

# Challenges of Hospitality Sector In The Scenario of Covid 19 With Special Reference to the Indian Hospitality Industry

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## ABSTRACT

*Indian hospitality industry is considered as one of the most important sector that strengthens the Indian economy by providing ample of opportunities either by direct and indirect ways. This sector has contributed a lot in developing the economy of the nation. Indian hospitality sector generates good amount of foreign exchange and contributes in national gross domestic product (GDP) of the nation. It is one of the sectors that provide huge employment to the young talent every year and provide them long term careers and avenues to earn their livelihoods. The essence of this sector is that it engages both the skilled and non skilled human capital. Significant growth of the hospitality sector can be easily identified. Hospitality sector has provided enough opportunities to the investors, generated employment and long term benefits. But in the current scenario of Covid 19, the hospitality sector is facing enough challenges, the economic growth has stopped and huge loss is being faced by this sector throughout the nation. However, the concept of 'New Normal' has provided a hope to overcome to the situation by adopting the new concepts, strategies and techniques. This resilience will stimulate the economic growth factors and assist in rejuvenating.*

**Keywords:** Hospitality, foreign exchange, economy, national gross domestic product (GDP), employment, new normal.

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## Introduction:

Hospitality sector is one of the fastest growing sector and most important segments in generating the revenue and employability. According to a report by KPMG before the Covid 19, the hospitality sector in India is expected to grow at 16.1 per cent CAGR to reach Rs 2,796.9 thousand crore in 2022. However, at this situation it's quite unpredictable that what will be the tentative growth in this sector. Although, hospitality field incorporates an extensive variability of happenings within the services sector and is a chief job provider both direct and indirectly.

While studying the economic impact due to COVID-19 on the hospitality sector is only the prediction that tells only in astronomical figures. The entire movement in the hospitality sector is stagnated and slackened in all the aspects of hospitality sectors: all the food ventures are closed or having very low footfall of the customers, hardly we see any passengers in the units of transportation like railways, cruises & airlines, all the hotels are struggling for room bookings, banquets are going in loss as all the functions are either cancelled or due to restrictions the gathering is very less. On an average hospitality industry is losing an average of around \$534 million in earnings and over 12,000 jobs every day.

In terms of both economic impact and job opportunities, hospitality is categorized in four main sub-sectors:

Food & beverage

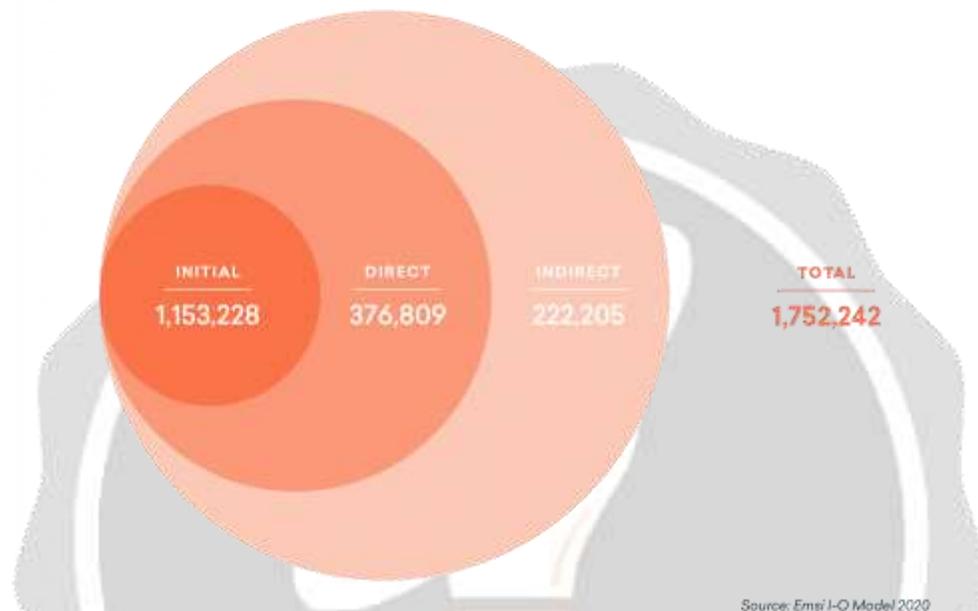
Travel & tourism

Lodging

## Recreation

All the above mentioned sectors are facing enough challenges in the terms of economic impact and job opportunities. In total job loss approximations for the complete tourism value chain — including hotels and restaurants, airlines, tour operators, transport providers and all additional allied businesses — battered by the Covid-19 pandemic, may fall amid 38 million and 50 million as per commerce body FAITH and CII.

### Job Loss If Hospitality Loses 3 Months of Sales



While doing the analysis of the collision of COVID-19 on the hospitality sector, HVS has published a comprehensive statement on how to embark upon the condition and be on the safe side after the virus is controlled. While the majority of economists and analysts at present anticipate the global economy to rebound, by some measure in the latter part of 2020, the exact timeline cannot be determined until the virus is contained across the globe.

Moreover, the Indian hotel's sector is facing the most challenging situations, struggling with drastically low demand, with a very few future bookings in the upcoming marriage season. Basically, all transient requirements have totally vanished – the left over is mainly on account of either a few long stay guests or hotels having been prearranged by the Government for the travelers coming from abroad to India. Economists world-over anticipate the global economy to reduce throughout the year 2020.

### Hardship due to COVID-19 in the Indian Hotels Sector

Indian hospitality industry is unquestionably one of the principal fatalities of the COVID-19 epidemic as demand has turned down to an all-time low. Not only in Indian but also the entire globe is facing a hardship time due to this Covid 19. The entire global travel advisories, postponement of visas, the requirement of Section-144 (prevention against accumulation of gatherings), experiencing the lockdown which was required at one side but distressing on the other hand right from the labour class, middle class and the upper class of the society, the consequences of which are adversely unparalleled.

- There is no scope for the inbound foreign tourism that is facing a grinding halt and very less possibility for the swift revitalization.

- Foreign Tourist Arrivals (FTAs) into India in all the categories of tourists especially leisure tourist started becoming softer from January 2020 onwards, as the pandemic spread continuing its unabated movement to other countries.
- Initially the Government of India had suspended all the travel visas with some of the exceptions till 15th April 2020, which was then extended after seeing the horrible situation round the globe. Keeping in view the safety and security it was much required decision to be taken, hence it was extended.
- As per the forecasting of demand derived from FTAs is nowhere finds to be promising in the near future. It is moreover predicted that bans across the globe will be extended till the last month of 2020.
- Moreover, the peak season of the Indian Tourist footfall from the month of October to March is found to be nil, which has made the Indian Tourism sector entities in a great challenging situation.

### Domestic Travel Will Be Key to the Revival

Everyday huge numbers of Covid-19 patients are being reported in our country in the present phenomenon, the reverberations of which are predictable to persist well into the last quarter of the calendar year 2020. The present circumstances are tremendously severe, as domestic flights had been ordered to shut shop from 25th March 2020 and all other required segments such as MICE, production units, social and sporting proceedings have been cancelled or postponed for an indefinite period for the anticipated future.

The silver lining to such destruction is that it has brought numerous delegations from travel bodies, tourism, hotels and other hospitality ventures to jointly make representations to the Government Officials and the Prime Minister's Office. While studying the print media proceedings, in all possibilities the Government should announce measures to revitalize and support the distressed sectors, with specific focus to the hospitality sector, among others.

### Financial Loss in the Indian Hospitality Sector due to Covid 19

Indian hospitality sector stepped efficiently into January 2020, after a remarkable year in 2019, with 2020 lay down to be "even bigger". The country at first started the sensation of the adverse effects of the global COVID-19 chaos towards the end of February 2020, which worsened at the commencement of March. The nationwide lockdown has shuttered the hospitality sector, obstructing their earnings. The disturbed industry has sought after a bailout package from the finance ministry to continue its business in the aftermath of the pandemic.

As travel limitations around the world exaggerated further, it is estimated that the entire 2020 is likely to be similarly impacted.



Industry estimation pointed out by Ministry of Tourism in India is that the branded and organized hotels annual revenue is Rs.40,309 Crore, semi-organized Rs. 8,378 Crore and unorganized 41,126 Crore as per the estimates as on April 2020. Corporate businesses are almost stopped and ruined the economy in the hospitality sector and almost the similar condition is with the leisure, entertainment, recreational and other aspects of hospitality industry.

All this will influence GOPs and additionally it will decrease yields to hotel proprietors. It is also indicated that the working capital of hotels will be stretched this year. Cost optimization at entirely functioning heights will be the significant aspects. “FF&E Reserves would need to be cautiously utilized. Operators would need to support the hotel owners more than ever,” the report added.

“As the sector navigates turbulent times through the pandemic, growth and development of hotels in India is also likely to be impacted in the next two years. Any dry powder that is available today will focus more on buying operating assets rather than building new ones,” Ramesh Nair, CEO and Country Head, JLL India said.

With operations being shut for almost three months, the Indian hospitality industry is undoubtedly one of the biggest casualties with demand plummeting like never before. Though the year 2020 started on a fantastic note with 2019 being a record year for the hotel industry, the pandemic soon started spreading its tentacles in India too. According to a recent survey, the overall occupancy in the branded hotels segment in 2020 is estimated to decline by 16.7 – 20.5 percentage points over 2019. The food service sector estimated at Rs.4,23,865 crore in India too has seen a massive hit, according to the NRAI.

### **Impact of Covid -19 on the Hospitality Industry**

In the existing state of affairs when we stir all the aspects of hospitality whether aviation, hotels, restaurants, fast food ventures, kiosks etc all are uncertain about the future scenario. No one has ever even thought of such a challenge in the past. Although keeping an optimistic approach, each of the hospitality professional is willing for the new normal and transformation of hospitality with new guidelines and re-starts the operations with full dedications. But still, many of the factors make them to step back and put them on the crossroad.

**1. Uncertainty & Unpredictability:** A phenomenon that everyone seemed to be in agreement is that not a soul really knows what is going to occur. Each of the people holds an indefinite opinion on how long the virus is predictable to be a disturbance. It is something discussing the objective without the basic subjective knowledge. There are no such concrete figures that when this Covid 19 is going to become a history.

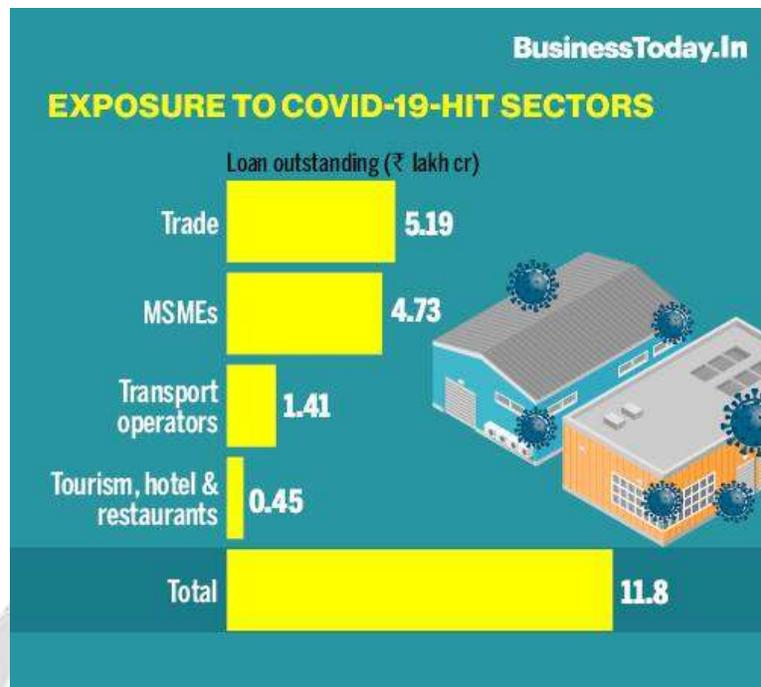
**2. Operational Ventures without Clients:** Even though after the consent of government to restart the business in the malls and hotels, hardly few customers can be observed in the commercial units. Such a low footfall is not even enabling the entrepreneurs to sustain their ventures and generate the revenue to meet out their daily operational costs.

**3. Cancellations and more:** Hoteliers have been facing enough cancellation that has adverse impacts. All the categories of prospective clients like leisure, recreational, adventure, pilgrim, eco, sport, business, bureaucrats, government officials, MNC’s many more have cancelled their movements.

**4. Employees without Guest:** As a result of enough cancellation and no hope of getting the bookings in the near future has result into the attrition of staff from the hospitality industry. Until and unless guest is not expected in the hospitality ventures what the staff will do. Hence, it’s the challenging situation for the hospitality workers as its increasing the unemployment by leaps and bounds. Moreover, behavioural changes will lead to a reduction in socializing, which in turn will impact F&B in hotels.

**5. Alternate Arrangement for Earnings:** No income since March 2020 has now compel the hospitality professionals to go for some alternative profession to generate a source of their bread and butter. It’s quite very challenging for the employer to retain the employees in the hospitality sector.

**6. Existing Loan and Interest on Loan:** Majority of the employer and the employee in the hospitality sector has taken some or the other form of loan. For the loan they are expected to repay the principle and interest for that. It seems to be quite challenging for the employer and employee to repay the loans in the current times.



**7. Capital tied up in Inventory:** Since March 2020 the entire capital expenditure is stuck and left over as unproductive for the organization or the venture. Such inventory comprising of heavy duty equipments are on the higher risk as they are non operational since long. Expenditure made on their AMC, insurance, wear and tear is being unfruitful for the entrepreneurs.

**8. Spoilage Of Consumables And Non Consumables In Stock:** Unused stock in the stores of hospitality units is at a great risk. All the perishable products kept in the stores have got spoiled, huge quantity of items would have expired, commodities kept in the stores and fixed assets are getting waste due to rats, termite and other reasons.

**9. Cost Incurred in Property Upkeep and Maintenance:** A huge amount of money is being invested to maintain the property and its upkeep. Since five months these expenditures are on without any earning. It is an overburden on to the entrepreneurs.

**10. Expenditures for the Rental Outlets:** In spite of no business in the hospitality industry since five months, all the rented ventures are required to pay their rents for their units along with the HLP charges if any is to be charged as per the agreement between the owner and entrepreneurs.

#### **Recommended Support For the Hospitality Industry Amidst Covid19:**

The Indian hospitality industry is facing its biggest challenge, one that is far more severe than what the sector had witnessed after the 9/11 terrorist attack and the financial crisis of 2008. The lockdown, induced by Covid-19, has brought the travel and tourism industry to a standstill, with occupancy declining by more than half in February-March 2020 compared to the corresponding period last year. The revenue per available room collapsed by 64 per cent in February to March compared to the previous month. Post March, anecdotal evidence suggests a further catastrophic fall in these numbers. Given various travel restrictions imposed by the Indian government as well as governments across the globe, forward bookings for various conferences and leisure travel bookings have been cancelled. In India, most of the summer holiday bookings have been cancelled. As a result, it is estimated that the Indian hotel sector will see its revenue decline by ₹90,000 crore in 2020. India's hospitality business was tracked at \$247 billion in FY2018-19, contributory to 9.2 percent to the GDP, engaging 43 million people and taking forex earnings of \$29 billion — the third-largest foreign exchange recipient in the country. A majority of the hotels in the country are unbranded and fall under alternate accommodation, including guesthouses and homestays, thereby offering entrepreneurial opportunities to small-scale business owners. The Confederation of Indian Industry expects more than half of the industry to go sick, impacting nearly 20 million jobs as a fallout of the lockdown.

Globally, many countries have already announced various packages for the hospitality sector, given its importance to their economies. Singapore, for example, has waived license fees for hotels for the rest of the year. Canada has offered a Liquidity Program Option for hotels with deferred income tax payments for six months. Similarly, India's hospitality sector also needs urgent intervention from policymakers and regulators at multiple levels. In the short term, a stimulus package to revive the sector should be announced. This could include enabling the GST collected to be used as working capital for six months; financial support to enable the sector to continue paying wages in order to prevent employment loss; and relaxation on payouts such as property tax, electricity bills and licence fee for the duration of the lockdown.

As it is, Indian hospitality companies face regulatory constraints, with as many as 100 clearances required from multiple government bodies. The process of identifying new land parcels often accounts for 40-50 per cent of the project cost compared to 15-20 per cent in international markets. The Central and State governments should undertake reforms to ease up these regulatory hurdles for the hospitality industry. For the moment, though, given the sector's huge employment as well as upstream and downstream linkages with other sectors, urgent and structured support is needed to ensure that players at least manage to survive the immediate crisis period.

At almost every hotel, including the ones owned by Brigade Group, measures such as regular sanitization, usage of PPE's by Associates in housekeeping and in F&B departments has already been implemented. Social distancing and touchless experience is the new norm and we are preparing for it. Apart from safety measures taken for rooms and restaurant services, guests will be offered mobile functionalities such as keyless entry, mobile check-in and check-out. And, contact-less valet by use of valet tickets for parking to ensure minimum contact with people from the time they visit and till the time they leave the hotel. I am certain that Digital resources are going to be fully exploited with many more innovative measures being adopted across the Globe.

Once we reopen our doors for business, we expect a cautious response in the initial months, from our guests. Whereas about restraints may still be forced on huge public assemblies that will delay the commencement of MICE actions, we do expect our rooms to start getting engaged and our restaurants receiving some dine-in business, where we must strictly enforce social distancing. Avoid buffets and serve TDH menus. Reorganize furniture to certify appropriate aloofness between two tables etc. The flip-side to this has been a spurt in Home delivery and Take-away orders. I am sure this demand will continue for some time to come. Catering packed meals to Corporate offices is another service that should gain better traction.

It is also important for the hotels to be ready with an exhaustive Lockdown exit strategy. Each department must adhere to specific responsibilities and ensure no protocol gets overlooked.

The present situation appears to have also impacted people's choice of food. There has been a sharp decline in consumption of non-vegetarian food and many have found new joy in turning Vegetarian or Eggetarian at best. Most hotels may need to further tweak their menus to include a larger selection of such items. Apart from food, regular temperature checks at the entrance for both the guests and associates, regular sanitation of elevators and public spaces, restricting the number of guests entering elevators as a part of social distancing, will continue to be a common sight at the hotels. Additionally, sanitizing hotel cars after every trip and having chauffeurs wear masks and gloves, as part of the uniform will go a long way in ensuring an all-round safety.

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