

# Under Covid-19, Challenges and Opportunities for Hospitality and Tourism Industry of China

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## ABSTRACT

In the early of 2020, an epidemic suddenly changed China even the whole world, restaurants and hotels nearly shut down all of the business. All businesses are losing profits, particular in hospitality and tourism industry. Confronted with such situation, what they should do and is there any opportunity waiting them? For data collection, secondary data has been collected through extensive literature reviews. The statistical data from the renowned and authentic data sources have been collected to understand the impact of Covid-10 on hospitality and tourism industry. Compared with SARS in 2008, qualitative method is applied in this paper which discusses about the current challenges by Covid-19 and future business opportunities, which could be defined as post-epidemic trends.

**Keywords:** Covid-19; Tourism; Hospitality; China

## INTRODUCTION

Since the 2020 Chinese Spring Festival, Covid-19 spread in China. Hubei Province was the first and most noticeably awful hit zone. Progressively, the infectious infection arrived at urban communities and towns everywhere throughout the nation inside a couple of days. The Chinese government immediately reacted to the episode, started different measures and approaches to assist individuals with getting through. By and by, the pandemic stopped monetary exercises, bringing about a tremendous effect particularly on the tertiary business, including the movement, inn, and providing food ventures.

From January until today, since the breakout of Covid-19 globally, according from the data by Accenture, the whole tourism and hospitality industry of China has been decreasing. All group tours by travel agencies across the country have been suspended, for example, in Beijing, there are 13,525 tour packages involving 242,000 tourists have been cancelled. So far, nearly 130 countries have suspended the entry of Chinese citizens and taken corresponding restrictive measures. However, except for the challenges, some new opportunities are rising as well. This article aims to find out the newly born industries and business under Covid-19, compared with the industries under SARS ten years ago.

## IMPACT OF SARS HAPPENED IN 2002

The spread of the SARS pandemic originated in the hotel industry

at a Hotel M in Hong Kong. The diseased physician who spent a night at the Hotel was described as the index case for four domestic and international SARS groupings.

This immediately caused panic for the public all over the world, provoking harsh action: mass quarantine in hospitals, armed security guards, contagious passengers transported off planes, and shut down schools and businesses. The hotel industry then started struggling with bond funds because the World Health Organization released a global SARS notification on 12 March. On 2 April, it recommended postponing all but essential journeys. The SARS infection outlines the evidence that worldwide epidemics have the potential to harm the economic system and the equity markets.

## COMPARISON OF SARS AND COVID-19

Involvement with a couple of SARS influenced nations demonstrated that there were various channels by which the SARS flare-up could influence an economy [1,2]. In terms of tourism industry, international and domestic tourism industry seriously declined during that time. As indicated by the ILO, the level of effect relies upon the degree of epidemic to SARS. The nations or zones legitimately influenced by SARS, which is the situation of Mainland China and Hong Kong, were evaluated to lose more than 30 percent of their movement and the travel industry business [3].

In just over two months, there have been over 70,000 cumulative

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confirmed cases of Covid-19 and over 2,000 deaths, several times more than in 2003. The SARS epidemic has affected more than 5,000 cases of infection and more than 300 deaths. The spread of the epidemic was much faster and more extensive. 27 provinces were affected by the SARS epidemic, with a cumulative total of more than 1,000 cases of SARS. Over 100 people have been infected in 9 provinces, while the epidemic has affected all 34 provinces, with 24 provinces already infected, over 100 people.

Although the overall economy was impacted by SARS, some new business appeared and of rapid developed after SARS, such as ecommerce consisting of online shopping platform, and logistics industry.

## IMPACT OF COVID-19 ON HOSPITALITY INDUSTRY

Affected by Covid-19, the government and citizens have the awareness to limit their travels or leisure plans, according to below survey diagram of restaurants by Deloitte, which indicates that there are 60% of business who decided to reopen less than 10% food outlets in March, and only 3% companies would reopen most parts of its outlets instead. In terms of customers number, it is an attack for business, 69% of business said their customer number decreased by more than 80%, only 6% has not been affected, which means the whole industry has been seriously affected by Covid-19 and lost their profits (Figures 1 and 2).

According to the report and survey of Horwath HTL Hong Kong, SAR, Covid-19 severely affected hotel operation and profits. From the survey, over 90% respondents expect that the effect of COVID-19 will keep going for 3 months and more till H2 2020. About 60% of respondents accept that the effect on occupancy is required to tumble somewhere near 60%, more serious than that of ADR (43% respondents). Hotel operators of Hong Kong are overwhelmingly negative pretty much all market portions, expecting terrible showing versus H1 2019 [4].

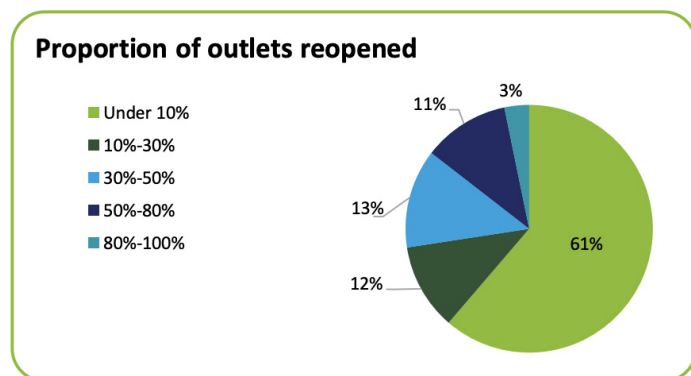


Figure 1: Proportion of outlets reopened.

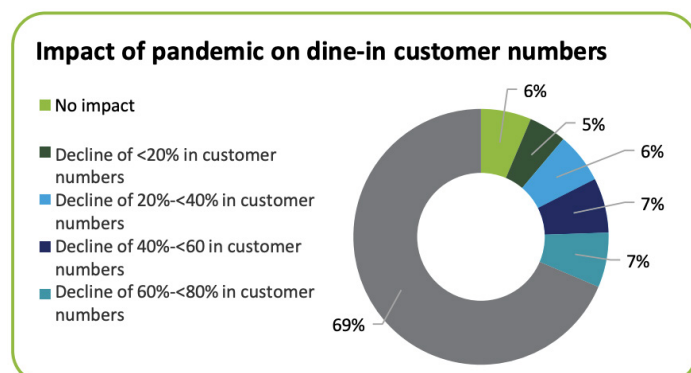


Figure 2: Impact of pandemic on dine-in customer numbers.

## IMPACT OF COVID-19 ON TOURISM INDUSTRY

In the early 2020, Koe made a report about Chinese tourism market under Covid-19, which indicates the lodgings and eateries are vacant as they are getting customers [5]. The transportation business is likewise encountering huge misfortunes because of absence of travelers. Also, the general economy of the nation has been influenced fundamentally because of the development of Covid-19 happened in China.

Many travel agencies are believed to be affected by COVID-19 as the lockdown circumstance is set up by the Chinese government for disallowing the spread of COVID-19. The virus infection as likewise empowered the tourism business to confront the tremendous danger just as the decreasing of economy [6].

In this context, the Chinese people are barred from other countries as the coronavirus panic has spread rapidly across the globe. So, everybody is scared of coronavirus infection. Outbound tourism operations in China are also drastically decreased, hurting the tourism sector, as travel firms involved with outbound tourism suffer substantial losses. Economy of China is most partially based on the tourism industry, and every year there would be a significant number of foreign tourists visit major tourist destinations in China. The hospitality and tourism sector in China have made substantial income from global tourism and, in the current sense, the highest number of foreign tourists has delayed their visit to China, which has a direct effect on the tourism sector in China [7].

## COUNTERMEASURES FOR FUTURE HOSPITALITY AND TOURISM INDUSTRY

According to the report by Deloitte China, in their survey they found that for hospitality industry about 48% of businesses need financial assistance in the next 6 months [8]. Therefore, in order to escape from bankruptcy, businesses should bargain with potential financiers in order to maintain new caps on favorable deals in order to avoid failure should loans be called on. Companies will ought to re-examine capital markets where appropriate to allow good use of government-sponsored deleveraging policies; they will also try to minimize their debt-to-equity level, decrease investment to manage cost structures.

Except for financial aspect, it is time for business to do industrial transformation. In China's case, the first nation to go through the multiple stages of the COVID-19 pandemic, McKinsey and Company (2020b) noticed customers were regaining confidence, and oddly, a greater interest in environmentally sustainable goods [9]. Therefore, in the next few years, hospitality and tourism industry could be transformed into sustainable industry, reaching to eco-friendly as well. What's more, the budget of staff expense is cutting in this industry during Covid-19. Hotels might use more technologies, such as self-service machines and intelligent housekeeping equipment for future operation.

## CONCLUSION

A quick review provided an outline of the current crises that took place in 2020 and explored how it contrasts with previous crises. The Coronavirus sends the Chinese tourism industry in a furrow. Due to inadequate passengers, several domestic and foreign airlines firms are forced to postpone their flights to and from China as the people are afraid for the transmission of this dangerous virus. With the seriousness of the COVID-19 pandemic, there is a pressing need, after the epidemic is resolved, not to revert to business as

normal, but to rethink a restructuring of the global tourism and hospitality system. Combined with the data and survey by some consultant companies, it is clearly to see that this pandemic is a seriously challenge for the whole industry. Business is struggling in current market and seeking for transformation and development as well.

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