "the capacity to adapt successfully when facing adversity, stress or disturbance", " an indicator of preparedness and capacity to cope with crisis", "innovative responses through improvements and continuous changes are crucial for a firms' sustainability and resilience". (2020) Their research however, focused more on a model of SME resilience, this model spotlights three key assets: resourcefulness, flexibility, and learning/culture. (Alonso, Kok, Bressan, O'Shea, Sakellarios, Koresis, Buitrago Solis, Santoni, 2020) Many of the hotels that have been successful during the pandemic have used some sort of resilience model. (Alonso, Kok, Bressan, O'Shea, Sakellarios, Koresis, Buitrago Solis, Santoni, 2020)

Recovery Techniques

Complex adaptive systems are a vital part of evolutionary biology and urban and regional area development and governances so why has tourism been so hesitant to adopt these theories? (Hartman 2020) Having an adaptive system means being open to a dynamic environment of stressors such as natural dictators, global warming, economic crisis, and global pandemics. (Hartman 2020) Hartman encourages a trial-and-error format for change if able to, otherwise feedback mechanisms need to be used to help achieve a final goal. (2020) The idea with adaptive

systems is it allows the tourism industry to constantly change to adapt to their surroundings without a strict framework to work within. (Hartman 2020)

Davahli. Karwowski, Sonmez, and Apostolopoulos researched some other suggestive techniques for how travel will commence once the pandemic is over. (2020) The first suggestion is slow tourism as well as SMART tourism. Slow tourism means to put an emphasis on local destinations with extended lengths of stays; SMART tourism looks at data analytics to improve a traveler's experience. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020) Another study suggests that some strategies that may be successful moving forward; the first is focusing on mostly domestic travel, ending mass tourism and pilgrimage tourism, focusing on conference tourism, virtual reality tourism, and medical tourism, and building a more sustainable tourism and hospitality industry instead of returning to previous strategies. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020)

Methodology

This research article focused on 4 articles that were reviewed from peer reviewed journals. One article was pulled from STR for exact numbers and references for the impacts during the pandemic. Peer Reviewed journal articles were pulled from journals within the Johnson and Wales University Library. An article on trends was found in the International Journal of Environmental Research and Public Health. Two articles were pulled from the Annals of Tourism Research and a final journal article was pulled from the International Journal of Hospitality Management. These two journals are published by Elsevier.

The focus of these articles was how Covid-19 affected the hospitality industry and more specifically hotels. There were three research questions that were focused on: What is the

recovery looking like for hospitality? What are the trends that are being researched within the hospitality field related to Covid-19? And what is suggested to do once recovery has taken place?

One article focused primarily on trends found in research regarding Covid-19. One article was focused primarily on adaptive tourism and how it should be adopted after Covid-19. Two articles focused on the impacts of Covid-19 on the hospitality industry and ways that recovery will be possible. STR was used to get data to compare to journal articles findings and forecasts.

Findings

This research has allowed for a researcher to come to a few different conclusions. The first is involving forecasting. Each researcher agreed about the recovery taking longer than a year. STR had the most recent statistics and put full recovery to 2019 levels by 2024 (2020) Other researchers have stated that the pandemic had put the hospitality industry back 15 years in progress. (Fotiadis, Polyzos, & Huan 2020) Fotiadis, Polyzos, and Huan also predicted in the first quarter of 2020 that occupancy rates in 2020 would range from 30% to 76% occupancy which STR forecasted would be about right with the average US occupancy in 2020 expected to be about 41%. (2020)

There were also a few different trends researchers examined during 2020 due to the pandemic. Worker's concerns such as unemployment, revenue, and demand for their hotel were some of the more commonly talked about subjects. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020) Travel trends and safety were also of major concern since 6 of 10 hotel rooms remained empty in the early months of the pandemic. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020) Some researchers also compared the Covid-19 pandemic at first to

previous pandemics, however even in the first few months it has shown this pandemic is much different. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020) Finally, Alonso, Kok, Bressan, O'Shea, Sakellarios, Koresis, Buitrago Solis, and Santoni talked at great length about resilience during the pandemic. They discussed ideas such as being flexible and innovative during this time. (2020) These trends are measured frequently during the pandemic and are used to predict hotel survivability of Covid-19 and when to expect recovery from Covid-19.

The conclusion of research was found in suggestions for recovery and a post Covid-19 world. Hartman suggested that after Covid-19 hotels would need to be more adaptive and implement more adaptive systems to better prepare and understand their guests. (2020) Trial-and-error as well as feedback mechanisms were a few of his suggestions for how to integrate these systems into a hotel. (Hartman 2020) Tourism has also been suggested to have a few facets moving forward with more domestic tourism and slow tourism where guests will travel somewhere close to home and stay longer than they might have previously. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020) Another suggestion for when travel commences again is to consider more virtual tourism, conference tourism, and in the current climate medical tourism. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020)

Limitations

Some of the Limitations that have been thought within my research is that these articles were all initially written during the first quarter of 2020, before much was known about the virus and vaccines were no where close to being released to the public. This literature review was done in

the first quarter of 2021, almost a year later; vaccines are being administered and bans have been lifted in many states across the country.

A major limitation is the available data analysis and predictive models for the hospitality industry. As Davahli. Karwowski, Sonmez, and Apostolopoulos stated, there has not been a major hit to the hospitality industry such as this in recent years. (2020) Existing predictive modeling tools are not set up to make accurate forecasts in such an unstable market. (Davahli. Karwowski, Sonmez, & Apostolopoulos 2020)

Implications

Early 2020 had a lot of unknowns about what was going to be happening for the future of hospitality. There is ongoing research about long-term effects of this pandemic on the industry that will be available in the future. With more research there will be better ideas about when the key performance indicators will be equivalent to pre-pandemic travel.

More research may also be done in trends; there are still ongoing changes within unemployment rates, travel trends, room inventory, and restrictions. These will be able to be further researched as data from each quarter becomes available in subsequent quarters of 2021.

Finally, recovery techniques may take longer to research. As the research shows, it may take up to 4 years for tourism levels to resume to 2019 levels. (STR 2020) This will result in many changes to forecasting and operation techniques throughout the years and thus further research will need to be done to find results of which techniques will be best.

Conclusion

The questions driving this research focus on how hotels are changing during this pandemic with regards to operations and forecasting. Occupancy levels have dropped; in order to remain operational, hotels have implemented policies to increase resilience and attract a larger share of a dwindling market. The lessons learned during the pandemic will be retained once travel returns to pre-pandemic levels. New tools and policies implemented during COVID-19 will pay dividends in a thriving market.

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