

# **The Covid-19 Crisis: Disruption on the global Hospitality Sector and Business Response**

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## **Executive Summary**

The Covid-19 pandemic has caused massive damage to the global economy and brought international travel to a sudden halt by the end of the first quarter of 2020, thus majorly impacting the hotel and tourism industry. In addition to this, it has affected every sector across the globe, but the hospitality industry is among the hardest hit, as its impact has changed the norm for various areas; in the employment business through massive turnover rates, in the dramatic drop of government revenues, and in the foreign-exchange reduced earnings for many developed and developing countries.

This analysis demonstrates that whether the virus is contained or not, economic predictions suggest that it can be as late as 2023 before the industry returns to pre Covid-19 levels of development. Within this framework, hospitality will be influenced by new trends that will bring new opportunities in the hospitality industry. The sector is undoubtedly facing a huge challenge, since the overall effect of the pandemic is uncertain and it has yet to be redefined. It is vital operators to take measures to minimize the impact and prepare themselves for a confident return.

Recent forecasts of the first semester of 2020, predict a deep economic recession followed by a bounce-back over the latter half. Nevertheless, there is main worry that persistent economic instability could prevent a rapid recovery. Whilst hotels adapt to this economic difficulty, they should prepare for current and long-term situations and determine the crucial challenges ahead. Furthermore, the economic repercussions of public-health interventions have a domino effect such as increasing unemployment, closing down businesses, company crashes, credit defaults, declining stock values, market instability, and weaknesses in the financial system. Public-policy solutions to reduce these knock-on consequences, such as measures to avoid mass bankruptcies, aim to boost jobs for furloughed workers, and secure the financial system and the competitiveness of the industries most impacted. The different economic and recovery scenarios proposed by leading global business consultancies and hospitality field analysts will also be thoroughly examined.

## **Key findings**

- Most European destinations have experienced decline of revenue per available room between 30% and 80% YTD.
- Global commissionable confirmed stays declined an average of 84.3% year-over-year for the 4-week period leading up to June 20. This steep decline is to be expected.
- The airline industry is one of the most affected and is projected to lag other economic activities, with global GDP recovering faster than global Revenue Passenger Kilometers (RPK).
- According to ADARA, the hotel industry peaked at -75% in terms of bookings in week 12 compared to the same period of last year, amid the Covid-19 impact.
- Smith Travel Research (STR) and Tourism Economics are projecting revenue losses of 50% for the year. Last week, revenues were 45% of what they were in the pre pandemic era. STR reports are based on data from 68,000 properties and 9.1 million rooms around the world.
- The global pandemic has led to unprecedented demand and revenue declines around the world, but there are some submarkets and classes that are slowly doing better and are showing improving performance results.
- Hotels are re-opening because they are allowed to do so, but that doesn't mean there will be any kind of similar demand to previous year and things appear to be still a long way from good.
- Regulations such as border restrictions and social distancing will continue to impact negatively demand in hospitality.

- Recovery overall has been driven by regional markets.
- Changes in customer preferences and what they prioritize.
- Hotel Technology accelerating.

### **Structure of this study**

This report is a comprehensive examination on the Covid-19 impact on the global hospitality industry and looks into all the different components that are shaping this ongoing crisis. The timeline that this analysis will examine is the Pre Covid-19 era from December 2019 which was the start of the virus spread and then explore the post pandemic outcome from the very first wave, leading up to September 2020 results. This study will focus on the accommodation and lodging aspect of the hospitality industry and will elaborate on the key challenges and the emerging trends that shape its landscape and a view of the future following the crisis.

In further detail, **Chapter 1** introduces the reader to the Covid-19 outbreak and its impact on hospitality on a broader economical scale that includes travel as these two sectors are entwined and so the severity of the pandemic aftermath can be better understood. This section also drafts out the labor market and the global economic impact of coronavirus within the industry and the business impact this crisis has also had across the vertical sectors.

**Chapter 2** maps out the post pandemic trends currently shaping the future of hospitality. New hotel trends which are transforming the industry landscape, as well as new business opportunities are also brought forth.

**Chapter 3** examines the response towards the new crisis and on key areas hospitality businesses should focus on to adapt to the new norm and keep up with the unprecedented disruption. Furthermore, this paper takes a closer look into the new technologies and systems that are urgently transforming the sector, digitally.

**Chapter 4** classifies possible future scenarios and ways to build resilience until a complete upturn, as well as areas to consider when drafting a risk management and recovery plan. Finally, best business practices are offered to guide stakeholders for a smoother integration and technology adaption.

### **Objective of Study & Methodology**

This report is a comprehensive examination on the Covid-19 crisis and its impact on the global hospitality industry from a thorough perspective into the different components that are shaping this ongoing disruption. Our research is based on qualitative and quantitative analysis, aiming in a qualitative and quantitative focus, aiming at helping our multiple groups of customers in making strategic decisions through actionable insights. The quantitative analysis is strengthened by a qualitative assessment, based on a literature review, as a means of exploring and illustrating the present scenario and the prospects of the market. The methodology primarily used for this research is a descriptive analysis of the global Hospitality Market amidst The Covid-19 Crisis.

Additional open source insights have been collected from multiple databases, academic journals, regulatory bodies and industry-specific institutions, such as STR Hotel Consulting, Euromonitor, McKinsey & Company, Hotel Tech, Statista, ADARA, Horwath HTL Corporate, World Tourism Organization.

## Chapter 1: The outbreak of Covid-19: Disrupting the economy landscape and labor market per region

The Covid-19 pandemic has caused massive damage to the global economy and brought international travel to a sudden halt by the end of the first quarter of 2020 thus majorly impacting the hospitality and tourism industry. In addition to this it has affected every sector across the globe, but the hospitality industry is among the hardest hit. It is also important to note that the hospitality sector is a major source of employment, government revenue, and foreign-exchange earnings for many developed and developing countries. It is possible to identify the impact of Covid-19 on the hospitality industry in all countries and regions, including North America, Europe, Asia-Pacific and the rest of the world. Many hotels in the US registered a sudden rise in cancellations for individual reservations as well as group events. Furthermore, after the origin of the Covid-19 outbreak several Asia-Pacific cities went on full lockdown, which in turn restricts and has a domino effect on the development of the hospitality sector. Industry analysts suggest that recovery to Pre-Covid-19 levels could take until 2023 or later. Even if a vaccine is developed and widely spread, it may take more than 18 months before normality returns.<sup>1</sup>

### 1.1 The global economic impact of coronavirus within the hospitality industry.

The timeline below depicts the spread and impact of Covid-19 with the first registered cases as early as 31<sup>st</sup> December 2019 in Wuhan, China. In mid-January Wuhan goes on full lockdown and the first reported cases are registered outside China. On the 9<sup>th</sup> March, the beginning of lockdown in European countries started with Italy, followed by France, on the 8<sup>th</sup> April Wuhan lockdown was lifted, a positive sign that the virus at the epicenter could be controlled. However, during April over 1 million cases and 84,000 deaths in Europe where alarming and followed by the USA in mid-May registering the most active cases and deaths in the world. By June 2020, airlines and hotels started awakening and showing some signs of recovery and from then on, the forecasting warned of a second wave to come.<sup>2</sup>

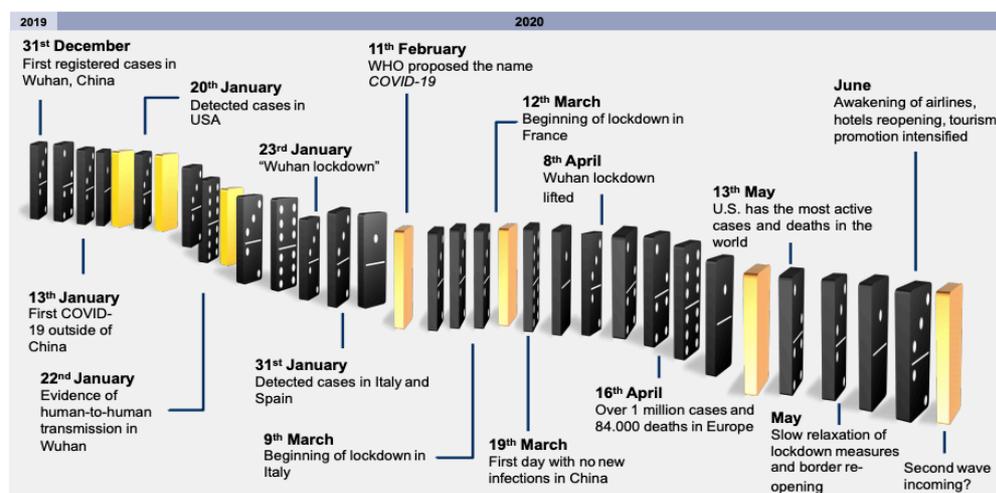


Figure 1.1: Timeline of spread and impact of Covid-19 on the global hospitality industry. Topalović, S., Marohnić, M., Filipović, F., Mičić, J., Horwarth HTL. (2020). COVID-19 Recovery Roadmap: Destination Management & Marketing Perspective. Retrieved from: <https://cdn.horwarthtl.com/wp-content/uploads/sites/2/2020/07/COVID-19-Recovery-Roadmap-for-DMO-1.pdf>

<sup>1</sup> Research & Markets. (2020, April). COVID-19's impact on hospitality, 2020 market report. PR Newswire: press release distribution, targeting, monitoring and marketing. Retrieved from: <https://www.prnewswire.com/news-releases/covid-19s-impact-on-hospitality-2020-market-report-301042147.html>

<sup>2</sup> Topalović, S., Marohnić, M., Filipović, F., Mičić, J., Horwarth HTL. (2020). COVID-19 Recovery Roadmap: Destination Management & Marketing Perspective. Retrieved from: <https://cdn.horwarthtl.com/wp-content/uploads/sites/2/2020/07/COVID-19-Recovery-Roadmap-for-DMO-1.pdf>

The airline industry is one of the most affected and is projected to lag other economic activities, with global GDP recovering faster than global RPK (Revenue Passenger Kilometres). Due to the slow recovery of consumer confidence, global RPK is expected to recover in 2023. Up to 30th June 2020, 4.5 million flights all over the world have been cancelled. Estimated revenue loss for the 2020 is 314 billion USD, a 55% decline compared to 2019 as demonstrated in below graph.<sup>3</sup>

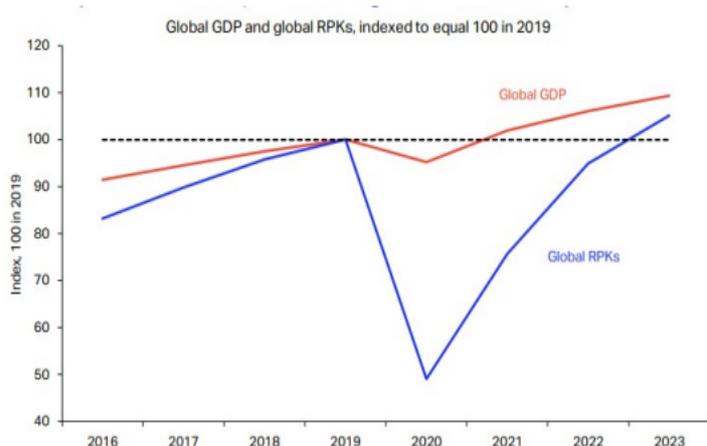


Figure 1.2: Global GDP and global ROKs. Topalović, S., Marohnić, M., Filipović, F., Mičić, J., Horwarth HTL. (2020). COVID-19 Recovery Roadmap: Destination Management & Marketing Perspective. Retrieved from: <https://cdn.horwathhtl.com/wp-content/uploads/sites/2/2020/07/COVID-19-Recovery-Roadmap-for-DMO-1.pdf>

Bookings across accommodation industry have plummeted significantly. Uncertainty of safe travel has been the main factor for cancelling reservations. Hotels' occupancy rates rarely crossed 10% with most of the hotels providing emergency accommodation or turning into hospitals. Most European destinations have experienced decline of revenue per available room between 30% and 80% YTD.<sup>4</sup>

<sup>3</sup> Topalović, S., Marohnić, M., Filipović, F., Mičić, J., Horwarth HTL. (2020). COVID-19 Recovery Roadmap: Destination Management & Marketing Perspective. Retrieved from: <https://cdn.horwathhtl.com/wp-content/uploads/sites/2/2020/07/COVID-19-Recovery-Roadmap-for-DMO-1.pdf>

<sup>4</sup> Topalović, S., Marohnić, M., Filipović, F., Mičić, J., Horwarth HTL. (2020). COVID-19 Recovery Roadmap: Destination Management & Marketing Perspective. Retrieved from: <https://cdn.horwathhtl.com/wp-content/uploads/sites/2/2020/07/COVID-19-Recovery-Roadmap-for-DMO-1.pdf>

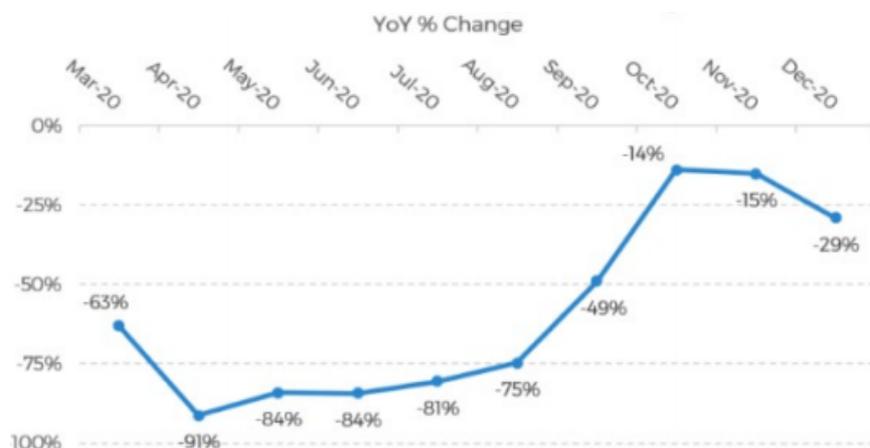


Figure 1.3: Gross Booking Value Change. Topalović, S., Marohnić, M., Filipović, F., Mičić, J., Horwarth HTL. (2020). COVID-19 Recovery Roadmap: Destination Management & Marketing Perspective. Retrieved from: <https://cdn.horwarthtl.com/wp-content/uploads/sites/2/2020/07/COVID-19-Recovery-Roadmap-for-DMO-1.pdf>

While April was supposed to be one of the busiest times of the year due to Easter holidays, the near-universal implementation of travel restrictions led to a decline in international tourist arrivals of 97 per cent, then following a fall of 55 per cent in March. International tourist arrivals decreased by 44 per cent between January and April 2020, resulting in a loss of around US\$ 195 billion in international tourism.<sup>5</sup>

<sup>5</sup> UNWTO (2020, June). New data shows impact of COVID-19 on tourism as UNWTO calls for responsible restart of the sector. Retrieved from: Hospitality Net. Retrieved from: <https://www.hospitalitynet.org/news/4099309.html>

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## Chapter 2: Hospitality trends in the post-Covid era



Global hospitality industry is among the hardest hit in the post-Covid-19 world because of collective concerns that the virus will spread and be transmitted through all travel and congested environments. Due to various difficulties regarding social distancing while traveling, closure of international and urban borders and temporary cancellation of flights was deemed necessary and the travel industry suffered the most severe consequences, with this downturn directly impacting the hotel business worldwide, with sudden sharp drops in hotel occupancy and revenue.

Another key factor that has caused people to cancel their travel arrangements is the temporary suspension but also cancellation of events such as festivals, meetings, conventions, and sporting events. Analysis demonstrates that whether the virus is contained or not, economic predictions suggest that it can be as late as 2023 before the industry returns to pre pandemic levels of development. Within this framework, the hospitality sector will be influenced by new trends that will bring new possibilities and obstacles for all industry participants to tackle when they resume their operations, some of these will be identified below.<sup>6</sup>

### 2.1 New hotel trends, transforming the industry's landscape

A variety of experts expressed their opinions on the near future for the hospitality and travel industry at the recent Bench Event's Hospitality Tomorrow virtual conference. Several speakers suggested that a difficult situation was already threatening the industry before the coronavirus epidemic officially began.

<sup>6</sup> Powers, D., (2020, August). This is what real disruption looks like. LS: N Global. Retrieved from: <https://www.thefuturelaboratory.com/blog/this-is-what-real-disruption-looks-like>

Paul Slattery, of hospitality consultancy Otus & Co Ltd, said the hotel and leisure sector has faced several challenges in recent years, including the financial crisis, a prolonged period of low interest rates and wage inflation, as well as Brexit. Robin Rossmann, analyst of STR, reported that even before the lockdown, hotel occupancy across the globe had begun to slow in January 2020 as hotel supply exceeded demand in the United States, Middle East, Asia and South America.

As the epidemic gained strength, nearly 40 per cent of the air travel segment worldwide was lost. Air travel declined by 50% in Asia (including 63% in North East Asia), 36% in Europe, 30% in Africa and the Middle East and 26% in the USA. Based on cancellations, during the week of 16 March 2020, the number of international flights booked worldwide had plummeted by 80 per cent.<sup>7</sup>

Never before has the hospitality and travel industry witnessed something like this shut down. The effect is felt in the supply chain of investors, creditors, owners, suppliers, workers and the business as well as in adjacent sectors, such as the event industry.

The joint effect of travel restrictions and policy guidelines on social distance has resulted in several high-profile conferences, including the Mobile World Congress in Barcelona, the International Hotel Investment Forum in Berlin, and MIPIM in Cannes, being delayed or cancelled. Such functions bring thousands of exhibitors and visitors to the hotels and host cities and add income to restaurants, bars and other locations.

On March 17, executives from some of the country's largest hotel companies, including Hilton, Hyatt, InterContinental Hotels Group, Marriott, MGM, Universal, and the Walt Disney Company, went to Washington, D.C., and joined the American Hotel and Lodging Association (AHLA) in requesting a \$150 billion bailout package from the Trump administration. Various CEOs cited plans to lay off thousands of workers in order to cope with the devastating impact the coronavirus is having on their industry.<sup>8</sup>

Many experts say that until a virus vaccine is developed and widely spread, the 'normal' life in a post-coronavirus world will not resume. This may take up to 18 months, as the pharmaceutical industry has already indicated. This has big consequences for the travel and hospitality market.

The Organization for Economic Co-operation and Development (OECD) anticipates a 2% reduction in global GDP for each month of country lockdown, further slowing the re-emergence of the hotel and leisure industry. The business and leisure travel market can only expand if both employers and individuals feel empowered to do so from a health standpoint once again.

As the global shutdown suggests, people would be less interested in spending money on material possessions, and more likely to focus on holidays, travel and experiences instead. Therefore, the hotel and leisure sector's medium-term prospects in this respect are somewhat positive.

In order to determine the major trends arising from the coronavirus outbreak in hospitality, it is critical to look first at what type of customers and bookings are being made and the general trends and demographics. The graphs below show the relative volume of hotel bookings as of January 2, 2020 and up to August 2020. Each of the lines shown are bookings pertaining to that particular sector such as business travelers, solo or couple, leisure travelers or family, global region.<sup>9</sup>

The indexes below demonstrate the way hotel bookings relate to particular purposes, like business travel, or leisure across the US, EMEA and APAC regions. This data, provided from ADARA Covid-19 Resource Center

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<sup>7</sup> Campbell, A., (2020, April). COVID-19's impact on the hospitality sector will outlast the 2020 season. Fieldfisher. Retrieved from: <https://www.fieldfisher.com/en/insights/covid-19-impact-of-coronavirus-on-the-hotel-and-le>

<sup>8</sup> Grossman, E., (2020, April). Coronavirus rocks the luxury hotel industry. Dow Jones & Company. Retrieved from: <https://www.barrons.com/articles/coronavirus-rocks-the-luxury-hotel-industry-01585225531>

<sup>9</sup> Campbell, A., (2020, April). COVID-19's impact on the hospitality sector will outlast the 2020 season. Fieldfisher. Retrieved from: <https://www.fieldfisher.com/en/insights/covid-19-impact-of-coronavirus-on-the-hotel-and-le>

is updated daily to help travel brands capture real-time consumer booking trends, starting from January 2 and onwards.<sup>10</sup>

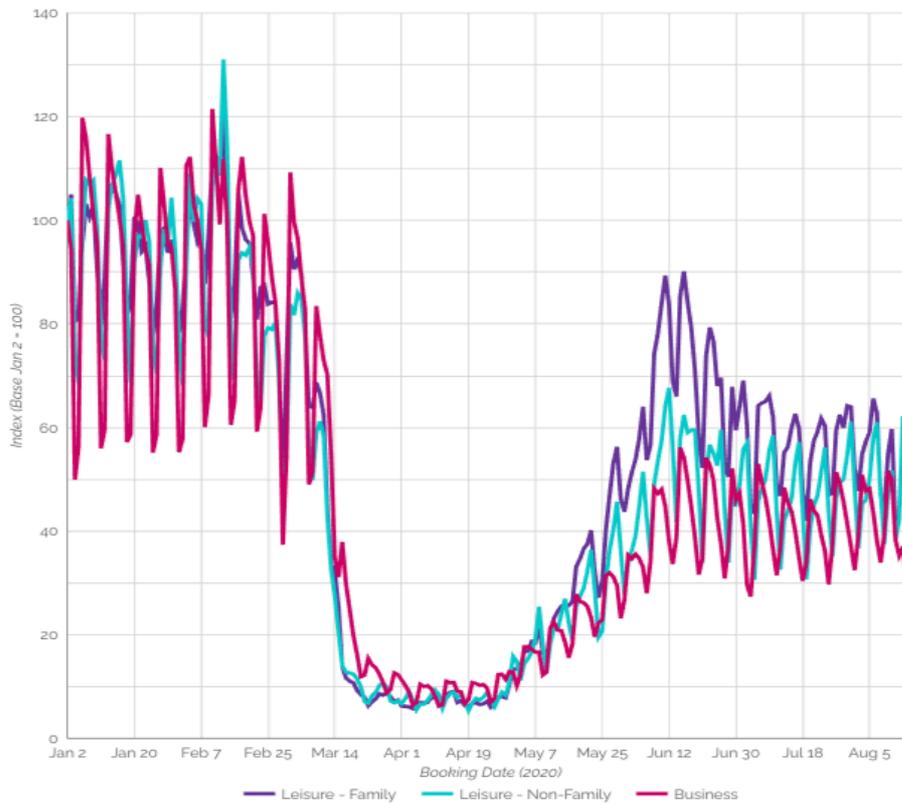


Figure 2.1: Hotel volume by purpose in the USA. ADARA Traveler Trends Tracker. (2020, August). Retrieved from: <https://adara.com/traveler-trends-tracker/>

<sup>10</sup> ADARA Traveler Trends Tracker. (2020, August). Retrieved from: <https://adara.com/traveler-trends-tracker/>

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### Chapter 3: How the hospitality sector is responding to the Covid-19 Crisis

The hospitality industry is facing a huge challenge, the full effect is uncertain because the ultimate extent of the outbreak has yet to be identified, however operators must take measures to minimize the impact and prepare themselves for a confident return. Present estimates for the first half of the year foresee a deep economic recession, followed by a bounce-back over the latter half. Nevertheless, there is major worry that persistent economic instability could preclude a rapid bounce-back.

#### 3.1 Key areas on which hospitality businesses should focus on

Whilst hotels adapt to this economic difficulty, they should prepare for current and long-term situations and determine the crucial challenges. As seen below, EY (Ernst & Young) has developed a resilience approach that integrates the real concerns that hospitality companies have throughout these tumultuous times.<sup>11</sup>



Figure 3.1: The EY Enterprise Resiliency Framework. Ernst & Young LLP. (2020, April). Covid-19: what hotel companies should do now and beyond. Retrieved from: [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_us/topics/covid-19/ey-covid-19-hospitality.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_us/topics/covid-19/ey-covid-19-hospitality.pdf)

<sup>11</sup> Ernst & Young LLP. (2020, April). Covid-19: what hotel companies should do now and beyond. Retrieved from: [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_us/topics/covid-19/ey-covid-19-hospitality.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_us/topics/covid-19/ey-covid-19-hospitality.pdf)

Main elements of the resilience system to be tackled by the hotel companies include:

- Cash fluidity: holding cash on hand by capital management methods, such as optimizing one-time income opportunities, realigning and reducing prices, using working capital crisis management approaches and postponement on capital spending.
- Hotels can explore opportunities wherever they can, from operating as temporary hospital facilities to offering "work from home" environments.
- Brand preservation: The way businesses react to this crisis will have long-term consequences for how consumers and employees view their brand.
  - Cyber Security risks: malicious groups may manipulate the situation through the use of personal computing devices, with potentially increased vulnerability. Businesses would also need to defend against malware dissemination and spam.
- Supply chain problems: these are becoming more complex; the materials required for hotel construction and management are being imported globally. Hotels need to identify and minimize the risks that their existing supply chain faces.
  - Operational planning: preparing and conducting a business continuity program would allow essential business processes to be restored and business normality restored rapidly when this outbreak is under control. Moreover, hotel companies must have contingency plans in place to rebound swiftly once the worst of the pandemic is over. Businesses will also need to re-assess their employee retention and organizational practices in the case of potential hotel closures.<sup>12</sup>

Another significant action plan to this downturn is the creation of a comprehensive marketing action plan, as outlined below:

- **Creative campaigns.** Focus on existing business categories which can fill gaps in the occupancy. This could well be previous guests, as they are superb examples of indirect bookings, so develop attractive offers and market principally for those customers.
- **Re-examine all target markets.** Employ RMS and BI software to evaluate which countries the guests originate from and how far ahead they usually book. This will support in building a marketing strategy and relevant campaigns.
- **Attracting New audiences.** Convert previous customer database into lookalike social media audiences, or even further categorize the existing lookalike audiences. A Lookalike Audience is a channel to target new people who will probably be interested in the brand because they are comparable to your finest customer base.

Lookalike audiences are a segmentation tool on Facebook which finds users whose demographics and interests are similar to those of someone's existing followers. These can be created and implemented easily, making them an exceptionally powerful marketing tool and ideal for customized offers.<sup>13</sup>

- **Channel mix:** Several other segments / channels are less price conscious than others. Avoid lowering rates on those segments. Adjusting the right mix of channels provides greater control when business returns and prices have to go back up.

<sup>12</sup> Ernst & Young LLP. (2020, April). Covid-19: what hotel companies should do now and beyond. Retrieved from: [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_us/topics/covid-19/ey-covid-19-hospitality.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_us/topics/covid-19/ey-covid-19-hospitality.pdf)

<sup>13</sup> Facebook Business Help Center.About lookalike audiences. (2019, December). Retrieved from: <https://www.facebook.com/business/help/164749007013531?id=401668390442328>

- **Steer Markets:** Through reaching those nearest to the hotel, rises the opportunity of overcoming air travel difficulties. Due to health concerns, people are more hesitant to take those bigger trips, so they may be looking for nearby vacation.<sup>14</sup>

It is also critical to sustain income and safeguard the health and safety of workers and their families in providing a safety cushion for individuals to keep afloat during the crisis. Maintaining a stable income and fostering career transitions will also boost consumer demand to keep capital flowing through the economy.

**Security of income:** In the case when employees are forced to stay in their homes to be able to be able to maintain their essential needs through programs such as unemployment insurance.

**Food security:** help make sure access to food aid is available, particularly for vulnerable people such as undocumented workers and seniors with low incomes.

**Safety in the workplace:** Improve health and safety regulations and pay potential risk fees to those who still work in jobs that involve social interaction.

**Medical insurance and paid leave:** broaden access to medical care, medical coverage, and paid sick leave to reduce limitations to isolation and provide access to care in the case an employee falls ill with Covid-19.

**Career mobility support:** Increase opportunities for personal and professional guidance, child care, transport infrastructure, employment agencies, education and training to ensure that workers who need a move to a new field can find a satisfactory job or set up a new business altogether.

**Re-structure businesses:** The implications of the pandemic on leisure and hospitality goes far beyond sum of individual households and businesses. High concentration of job losses, shutdowns and falling tax revenues are amplifying one another. alternative approaches on a local level need to be implemented in order to mitigate all these challenges on numerous scales.

**Housing:** focus on improving expanding the collection of secure, reasonably priced long-term housing, since housing costs are a great burden on the standard hospitality employee.

**Property rights:** local and state leaders should think outside the box and take the necessary steps to buy vacant commercial real estate to preserve communities and restore the hotel and leisure industries when it is viable to do so.

**Digital assets:** When their places of work shut down, many hospitality workers lost their only internet access. State and local governments need to make Internet services, devices and digital literacy more equally accessible.

**Transportation:** Invest in transportation system which can reduce air pollution levels while maintaining mobility and empowering future tourism.<sup>15</sup>

<sup>14</sup> Engels, G., (2020, March). How to navigate coronavirus disruption in travel. Hospitality Net. Retrieved from: <https://www.hospitalitynet.org/opinion/4097405.html>

<sup>15</sup> Loh, T. H., Goger, A., Liu, S., (2020, August). 'Back to work in the flames': The hospitality sector in a pandemic. The Brookings Institution. Retrieved from: <https://www.brookings.edu/blog/the-avenue/2020/08/20/back-to-work-in-the-flames-the-hospitality-sector-in-a-pandemic/>

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## **Chapter 4: Possible future scenarios and ways to build resilience**

### **4.1 Possible future scenarios until complete recovery**

Covid-19's effect on the global economy will have the following aspects which will determine mainly the outcomes of the crisis. The virus carries economic impacts such as the spread of the virus and the severity of its outbreak, as well as modes of transmission, incidences and mortality rates. Then, there is the public-health intervention, such as shutdowns, travel restrictions, physical isolation, extensive monitoring, touch tracking, capacity to deliver patient services, vaccination implementation and improved prevention approaches. The economic repercussions of public-health interventions have a domino effect of such as increasing unemployment, closing down companies, company crashes, credit defaults, declining stock values, market instability, and weaknesses in the financial system. Public-policy solutions to reduce these knock-on consequences, such as measures to avoid mass bankruptcies, boost jobs for furloughed workers, and secure the financial system and the competitiveness of the industries most impacted. Below we look at different economic and recovery scenarios proposed by leading global business consultancies and hospitality field analysts.

#### McKinsey's 9 Possible Scenarios

Of the nine scenarios explaining the economic effect of the crisis and the recovery phase, the greatest finding of the survey was the respondent's preference for the scenario described by a (regional) post-containment recurrence of the virus, a quieter recovery and slower long-term growth.

In the exhibit below, this scenario is labeled A1, where alphanumeric indications are overlaid (not seen by the survey participants). The shaded scenarios, called A1 to A4, represent those findings that are satisfactory or better for both public-health and economic-policy responses. The B1 to B5 scenarios represent findings where the responses in one or both domains (public health and economic policy) are ineffectual. The scenario they believed to be most likely, A1, suggests that respondents see public-health and economic-policy interventions as partly effective in recovering our lives and livelihoods, and that it will take time to return to pre-Covid-19 levels for GDP, revenue, and corporate earnings. Following scenario A1, the most popular choice was A3, a stronger scenario containing the virus and slowly recovering the pace of economic growth toward pre-outbreak norms.

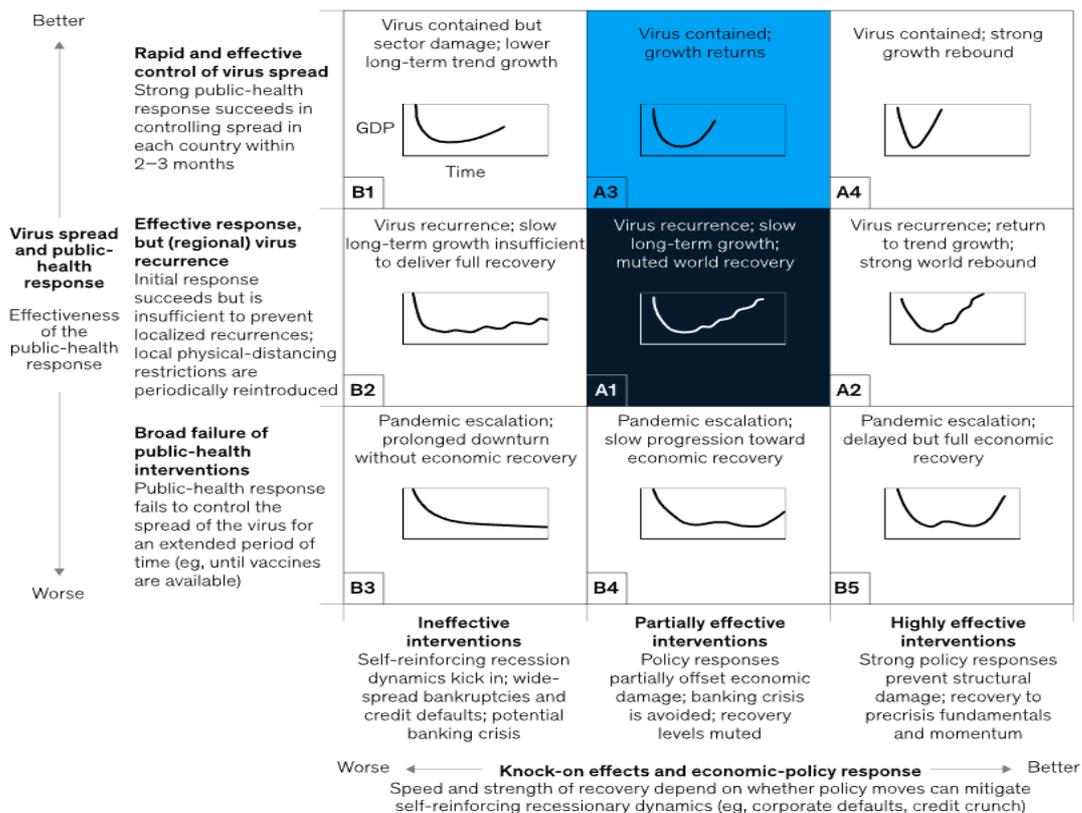


Figure 4.1: GDP impact of Covid-18 spread, public-health response and economic policies. Krishnan, V., Mann, R., Seitzman, N., Wittkamp, N., Hospitality and COVID-19: How long until 'no vacancy' for US hotels? (2020, June). McKinsey & Company. Retrieved from: <https://www.mckinsey.com/industries/travel-logistics-and-transport-infrastructure/our-insights/hospitality-and-covid-19-how-long-until-no-vacancy-for-us-hotels>

Overall, 59 percent of respondents chose more optimistic A scenarios as their preference of possible outcome and 41 percent chose B scenarios. In the first column, 29 percent of the executive respondents selecting B scenarios as their lead choice, suggesting ineffective economic-policy responses as the significant failure in this crisis.

Another interesting finding is that Chinese respondents, who first shifted through the crisis, shared more optimistic opinions, with 28 percent (as compared to 12 percent) preferring the scenarios that predicted the highest recovery in development (A2 and A4).

None of these scenarios reflects positive news. All identify a global health and economic crisis in proportions not seen since the Second World War. This sentiment appears to have been internalized by most executives. They hold realistic views on possible results, voicing the fear that we all feel about potentially worse directions of recovery, particularly in developed economies.

The double urgency of safeguarding health and livelihoods is a priority for the world to fight the epidemic and make sure people get back to work safely and as quickly as possible. Governments and several private companies are creating increasingly creative public health solutions to contain the epidemic and assist those affected. Governments mobilize their vast assets at unprecedented velocities to cushion the lockdowns' economic blast. Corporate leaders around the world are now working on the security procedures that should be adopted until they are allowed to reopen their business. The virus is expected to be around for months ahead.

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