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## Upshot of COVID-19 on the Hotel Sector in India

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### Abstract:

*In this research paper, the researcher discussed the upshot of COVID-19 on the Hotel Sector in India. Travel restrictions due to COVID-19 affect the hospitality, travel, and tourism sectors in India and around the world. To mitigate the Upshot of the epidemic on the hospitality sector in India, Hotel conducted an in-depth survey with other domestic operators.*

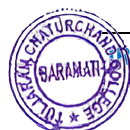
*The upshot of the COVID -19 pandemics and the consequent lockdown in the year 2020 and 2021 released has severely affected the Indian hotel and hospitality sector. The important parameters showing performance of the hotel sector, revenue per available room, declined near about 21%. Hotels across the country have now been closed for the past year and must bear the rising fixed costs with essentially zero revenue. The Indian hotel sector departed smoothly in January 2019 after a record year in January 2019, with the 2020 and 2021 target being even bigger.*

*The country first began to feel the effects of the global COVID-19 disruption in late February 2021, which deteriorated in early March. There has been a sharp decline in hotel business in major cities and by our estimates there has been a decline of 59% over the previous two years. In such a short time, such a decline has never seen the decline of the sector.*

**Keywords:** Upshot, Pandemics, COVID-19, Hotel Sector, Revenue etc.

### Introduction:

In this connection, the researcher admires the quick decision taken by the Government of India to put the country on complete lockdown from 24<sup>th</sup> March 2020, it has boosted the growth rate. Has slowed down a lot and given us time to prepare our medical facilities and plan. While the lockdown has been done keeping in mind the best interests, it has a devastating effect on the economic activity of the country and the recession may well be impending in the coming few months. It has a wide-ranging upshot on the hospitality industry in India, with the cancellation of flights and trains across the country, hotel bookings having to face epic cancellations and its wide-



spread upshot on hotels like travel agents, taxi operators, etc. Across the country, they have been closed for almost a month, with essentially zero revenue, with rising fixed costs. Further development, growth and development will be affected with the rescheduling or termination of new hotel signatures.

However, for developers and investors who have cash reserves, there will be an opportunity to invest and build projects on the back of lower construction and finishing costs over the next few years. The economy segment of the hotel sector is expected to stage a first round of turnaround as there is partial relief in lockdown across the country. An official said that the hotel industry, led by the Hotel and Restaurant Association of India (FHRAI), has offered more than fifty thousand rooms, which apart from the medical fraternity, to enable quarantine facilities for tourists and domestic travelers at various locations have been done. In Mumbai, more than five thousand rooms have been provided in establishments of all sizes, subject to their availability. In Pune alone, more than two thousand rooms have been provided in establishments of all sizes, subject to their availability.

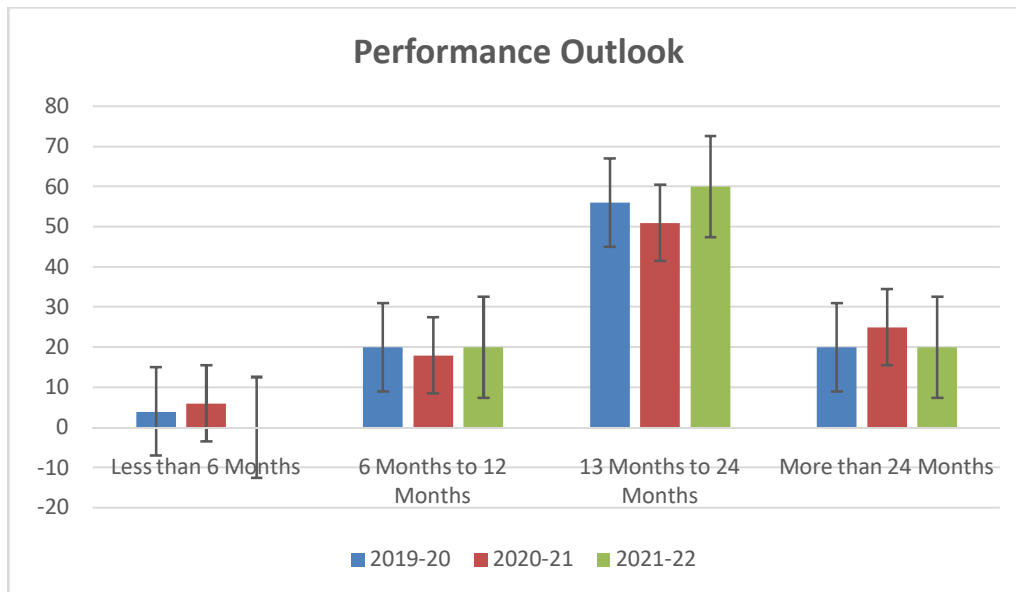
#### **Objectives of Research:**

- To know the upshot of Covid-19 on the hotels in India.
- To ascertain the budget accommodation in hospitality sector.

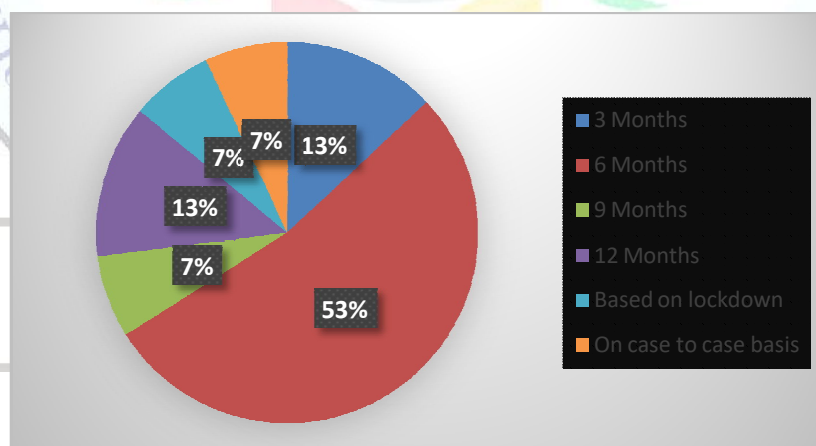
#### **Development and Opening of Hotel:**

COVID-19 is a black swan phenomenon that has affected every industry in the world, although its upshot on the travel and hospitality sector has been overlooked or unheard of in a very short period. The virus has spread all over the world and India is no outsider, we are seeing a steady increase in the number of active cases daily. The consensus supported by medical experts is that isolation and lockdown are the first steps in slowing the spread of this virus. In the last few months, we have been discussing publications and articles discussing the upshot of COVID-19 on India's travel and hospitality sector, although most of the conversation has been limited towards mid-market / premium branded hotels and Market segment. However, independent / unbranded operators, who form a large part of the hospitality industry, are usually ignored.

The Indian hotel sector has been hit hard with low demand, with very few future bookings. Certainly, all transient demand has completely extinct - the remainder being largely for either long-stay guests or hotels that have been earmarked by the government for international travelers returning to India. Economists around the world expect the global economy to shrink in the first quarter of 2020. With the number of cases increasing rapidly daily, the worldwide ripple-effect will be felt well throughout the year, pushing all major economies into a potential downturn.



- Maximum number (60%) of the operators surveyed believe that it will take 13 to 24 months for their portfolio to bounce back to 2019 levels.
- 53% of the total leading hotel operators closed more than 80% of their inventory during the nationwide lockdown period.
- More than 60% of the respondents have up to 10% of their total hotels serving as quarantine facilities in major markets, with some of these hotels providing rooms for the "Vande Bharat Mission".
- 53% of respondents believe that the demand for room nights in major business cities is likely to boom.



(Source: <https://www.jll.co.in/en/trends-and-insights/research/hotel-operators-survey-us>)

### Upshot on the Indian Hotels Sector:

The Indian hotel sector recorded a smooth transition in January 2020, becoming "even bigger" by 2020. The country first began to feel the effects of the global COVID-19 upheaval in late February 2020, which exacerbated in early March. There has been a sharp decline in hotel business

in major cities and by our estimates there has been a decline of 45% over the previous year. In such a short time, such a decline has never seen the decline of the sector. This report predicts the second quarter of the year to be the most affected. Hotels will be unable to drive rates and may try to attract business at deep discounts.

According to the World Travel and Tourism Council, the COVID-19 pandemic could lead to a loss of 50 million jobs worldwide in the travel and tourism industry, reflecting near about 14% decrease in jobs. International travel may be adversely affected by up to One Fourth percent this year, equivalent to a loss of a quarter travel. It can take up to one year for the industry to recover after the outbreak is over.

The Indian hospitality industry is undoubtedly one of the biggest mishaps of the COVID-19 outbreak as demand has fallen to an all-time low. In addition, most future bookings for winter i.e., October to March - the strong season for our industry - done in the summer months, have evaporated to a great extent. With new confirmed cases reported daily, the entry of COVID-19 virus into India has caused mass panic, with the expectation of its re-establishment continuing well into the second quarter of the calendar year 2020. The current situation is grim, domestic flights have been ordered to close shop from last week of March 2020 and all other demand segments such as business, social and sports events have been cancelled.

### **Role of budget accommodation in Indian hospitality sector:**

Well-known hospitality consulting firm hotel caters to a total of near about 3 million (as of September 2020) rooms in India and out of that, they estimate that 71% of the inventory is from the independent / unbranded segment. Alternative accommodations such as home stays, guest houses, backpackers' hostels, etc. contribute 16% of the total room inventory, which means that today 84% of the total rooms are being managed by independent / small hotel operators. This number is also important when we consider the amount of employment in this category, with hotel estimating that a total of more than 2 million people is employed by the industry of which approximately 80.56% are employed by the independent / unbranded category. Let us look at this section from revenue point of view, one can find out the revenue contribution of the segment from historical GST collections. Between July 2018 to March 2020, the Indian hospitality sector paid near about six thousand crores as GST collections, of which around 37% came from the unaffiliated segment. Therefore, while the contribution of small hotel operators at the individual level may seem insignificant, the contribution of the segment at the collective level is large and cannot be ignored. Both the central and state governments will have to play an important role to protect this segment, as it will lead to a massive recession and trade-off, which will eventually result in tax revenue as well as employment.

Finally let's forget the instrumental role venture capital money has played in the travel sector

for the last 5 to 6 years. Companies like OTA and Oyo flush with investor money with a single point agenda - catch as many passengers as possible, offering discounts ranging from 30% to 70% on gross room rates. OTA will fund these exemptions on its own and take an average commission of 20% of the gross room rate and the operator will have to pay Rs. 1,000. Social media platforms such as Facebook, Instagram and Twitter are used extensively by travel bloggers and influencers, often recruited by state tourism ministries, travel magazines and other market players such as Make My Trip, etc. to promote domestic tourism can be given and people can be motivated to explore India. The fact that we have the largest train network in the world and a growing network of flights covering every corner of the country has logically made it much easier for us to explore our vast country than it was 10 years ago.

The independent operators can expand under different self-operated assets and some more franchise models. As can be seen, more than fifty percent of the cost of running such a property is fixed. A scenario where revenue is zero and fixed costs remain also gives rise. Independent hotel operators do not charge fixed salaries for living, the money they make is from profits after covering costs. In a country like India, if you are a very well-performing hotel, with great reviews, good staff and control over your operating costs, you can manage a 50 to 60 percent year-round business. It is important to note here that unlike industry giants, small companies have little or no cash reserves to avoid an epidemic.

In view of the above, we are independently closing large-scale properties across India. A by-product of this business slowdown may be a recurrence in property rents across the country, with rents falling anywhere almost 30% from current levels. Today some of the most popular tourist destinations in India are the most expensive for hotel operators in terms of operational feasibility. Commercial property rentals have almost tripled in the last few years to some tourist centers. This is when concurrently the list of rooms has gone up and ARR's have gone down significantly. Average or below average property rentals demand to start as Rs.1,00,000 per key annually and this can go up to Rs.5,00,000/- for luxury properties. As a result, most of the well-functioning brands in our country aim for 65% –75% on average, charging a low ARR to attract profits.

Based on the high performance in 2019, as a result of the outbreak of COVID-19 and preventive measures initiated by the government, both tourism and business passenger sectors have seen a steep decline in foreign and domestic travel, the report 'India Hospitality Industry Review' 2019' Have said "In the third week of March 2020, at the all-India level, the hotel sector saw occupancy levels fall by more than 65% compared to the same period last year," he said. As travel restrictions around the world have intensified, a similar effect is likely to occur in the second and third quarters of 2020. If the situation does not improve by the end of June 2020, at least 30% of the

hotel and hospitality industry's revenue could be affected. With more than 60% of organized hotels in India already closed and operating with many other single digits, recovery will be gradual, the report said. The industry estimates that the annual revenue of branded and organized hotels in India is Rs. 38,000 crores.

### **Finding and Conclusion:**

Overall, the epidemic of COVID-19 has a negative upshot on the hotel sector budget in the Indian industry whereas the confirmed cases have a profound effect of COVID-19 on the hotel sector budget related to the highest and lowest prices. The COVID-19 appears to be more effective in reducing the effects of the epidemic, as economic stability in the hotel sector has deteriorated significantly over a short period of time.

Analyse the expenses and cut discretionary expenses. Instead, spend this money on improving the customer experience, whenever the business is resumed, this will include top-quality linen and housekeeping, strict hygiene standards and better trained staff personnel.

Develop a direct marketing strategy, use in-house client database, and connect with them, tell them how you are dealing with this period and what steps are being taken to ensure that they are in the future of your property Enjoy a safe and enjoyable stay in. Use social media channels and email to apply this talk to various channel partners and explore the possibility of reducing commissions paid to various OTAs such as Make My Trip, etc., offering more to customers for less. Ensure that the operating costs are kept under control after the start of business; remember this is a question of your existence. Total occupancy in the branded hotels segment is projected to fall by 22% age points in 2019 to 2021, while ADR is projected to decline by up to 8% for the year.

The report stated that 47% of operators expect their hotels to reopen for operation within 2 weeks of the removal of the lockdown ban by the respective state governments. While 33% of them expect to open within a week. Meanwhile, 67% of the operators surveyed confirmed that they were being approached by hotel owners for financial assistance or relief, for example, management fees, fixed system fees, etc.

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