

**POST COVID IMPACT, CHALLENGES, SILVER LINING TRENDS & STRATEGIES FOR HOSPITALITY & TOURISM INDUSTRY: FORAY INTO NEW NORMAL**

<sup>1</sup>Nilesh Waghmare, <sup>2</sup>Dr.Farhanuddin Syed

PhD Research Scholar, Institute of Management & Research, M.G.M. University, Aurangabad<sup>1</sup>

Assistant Professor, Institute of Management & Research, M.G.M. University, Aurangabad<sup>2</sup>

**ABSTRACT**

According to World Travel Tourism Council (WTTC), the tourism sector accounted for 10.3% of global GDP & supported the livelihoods of 330 Million people in 2019. As one of the fastest growing industries, it was responsible for creating one in four new jobs worldwide. However it all changed abruptly due to a sudden black swan event like covid-19 pandemic. The most severely impacted industries are Tourism & Hospitality. Despite Hospitality & Tourism proven resilience in response to other crisis, the current pandemic shall have long lasting effects.

With the backdrop of this, the objective of this research Paper is to highlight the survival & revival of Tourism & Hospitality. Survival would involve rationalising the impact on cost, formulating a strategy to open up services & managing the cash flow. The pandemic has changed the travel behaviour of a new age, next generation discerning traveller. Revival would need a long term strategy. This paradigm shift has compelled the industry to respond radically for strategizing risk management. Significant technological advances in digital technologies such as Artificial Intelligence (AI), Virtual Reality (VR), Robotics, Internet of Things (IOT), Cloud computing can help overcome the COVID-19 crisis. The paper aims to identify the concerns, challenges, impacts & strategies for survival as well as revival of the hospitality & tourism industry post pandemic & adapt to new normal.

**Keywords:** *WTTC, black swan event, resilience, revival, travel behaviour, risk management, digital technology, new normal.*

**INTRODUCTION (PRE COVID PERSPECTIVE & BACKGROUND)**

Historically, the travel & tourism industry has managed to attract all types of investors. The investments in this industry constituted nearly 4.3% of the total global investments in 2019. In absolute terms, the figure stood at USD 948 billion. The United States of America invested USD 209 billion in its travel & tourism industry, followed by China at USD 170 billion in 2019. India secured a third rank in the same year with a capital investment of USD 51.6 billion. Collectively, the top three countries accounted for approximately 45% of global investments into the travel & tourism industry.

India was ranked 34<sup>th</sup> in the Travel & Tourism competitiveness Report 2019 published by World Economic Forum, up six positions from 40<sup>th</sup> in 2017. The government has been consistently extending support to the travel & Tourism industry. The Ministry of tourism formulates all National policies & programmes to aid & promote tourism in the country with other ministries such as Ministry of civil aviation, Ministry of Railways, Ministry of shipping, Ministry of Road Transport & Highways, Ministry of culture, Ministry of Environment, Forest & climate change. Some of the key initiatives / policies undertaken are as follows:

**MINISTRY OF TOURISM:**

- E-Visa (electronic visa) is extended to 169 countries.
- Incredible India 2.0 campaign focussing on niche tourism in order to promote India as a 365-day destination to overcome seasonality challenges.

- DekhoApnaDesh campaign to incentivise & augment domestic tourism within one year.
- 100% FDI (Foreign Direct Investment) for tourism, including Hotel construction projects.
- USD 983 million sanctioned for PRASHAD (Pilgrimage Rejuvenation And Spiritual Augmentation Drive)&Swadeshdarshan schemes.
- Key focus on promoting North eastern states as well as Jammu & Kashmir in the National Tourism policy.
- Generating adequate skilled manpower by providing skill development training, capacity building programs, earn & learn (Hunar-se-rozgar) education at institutes across the country.
- Toll-free 24x7 helpline for tourists in 12 languages.

### **FAVOURABLE FISCAL INITIATIVES FOR HOTEL INDUSTRY:**

Until June 2019, the travel & tourism industry had collectively raised USD 13 billion in capital investment. India’s FDI policy allows for 100% investments through the automatic route for all travel & tourism sectors whether it be hotel construction, road infrastructure or tourist activities. The year also saw numerous international players with a slim presence in India shore up their India portfolio.

- Airbnb invested USD 75 million in OYO to leverage Indian users.
- Radisson Hotel Group announced plans to double its India portfolio from 94 to 200 by 2023.
- Hilton group announced its plans to add an additional 18 hotels in India by 2021.
- Louvre Hotels Group acquired the Sarovar Hotels & Resorts network in 2017 in order to further penetrate the Indian hotel industry. They plan to increase their business in India to 10-15 hotels by 2022.

India has entered into 47 Memorandum of Understanding (MoUs) for bilateral tourism cooperation agreements with countries including Maldives, Finland, Korea, Qatar, & Paraguay to encourage free trade agreements (FTA) & subsequent Foreign Exchange Earnings (FEE) from these countries through a mutual sharing of data & knowledge.

After the introduction of Goods & Services Tax in 2017, heavy taxes on accommodation curbed traveller’s enthusiasm. However, the GST council altered tax slabs for hotel room tariffs. GST on room tariffs of over INR 7500 was reduced from 28% to 18%, while those between INR 1000 & INR 7500 were reduced from 18% to 12%. Room tariffs below INR 1000 do not attract GST. Ministry of Civil Aviation introduced regional connectivity scheme UDAN (UdeDeshKaAamNagrik) to make flights available through central & state governments also to encourage expansion of Tier-2,3 cities Airports to improve air connectivity. Indian Railway Catering & Tourism Corporation (IRCTC) offering specialized train tours, connecting Budhhist destination circuits. Agreement between Indian railways & UNESCO to connect all eight state capitals with countries like Bhutan, Myanmar, Bangladesh, & Nepal. Ministry of Shipping has allowed E-Visa facilities at Mumbai, Mangalore, Mormugao, Kochi, & Chennai ports have been set up to ease immigration. Action plan drafted for development of cruise tourism in India. Development of 78 lighthouses under PPE Public Private Partnership was undertaken. Development of river cruise circuit & Modernisation of Indian ports under Sagarmala project was also undertaken. Ministry of Road Transport & Highways launched Bharatmala project to optimise efficiency of freight & passenger movement & improve the quality of 34800 km of roads also improving connectivity of North east states. It has also undertaken development of wayside amenities to provide travel comfort to highway users. Under the Ministry of culture, ‘Adopt a Heritage’ project was launched to enhance awareness & engagement between public & private sector companies. 100 Monuments protected by Archaeological Survey of India are developed under

the AdarshSmarak scheme with the objective of improving overall tourist experience. Ministry of Environment, Forest & Climate Change has collaborated with the Ministry of Tourism to develop policy on niche tourism such as ecotourism & wildlife tourism. It has also launched National Mission for Green India (GIM) to increase forest cover & conserve biodiversity.

### **IMPACT OF COVID-19 ON TOURISM & HOSPITALITY SECTOR IN INDIA:**

- **EMPLOYMENT:**

Globally, COVID-19 has resulted in up to a 30% loss in Jobs, with up to 100.8 million jobs in the travel & tourism sector at the risk of being affected as per the economic impact from COVID-19 report published by the World Travel and Tourism Council (WTTC). The travel & tourism sector in India employs around 87.5 million people directly or indirectly. This pandemic has rendered up to 40-50 million people unemployed which is almost 57% of this sector’s entire workforce. Due to COVID-19 the Indian tourism industry is looking at pan India bankruptcies, unemployment and closure of businesses.

Several hotel businesses & travel operators in India including Ixigo, MakeMyTrip, OYO, Marriott International, Treebo Hotels, FabHotels, & Lemon Tree Hotels have announced plans to reduce senior employee salaries & introduced unpaid leave options in order to cope with the financial impact caused by the crisis.

Approximately 8-10% of the total staff strengths of the global Cruise liners comprise Indians & approximately 15-20% of employees across the branded hotel chains in India are contracted or casual staff. With the industry facing financial woes due to COVID-19, these employees may have to face layoffs.

The COVID-19 pandemic has also affected the livelihood of workers in the Indian amusement parks that not only hires 80000 people directly but also employs 5000 people seasonally & indirectly. Due to nationwide lockdown & social distancing guidelines imposed by the government, the main season to generate revenues for these parks is ruined. Top players apprehend a downslide with losses amounting to approximately INR 11 billion.

The aviation industry in India is also expected to see job reduction due to global travel restrictions to contain the spread of COVID-19. The International Air Transport Association (IATA), the global airlines association, estimated over 2.9 million jobs at risk in the Indian aviation space & its dependent industries. Domestic airlines including GoAir, SpiceJet, IndiGo have resorted to measures such as ‘leave without pay’ & pilot layoffs. Premium full service carrier like JET Airways had to close down as it had run into major operational & financial losses.

- **HEALTH & HYGIENE:**

Despite facing serious impact from reduced public demand, Indian Hotel chains have also offered several rooms to serve as makeshift quarantine facilities for the government in various cities including Delhi & Mumbai.

In addition, branded hotels have been offering rooms to healthcare workers at discounted rates & providing food to affected migrant workers in the country through their kitchens. This however posed a health risk for the hotel staff working on the frontlines to provide these services, despite health and safety measures in place. Due to lockdowns, social distancing norms, the behaviour of guests also changed. In this context the hospitality industry had to adapt to these changing environment from being aesthetically clean to clinically clean health & hygiene.

- **MICE (Meetings Incentives Conferences Events / Exhibition):**

Of all the segments of hospitality sector MICE segment has been hit the most with major international trade & business events cancelled including Mobile World Congress (MWC), Google I/O, Facebook’s F8 event. Major sport, cultural & geo political events also got postponed indefinitely impacting not only the venues but also host countries too.

Some of the larger events that have borne the brunt of the pandemic include the 2020 Tokyo Olympics, the EURO football championship, LaTomatina festival in Spain, Dubai Expo 2020, & the 36<sup>th</sup> ASEAN Summit. Certain conventions such as the TED2020 have leveraged technology to move the event online.

• **SILVER LINING TRENDS: TECHNOLOGY LIGHTS THE WAY FOR TRAVEL & HOSPITALITY:**

Major travel & technology companies have developed tools that can be reliable sources of essential information when travel resumes.

- Google Maps introduced travel alerts to combat covid-19. Google has introduced 3 types of COVID-19 alerts on maps such as transit alert, driving alert, & an alert while navigating to COVID-19 testing centres. A transit alert will get generated when users are checking public transit directions for a trip & that trip is in violation of government mandated restrictions. Driving alerts will notify regarding COVID-19 checkpoints & restrictions on crossing state & national borders. Google has launched transit alerts in countries like India, U.S.A. Argentina, Australia, U.K, Brazil, Colombia, Mexico, France, Netherlands, Spain, and Thailand.
- The International Air Transport Association (IATA) has introduced a free interactive world map to provide travellers with the latest COVID-19 entry regulations by country. The map relies on IATA’s Timatic database which contains comprehensive information on documentation required for international travel. It is updated more than 200 times a day.
- Many hotels like Marriott, Accor group, ITC Hotels have launched CovidSmart- a training & certification program to ensure that the industry is ready to fight the pandemic. The program is designed by World Health Organisation-certified professionals & ISO-trained individuals to promote safe practises in Travel & Hospitality. Key leanings under the program includes protecting your business during COVID-19, safe operations & standard operating protocols, dealing with emergencies & anxiety related to the pandemic & its impact and the importance of PPE Kit.
- Many technology companies are developing virus trackers designed to give travel managers insight into covid hotspots & outbreak related risks in specific markets. Several risk specialists have rolled out such trackers. Sweden based Safeture developed a covid exposure tracker. Meanwhile, U.S. based risk management provider Stabilitas used its critical event intelligence platform to get an early look at the virus’s potential impact & ramp up tracking.
- Travellers from around the world can now check the latest updates about covid-19 information on India’s very own indigenously developed world class ArogyaSetu App.

**RELIEF MEASURES, STRATEGIES FOR SURVIVAL & REVIVAL OF TOURISM & HOSPITALITY:**

The recovery of tourism & hospitality will be in a slow & calibrated manner. The industry desperately needs a support from the government, banks, & financial institutions. So from that perspective the measures need to be looked at for a longer time period. International inbound travel will take a long time to pick up. According to some industry experts, the pre covid 2019 business scenario (in terms of quarterly returns) will only be achieved by 2024.

- An immediate bailout package or a stimulus package is needed to pay the salaries of the employees which will stabilise & support the sector in the near term. A workforce support fund will ensure that there are no further job losses.

- Waiver of all statutory dues such as advance tax, custom duties, and excise duties at state & central level should be implemented for 12 months to restore normalcy.
- GST rates on companies in Hospitality should be slashed for at least 2 to 3 years. Currently large hotels are charged a GST rate between 12-18% based on room rate. Since there is a very little footfall in the hotels, GST should be brought down to 5-6% with immediate effect.
- 500 units of electricity per month and water to be provided free of charge to companies in the sector. Thereafter, subsidised rates can apply on actual consumption and not against fixed load.
- Export Promotion Capital Goods (EPCG) schemes to consider grant of extension in export obligation fulfilment period by an additional 3 years for all licenses expiring during current & next financial year, without attracting any penalty or interest.
- Special package for the survival of heritage hotels.
- The CSR (Corporate Social Responsibility) initiatives for hotel, aviation, tourism entities should be extended to Swatch Bharat, which in the case of tourism industry should include monuments, tourist sites & other facilities.
- Lending to tourism & hospitality sector to be treated as ‘priority sector lending’ at least for next 2 years which will enable access to bank finance.
- No landing fees for Goa which will enable charter flights land for free to encourage flights to come back.
- Same ticket prices for foreigners and Indians for entry to historical monuments.
- Most of the small business and online players do not have collateral. The Ministry of Finance and RBI should request banks to extend long term loans without collateral for 10 years and allow the payment of the EMI after a year when the situation normalises.
- A National Tourism Task force of Center and States should be formed at the earliest specifically to continuously monitor, strategise and implement a survival and revival plan.
- Domestic tourism is the strength of the country that will help the industry to revive in the coming months. The Government should incentivise and give a tax deduction on domestic travel expenditure that will give a boost to the domestic tourism. Weddings and MICE should also be encouraged to be held within the country. Government can offer GST relief to corporates for organising their conferences in India. Incredible India campaign for domestic tourism should be ready to be launched once the situation normalises.
- Identify pockets which have been relatively unaffected by the crisis and start by promoting those destinations first.
- Health protocols and hygiene at tourism destinations will be the main focus. The Centre and States have to focus on establishing clear guidelines for tourism spots and destinations as that will be the main concern of the traveller.
- Promote new segments such as Yoga, Ayurveda, Adventure tourism and culinary tourism.
- Conduct a study on the countries which are less impacted such as Japan and Brazil and identify the source markets which will revive more quickly. India can also try to leverage the inbound traffic that China had and divert the traffic to our country.
- Rework the promotions to cater to the younger generation of travellers instead of the traditional senior travellers who travel in groups who may take longer to gain confidence to travel for tourism purpose.

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