Chapter 8
Impacts and Implications of COVID-19 on the Global Hotel Industry and Airbnb

Abstract While the tourism industry was on a steady growth path up to 2019, it remains sensitive and vulnerable to natural and political shocks. Such shocks have been on the increase in the recent past. Of concern has been the increase in diseases and pandemics which have become more prevalent since 2000 to 2020. As a result of the interlinkages in the tourism industry, disease outbreaks are often disruptive to global tourism economies. This chapter assesses the impact of COVID-19 on the hotel industry and shared accommodation in the form of Airbnb. Using critical document analysis and tracking hotel bookings from machine learning data for five top global online travel agencies and the American Hotel and Lodging Association, among other authoritative sources, the study found that COVID-19 has had a devastating impact on the sector. COVID-19 has led to massive booking cancellations and record low bookings with adverse effects on annual accommodation bookings for 2020 globally. This has, in turn, resulted in hotel closures and empty rooms for Airbnb properties. The slump in business has further led to record high hotel employee layoffs and/or furloughs, while Airbnb property owners battle to pay fixed expenses and mortgages on their properties. In addition, most global hotel chains have cancelled dividend payments and postponed capital expenditure to avoid bankruptcy and industry collapse. There are real fears that the impact of the pandemic, far exceeding previous disasters such as SARS, will reverse the gains and the contribution made towards the achievement of the Sustainable Development Goals. This study recommends the scaling up of several government and private sector relief funds and other measures aimed at assisting both the industry and its employees hardest hit by COVID-19. Particular attention should be given to small- to medium-size enterprises and establishments in developing countries.

Keywords COVID-19 · Tourism · Hotels · Airbnb · SDGs · Furloughed


8.1 Introduction

Given the diversity of populations that intersect at hotels and other rented establishments in closed spaces, hotels are potential hotspots for disease spreading. A number of studies that have been conducted thus far have focused mainly on the spreading of food diseases through food contamination (Beauté et al. 2019; Hull-Jackson and Adesiyun 2019), environmental contamination (Kimura et al. 2011) and swimming pool contamination, with a few focusing on the spread of airborne diseases (Marks et al. 2000). Accordingly, hotels and other accommodation establishments within the hospitality industry are sensitive health risk areas. Disease exposure that emanates from hotels can result in criminal liability, and hotels have been found liable in various cases. Where liability has been proven, the implications on reputational damage could be dire; as such, the industry adopts stringent protocols, particularly when it comes to food safety (Gursoy 2019). Because diseases may emanate from hotels, the hotel sector is vulnerable to disease outbreaks, and, given the perishability of the tourism product, such threats may have severe implications. Disease outbreaks affect hotel room occupancy (Yang et al. 2020) with often devastating implications for the revenue and profits of hotels. Moreover, disturbances to mobility, which forms the basis of the tourism industry, can be detrimental to the hotel industry.

An inter-agency report produced by the United Nations paints a dire picture of the global economy, citing slow growth that extends from 2019 and which has been compounded by the outbreak of COVID-19, mainly in 2020 (United Nations 2020a). The report notes that the past couple of years have seen an increase in poverty levels across sub-Saharan Africa, a trend which will be perpetuated and worsened by COVID-19. The declaration of the coronavirus disease as a pandemic on 11 March 2020 sent shockwaves through the global market, triggering a wave of economic shockwaves that by far surpass those from the economic recession of 2008 (International Monetary Fund (IMF) 2020). The IMF later declared that with the impact of COVID-19, the world had entered a recession with marginal growth being expected for 2020. As a consequence, the world saw a massive capital outflow from emerging economies as the economic impact of the pandemic took hold. The United Nations (UN 2020b) notes that the pandemic was not only a health problem but also a socio-economic crisis which calls for global cooperation. The UN notes that, as a consequence, serious setbacks were expected to the achievement of all the Sustainable Development Goals (SDGs).

One of the sectors most affected by the demand for social distancing and avoid-ance of public gatherings was the tourism industry (UN 2020a). Previously Dube et al. (2020) touted tourism as the critical tool preferred to achieve several SDGs by many communities and countries across the world. Tourism creates and sustains jobs and creates entrepreneurship opportunities for millions of people around the world. The coronavirus affected both the supply and demand side of the economy, which crippled many industries, including the tourism industry. With several airlines and cruise ships grounded, the supply chain for the tourism industry, especially hotels and short-term accommodation rentals such as Airbnb, was severely
disrupted. The International Air Transport Association (IATA) projected that as a result of the pandemic, about 65.5 million jobs in the tourism sector would be lost in 2020 (IATA 2020). The United Nations World Tourism Organization (UNWTO), on the other hand, postulated that the tourism industry was expecting to see a drastic slump in tourist arrivals of between 20 and 30% in 2020 (UNWTO 2020). This was projected to cost the industry $300 billion to $450 billion in international tourism receipts. This constitutes a third of the $1.5 trillion expected global losses under the worst-case scenario (UNWTO 2020).

Given that reality and the understanding that tourism was severely affected by the pandemic, there is a need to quantify the levels of the impact of coronavirus on various tourism sectors and subsectors at international, regional, national and local levels. This study investigated how the hotel and Airbnb arm of the tourism and hospitality industry was affected by COVID-19 pre and post its declaration as a pandemic by the World Health Organization (WHO).

8.2 Literature Review

There is a feeling that the world did not pay as much attention as it should have when the WHO flagged the coronavirus as a global threat in January 2020 (WHO 2020a). This could be attributed to several factors chief among them was a feeling that it would just end as an Asian Pacific problem. As such, attempts to institute quick intervention measures were ridiculed in a move that could have saved or slowed down the scourge. Little was known about the disease except by the Chinese, who had witnessed a first-hand account of the ravaging impact of the pandemic (Hjelmgaard 2020). The Chinese have been accused of hiding crucial information that could have reduced the impact of the disease; this has led to global political tension, particularly between the USA and China. The last two decades have seen an increase in endemic and pandemic disease outbreaks (Chung 2015), and these have had a significant impact on regional tourism economies. Some of these outbreaks have had a significant impact on global and regional tourism in the last two decades and include the severe acute respiratory syndrome (SARS) outbreak in 2003, the avian flu H5N1 threat in 2006 and the swine flu H1N1 pandemic in 2009–2010, Middle East respiratory syndrome (MERS) in 2012, Ebola virus disease (EVD) from 2014 to 2016 and now COVID-19 in 2020.

In 2009, Rittichainuwat and Chakraborty noted that there was a marked increase in the occurrence of diseases and other threats to tourism. The authors found that in as much as tourists understand the risk of diseases and other threats, they evaluated the risk before travelling to destinations and consequently take preventative or precautionary measures. Tourists are generally a risk-averse group of people who are sensitive to potential risks (Irvine and Anderson 2006; Tavitiyaman and Qu 2013). To this end, there is a need to consider tourism risk as a central element of tourism that takes into consideration, among other things, disease outbreaks (Perpiña, Camprubase outbreak 2019).
Quintal et al. (2010) reiterated the importance of attention to risk in the tourism industry, as it invokes feelings of anxiety, fear and insecurity among tourists. Such feelings could affect tourist appreciation of a destination and negatively affect their experience, hence the temptation to avoid or postpone visits in the light of a disaster, thus affecting hotel and Airbnb bookings. There are differences in attitude towards risk by different tourist typologies, which could affect arrivals during and after disease outbreaks. Wu et al. (2010) proposed a model for projecting the effect of disease outbreaks on hotel occupancy, with a view to buffering them from shocks. When tourists cancel visits, hotels suffer and revenue loss results. The fact that tourism is a highly perishable good makes it difficult at times to detect risk easily (Williams and Baláž 2013).

Jayawardena et al. (2008) noted that SARS pandemic had negative implications for the tourism and hospitality industry, with a global cost of $15 billion, and led to job losses in the hospitality and tourism industry. In Toronto, for example, job losses in tourism and hospitality contribute 75% of the jobs that were lost during the SARS outbreak. The SARS pandemic also resulted in significant conference cancellations and negatively affected tourism revenues, which may have been the main trigger for job losses at the iconic Niagara Falls (Jayawardena et al. 2008). The impact of the disease was felt far and wide, even though the pandemic had originated in China’s Guangdong Province before emerging in neighbouring Hong Kong (Pine and McKercher 2004).

Hong Kong suffered immensely as a result of the SARS outbreak both in human and financial costs. According to Pine and McKercher (2004), the losses were mainly due to tourism capital investment postponement, dented destination image and travel cancellations and postponements, which had implications for hoteliers. As a consequence of the outbreak, tourist arrivals at Hong Kong International Airport slumped nearly 80%, declining to 565,000 from a peak of more than 2.8 million in May 2002. Massive job losses were experienced in the hotel, catering, transport, amusement and other recreational areas and hotel occupancy dropped 10–12% (Pine and McKercher 2004). Chen et al. (2007) found that the SARS pandemic led to hotel stock volatility in the Taiwanese tourism market, which led to losses in revenue by shareholders.

Rittichainuwat and Chakraborty (2009) argued that even though the WHO did not issue a warning to the world about bird flu (H5N1 virus), a number of people died and the outbreak had a damaging effect on the reputation of hotel and tourism industry in Thailand. Page et al. (2012) found that the outbreak of swine flu that coincided with the economic recession harmed the hotel and industry in the UK, as the tourism sector in that country reported drastic declines in bookings and arrivals from all its major tourism markets. Another country that was affected by swine flu was Brunei. According to Haque and Haque (2018), Brunei recorded a loss of nearly 30,000 (15%) tourists and B$15 million in 1 year as a result of swine flu.

The swine flu outbreak resulted in apprehensions about travelling for a number of tourists, which had an impact on several tourism destinations and markets, much to the detriment of the hotel industry (Lee et al. 2012). Hung et al. (2018) note that coronaviruses such as SARS and H1N1 swine flu place an increased burden of
expenses on hotels as they raise the need for facilities to be sanitised. Other pandemics that have had a significant impact on the hotel industry include the Ebola virus. The outbreaks of the Ebola virus in North Africa affected hotel bookings across the continent (Novelli et al. 2018).

Given their exposure to crises such as pandemics, hotels have developed specific response measures as an adaptation mechanism for addressing continued external threats of disease. Israeli and Reichel (2003) highlighted 19 strategies that are often adopted by the industry to mitigate the impact of pandemics on hotel financial performance. These include cost-cutting and cost-containment measures which include offering massive discounts, making increased marketing efforts, cutting outsourced services, postponing capital expenditure and reducing the labour force. Such measures could have worked in regional disease outbreaks, but none of the measures has been tested for their effectiveness in the context where there is a global pandemic such as COVID-19. Regardless of the resilience that has been shown by the hotel and tourism industry to deal with the crisis, hotels have often found themselves either ill-prepared or unknowledgeable to deal with disease pandemics (Chien and Law 2003), as each disease outbreak has shown unique attributes which present challenges for each pandemic.

Yu and Aviso (2020) and also Dube et al. (2020) argued that on a global scale, COVID-19 has resulted in company closures, with a devastating impact on tourism sectors such as hotels and rented accommodation such as Airbnb. Preliminary studies have shown that China reported a hotel occupancy decline of 71% year-on-year in February 2020 (Yang et al. 2020). The authors further argued that travel restrictions were hurting economies. To this end, the United Nations (2020b) advocated for an undertaking of impact assessments that will translate into a better understanding of the pandemic’s impact to assist in the response.

8.3 Research Methodology

This study examined and measured the impact of COVID-19 on hotels and Airbnbs. A multisource-critical document analysis (Karppinen and Moe 2019) was used to make meaning from a wide range of reports, notices and advisories by major hotel groups that have a footprint across the world. Authoritative sources such as national news media were interrogated to investigate the impact of COVID-19 on the hospitality industry. Borrowing from text data mining, the researchers used hotel group names and paired them with COVID-19 and coronavirus and searched Google to see all communications and news that were associated with the hotel with regard to the pandemic. A further perusal of company websites was made to ensure that the process was as exhaustive as possible. From there an automated Google Search algorithm populated all the stories and media coverage of the impact of COVID-19 on hotels and Airbnb. This ensured that sufficient attention was paid to all the reports that were emerging on the subject matter.
Data from HotelRunner Pulse was used to evaluate the impact of the disease being declared a pandemic on hotel bookings. Hotel Pulse integrates information and data from five major booking platforms, namely, Agoda, Expedia, Airbnb, Hotelbeds and Booking.com. HotelRunner dashboard data that were used were generated to provide HotelRunner Pulse’s partners with a picture of industry performance. The dashboard uses the content based on anonymous booking data of more than 38,000 properties from 193 countries running on the HotelRunner platform (HotelRunner Pulse 2020). The data can be said to be representative of the global hotel industry. Data from the American Hotel and Lodging Association were also used to estimate the impact of COVID-19 on hotels and employment in the USA. Data on proportionate impacts of the US hotel industry based on historical performance during past shocks were measured on a 10% impact quartile. Data used for the Airbnb section came from AirDNA, which uses machine learning algorithms to track ten million listings in 80,000 markets globally on Airbnb, Vrbo and other booking sites. With millions of rooms to track globally, the use of machine learning to detect trends is encouraged (Al-Jarrah et al. 2015; Qiu et al. 2016). Qualitative data were analysed using the generic thematic and content analysis as espoused by Nowell et al. (2017), whereas quantitative data were analysed using Microsoft Excel ToolPak.

8.4 Presentation of Data and Discussion of Findings

The following sections present and discuss the main findings of the study. The first section presents the main findings, starting with showing general trends in booking and followed by a section that highlights results from selected global hotel groups. This is followed by a presentation on the impact of COVID-19 on the American hotel industry. The following section deals with the impact of the pandemic on rented accommodation and then makes a number of conclusions and recommendations.

8.4.1 General Trends in Bookings

The study found that there were three critical interventions that had significant negative effects on hotels and short-term rental accommodation establishments. These included closures of ports, national lockdowns and the active promotion of social distancing. With flight cancellations, there was no supply of tourists to accommodation establishments in many parts of the world, triggering a wave of hotel cancellations. Figure 8.1 shows three episodes pertaining to 3 weeks between March and April 2020 in relation to the confirmed gross book value. According to Expedia (2020:1):
Gross value is the total retail value of transactions booked for both agency and merchant transactions, recorded at the time of booking. Bookings include the total price due for travel, including taxes, fees and other charges, and are generally reduced for cancellations and refunds.

It emerged that there was a significant decline in gross booking value due to cancellations between mid-March and early April 2020. Significant declines were observed, over 50% for the year 2020, save for the months of October and December 2020. Needless to say, the intermediate months post the announcement of COVID-19 as a pandemic has resulted in a considerable loss in revenue. There are declines reaching over 95% in April, May and June 2020. A significant decline in gross booking value is also seen in July 2020 although the decline starts to ease off a bit. This means that most travellers felt that the pandemic was going to have a severe impact on travel patterns in short to medium term. The pandemic will have a long-term effect, however, as it has negatively affected bookings for the whole of 2020 with prospects for affecting the early 2021 bookings.

The confirmed gross booking value for the period 30 March to 5 April 2020 looked promising, however, as it showed reduced percentages of decline and recorded a positive balance in December 2020. The glimmer of hope could be a testimony to the resilience of the tourism industry, as noted by Filimonau and De Coteau (2020). The positive outlook for December 2020 is encouraging as it could be a sign of market rebound as people look forward to the festive season.

There was also a consideration of forward bookings, taking two snapshots at two points in the third week of March 2020 and during the first week of April 2020 (Fig. 8.2a, b). From Fig. 8.2a, it emerges that in comparing 2019 and 2020, there...
was a higher booking volume year by year. The booking volumes were better for the third week of March 2020 compared to the same time in 2019. This means that the industry performed better than the previous year. The other months that showed healthier bookings in 2020 are August through to December 2020. For the two

| Month   | 2019 | 2020 |
|---------|------|------|
| March   | 18.61| 32.19|
| April   | 14.34| 5.81 |
| May     | 7.28 | 5.4  |
| June    | 7.11 | 5.24 |
| July    | 7.65 | 6.95 |
| August  | 6.77 | 8    |
| September | 2.09 | 5.01 |
| October | 1.16 | 4.68 |
| November| 0.45 | 1.79 |
| December| 1    | 3.34 |

Fig. 8.2 (a and b) Forward-looking confirmed booking volume: monthly distribution of the confirmed booking volume in the same booking window. (Source: Authors, data from HotelRunner (2020))
periods, however, April to June 2019 outperforms the same period in 2020, a situation that can be attributed to lower bookings as a result of cancellations caused by a coronavirus.

On a comparative basis, there is evidence that 2020 was set to outperform 2019 given stronger bookings in some months, including March, had it not been the impact of the pandemic that disrupted the trend. This can be attributed to the anticipated increase in growth pattern in the tourism industry, as seen on a year-to-year basis. However, the situation might change abruptly due to the announced recession caused by the COVID-19. It is crucial to note that in the absence of the pandemic, there is evidence that tourism would have done better in 2020 than last year (2019).

The booking cancellations between the 3 weeks focus of the study were also analysed. Wholesale cancellations of bookings were observed in the short term, with most of the bookings being cancelled in the third week of March 2020 and in April 2020. The upsurge in infections led to the tightening of border controls and the prohibition of public events and social gatherings. Record cancellations could have been triggered by the realisation that travel was not going to be feasible amid the raging pandemic. The long-term booking rate (July 2020 onwards) was not as affected, possibly because the tourists expected the disease to have died away in a few months. It could also be that people will be getting back into their routines, or it could be tourists adopting a wait-and-see attitude. However, in the third week of March 2020, there were record cancellations (Fig. 8.3). As discussed earlier, diseases instil fear and create anxiety among tourists (Tavitiyaman and Qu 2013). In this regard, the cancellations may be attributed to the fear people have about being infected or affected by the disease, hence cancelling or postponing holiday journeys.

Fig. 8.3 Cancelled gross booking value: year-on-year growth in the same booking window. (Source: Authors, data from HotelRunner (2020))
On a comparable basis with 2019 in both snapshots taken for the weeks 16 to 23 March 2020 and 30 March 2020 to 5 April 2020 (Fig. 8.4a, b), a large number of booking cancellations are shown during March, April and May 2020, particularly during the third week of March 2020 (Fig. 8.4a). However, booking cancellations during the second episode under investigation for March and April were even higher (Fig. 8.4b).

**Figure 4b 16-23 March**

**Figure 4b 30 March-5 April**

**Fig. 8.4 (a and b) Forward-looking cancelled booking volume: monthly distribution of the cancelled booking volume in the same booking window. (Source: Authors, data from HotelRunner (2020))**
Higher cancellations and lower bookings meant that hotels and lodges across the world were losing much-needed cash flow, given the uncertainties that were associated with the disease. The cancellations and weak confirmed bookings had a significant impact on the liquidity and cash flow of lodges and hotels in the short and long term. Such a scenario in the short term incapacitated the hotel industry which found itself in a forced liquidity crisis. Most hotels realised that they were bleeding cash, hence the need for cost-containment and cost-cutting measures to kick in, which meant freezing positions, job layoffs and furloughs in some instances. The next section outlines how selected group hotels and hotel organisations were affected and reacted to the problem.

8.4.2 Impact of COVID-19 on a Selected Group of Hotels

Table 8.1 summarises the effects of COVID-19 on the operations of selected hotel groups. Further investigation of the response strategies implemented by each hotel group was also done. It emerged that most hotels had their operations suspended and occupancy rates dwindled to single digits. This led to massive job furloughs across the sector, cancellation of dividend payouts and deferment of capital expenditure, among other things. Such cost-cutting and cost-containment measures have severe implications for the hotel industry and its stakeholders and the tourism industry as a whole, as accommodation performance is often used as a proxy for tourism industry performance.

One of the worst affected, and the largest, hotel market was the USA (United States of America). According to UNWTO (2020), the USA received 80 million visitors, with receipts worth $214 billion, in 2019. This made it the third most visited country and the top tourism revenue earner globally. The USA is one of the countries that was worst affected by COVID-19, recording 18,516 infections, 1,003,974 and 57,730 deaths between 21 January and 30 April 2020 (WHO 2020a). A report by the American Hotel and Lodging Association (2020) shows that COVID-19 ravaged the hotel market with its impact far exceeding the September 11 bombing and the SARS pandemic on the USA hospitality market.

As a consequence of the coronavirus pandemic, the average occupancy rate for hotels in the USA dropped to an average of less than 25%. This resulted in between 2.8 and 3.5 million modelled job losses by the end of March 2020, with the expectation that up to 6.5 million jobs could be lost if hotel occupancy continues to slide (American Hotel and Lodging Association 2020). The distribution of job losses is displayed in Fig. 8.5. Two historical occupancy rate is 59% recorded after the September 11 bombing which resulted in the loss of 400,000 jobs and a 54% occupancy rate during the 2007–2009 economic recession that resulted in 470,000 job losses in the hospitality and tourism sector in the USA (American Hotel and Lodging Association 2020).

Significant job losses are expected in California, Florida, Texas and New York (Fig. 8.6). The results seem to tally with figures that emanate from the Statista,
### Table 8.1 Impact of COVID-19 on selected and major global hotel chains

| Tourism organisation | Impacts and responses to COVID-19 |
|----------------------|----------------------------------|
| **Accor** (operates in 100 countries, with more than 4800 hotels and 280,000 employees worldwide) | Closed two-thirds (3200) of its hotels worldwide  
Cancelled 280 million euros ($304 million) in dividends  
Dedicated to allocating 25% of the planned dividend payout of €70 million to a fund dedicated to employees and “preserve” the remainder  
Introduced a new booking and modification policy that allowed tourists to flexibly manage their bookings or get credit notes and refunds  
20-day plus booking discount of 25%  
Reduced the schedules of or furloughed 75% of its global head office teams |
| **Marriott International** | They furloughed about 174,000 employees at all levels and no payment for workers during the period, only health benefits ([Wall Street Journal](https://www.wsj.com))  
Put workers on unpaid leave |
| **Hilton Hotel** (has 6100 properties in 100 countries) | Closed 150 of its hotels in China, which represents 60% of its operations in China  
Announced suspension of operations on 26 March 2020  
President and CEO had to forego salary for the remainder of the year  
The executive committee took a 50% pay cut for the period of the crisis  
Reduced schedules or be furloughed for up to 90 days and only be paid medical benefits  
Corporate team members who were not furloughed took a 20% pay cut  
Eliminated non-essential expenses and capital expenditures  
Suspended all share buybacks and payment of undeclared dividends ([Hilton](https://www.hilton.com)) |
| **The Trump Organization** | Furloughed 1500 employees across the USA and Canada  
Several properties, including Trump National Doral Miami, Trump International Hotel Las Vegas and Trump International Hotel Waikiki closed temporarily  
17 out of 24 properties in total closed, while others remained open with limited staff and services  
Hotels ran with restaurants closed, with golf clubs and clubhouses shut down  
213 employees laid off at Trump’s hotel in Vancouver, Canada, and 18 kept on, with 11 of those working reduced hours  
Some properties leasing state land had not paid the April rental and lease fees ([Partlow et al.](https://www.partlow.com)) |
which shows California, New York and Texas, among others, as leading in initial job loss claims in the past 3 weeks for each state (21 March–4 April 2020) (Roper 2020). Evidence from the Bureau of Labor Statistics (2020) suggests that over 60% of job losses in March 2020 were in the tourism and hospitality sector. It is important to note that the states with highest job losses were the most affected by COVID-19, of which New York has been one of the worst affected. For example, New York had 181,825 infection cases and 8650 deaths as of 11 April 2020 (University of Virginia 2020). As such, losses in employment have further increased the vulnerability of the respective communities with dire psychosocial and economic effects.

### Table 8.1 (continued)

| Tourism organisation | Impacts and responses to COVID-19 |
|----------------------|----------------------------------|
| Intercontinental Hotel Group (5656 hotels across nearly 100 countries) | Reported 6% decline in business in January and February 2020 and 90% in China  
At the peak in China, 178 hotels were closed  
Further 60% decline in business in March 2020  
Deferred renovations and imposed salary cuts for staff including board and executive level in March 2020  
Cancelled S$150 million in dividends  
Cut capital expenditure by S$100 million for 2020  
Cancelled fee waivers to existing and new bookings at all hotels globally for stays between 9 March 2020 and 30 April 2020 and later extended to 30 June 2020  
Modified and/or reduced services in some hotels, e.g. reduction in restaurant and bar service, alternative guest room furnishings and/or amenities  
Suspended operations (InterContinental Hotels Group (IHG) 2020; Brandler 2020) |
| Indonesian Hotel and Restaurant Association (PHRI) | Shut down 698 hotels as of the beginning of April 2020  
Open hotels were operating below 5% occupancy levels  
Several hotels in the country were providing delivery service of dishes from their restaurants |
| Tsogo Sun | Closed 36 hotels (i.e. 40% of group operations)  
Postponed capital expenditure and only kept up critical maintenance work  
Head office support functions operated on a limited staff-only basis to ensure good communication with guests, partners and suppliers  
The company noted that it was likely to fail to meet its debt obligations if poor occupancies continued beyond 3 to 6 months post-September 2020  
Approached lenders to request waivers of covenants to ensure that the facilities to which the Group had access were maintained (Tsogo Sun Hotel Limited; Hospitality Fund Limited 2020) |
Figure 8.6 shows that since the beginning of the pandemic, American hotels have been bleeding cash and jobs. This has threatened to bring the hotel industry to a grounding halt if no intervention measures are taken to rescue the situation. The employees and small businesses are also vulnerable to the effects of the pandemic, with a sizeable number of companies at risk of collapse. If the pandemic persists, rescuing the tourism industry is going to be more costly, and it will take longer to ensure that the industry regains stability and starts generating new jobs.

It emerges from Fig. 8.6 and Table 8.1 that the hotel industry lost billions in potential revenue and resulted in job losses as never seen before. While it emerges that the industry chose in the main job furloughs as a cost-cutting measure, such a measure exacerbated the problems for hotel employees. While the employees had to deal with the fear and anxiety caused by the pandemic, they had to face a bleak and uncertain future. Baranik et al. (2019:381) note that furloughs are “characterised by decreased life satisfaction and increased work-family conflict and physical, cognitive, and emotional burnout even weeks after the shutdown ended”. There is, therefore, a need for the hotel industry to come with some sort of safety net for its employees to shield them from such ever-imminent shocks to the hotel and tourism industry.
The other concern is for small to medium enterprises which are vulnerable to the shock of the pandemic. Small to medium enterprises are often without the financial muscle to deal with shocks of such magnitude. Most such enterprises are outcompeted in the race for resources resulting in closures and permanent job losses. The tourism industry has a significant number of small to medium enterprises, and there is a need for these businesses to be protected from failure to protect jobs and the industry. It is appalling to note that despite the US government handout in place, take-up of the rescue package which was supposed to rescue the tourism sector was not embraced with open arms given the conditions that were attached it. The CARES Act imposed a condition that the beneficiaries of the government funding were supposed to use 75% of the fund on the wage bill, something that was strongly protested by the industry through their representative organisation American Hotels and Lodging Association (AHLA) in a letter that was written to Congress, requesting changes to the CARES Act.

The AHLA argued that the bill costs were quite minimal as compared to other fixed costs such as property tax, insurance, utility costs, bank loan payments, utilities and franchise fees to the chain brands. The hoteliers noted that in some instances, the Act also restricted hotels from laying off employees, something that was not acceptable to the industry as they pointed out that rehiring about 10% of employees would not make sense, as there was simply no work for employees and if the business could not service other fixed expenses, they were still going to shut down (The Washington Post 2020). The workers association fought back, noting that it was unfair for the industry to ask the government to divert public funds to pay to rich capitalists on Wall Street when workers were laid off. There is a feeling that in as
much as it was raising some valid arguments, the main thrust was to protect the investor and the business and not necessarily the employee.

8.4.3 Impact of COVID-19 on Hotel Sector Shareholders and Value Chain

The coronavirus did not only affect the tourism industry; the impact was felt among all its stakeholders throughout the sector’s value chain. The deferment and postponement of the payment of dividends adversely affected shareholders. Beyond the shareholders, suppliers and support services, the hoteliers were adversely affected by the pandemic through business losses. The shareholders are likely to fork out more money to remain afloat with the most affected being small and medium enterprises that are likely to go bankrupt in the not too distant future.

A number of hotel groups indicated that they had deferred capital projects. This meant a decline in tourism investments. A decline in investment would adversely affect support workers and the construction industry the most which may further worsen the recession and will likely have a knock-on effect on employment in that sector. In some instances, the hospitality industry has contacts with farmers and other fresh produce producers for the provision of food. This sector has also suffered due to the closure of hotels and the decline in demand, with implications for the global food market industry and probably its employees, which might see dwindling returns for farmers. Besides the food suppliers, the other daily consumables that are used in the hotel industry have also been adversely affected by the declining demand.

The hotel industry has some fixed obligations, which can be pretty substantial (Rushmore and O’Neill 2015). Such obligations need to be serviced regardless of whether the hotel is trading or not. Given the robust growth in the tourism industry which grew at a rate of 3.5% against a global economic growth rate of 2.5% (UNWTO 2020), many hoteliers were involved in the expansion and/or acquisition projects and thus are likely to find it challenging to continue with such projects. The indications from Tsogo Sun, a hotel operator in South Africa, are that it might be a challenge for some hoteliers to meet their debt obligations over a prolonged period of low hotel occupancies.

There were already indications from the US market that some enterprises had already defaulted on the payment of rentals and leases as of April 2020, ranging into millions of dollars (Schoening and Shapiro 2020). Towns and municipalities were likely to be affected, especially those that rely on tourism business revenue for their rates and taxes. The financial collapse was likely to result in businesses defaulting on their rates and taxes. Small municipalities such as the town of Victoria Falls in Zimbabwe have been bankrupted as a result of the pandemic and are most likely to struggle to raise adequate cash for their employees and social services due to a decline in revenue. South African hotels and lodges in Cape Town which were just emerging from one of the worst droughts to have affected the Western Cape have also been badly affected by the pandemic as they do not have enough cash reserves
to rescue the situation. Following the wildfires in the Australia, where most resort towns battled and encountered severe losses, the tourism businesses had gone from bad to worse in terms of meeting its financial obligations, as areas in Victoria and New South Wales have yet to recover from the devastating impact of the fires that ended earlier in 2020.

8.4.4 The Impact of COVID-19 on Airbnb

The pandemic also had severe ramifications for vacation rentals such as Airbnb. With the COVID-19 affecting millions, the vacation rental and home-sharing companies were also as severely disrupted as their hotel counterparts as a result of travel cancellations. In particular, the blanket cancellations suffered by Airbnb left the owners vulnerable, with no income to pay for bonds and other associated rates. This caused a flurry of online complaints, petitions and lawsuits leading the company to set up a $250 million facility in order to compensate hosts for up to 25% of their lost income (Schaal 2020). An additional $10 million bailout was sought for bailing out superhosts. The cancellations came at a high cost to the company as it was billed for public listing some time in 2020. In 2019, the market value for Airbnb was set at $31 billion up from nothing 11 years back (Sherwood 2020). However, due to the pandemic and poor management of cancellations and refunds, the company plunged to almost half the value. The company was valued at 18 billion dollars as of April 2020 (Eaglesham and Grind 2020). In light of the depreciated value, it remains to be seen whether the company will proceed with its initial planned public offering.

Given the disgruntlement, there is evidence that some property owners took their property off short-term rentals, which might signal that property owners are going to put those properties up for long-term rentals. Figure 8.7 shows that all the sampled countries have reported a decline in the number of active properties. This has affected the annual returns and profitability of Airbnb. For property, the immediate future is bleak with the volume of cancellations very high and future bookings very low. There is, therefore, a need for property owners outside the USA to look for ways of paying the fixed expenses on their properties which might mean months of losses. The status quo brought into question the sustainability of business models adopted by companies such as Uber and Airbnb, which transfers all the risk to the service provider, while they take all the profits and no substantive risks. A better and more equitable and workable model has to be found to address such disparities.

8.5 Conclusion and Recommendations

The study investigated the impact of COVID-19 on the global hotel and Airbnb tourism sector. It emerged that the COVID-19 pandemic has had a devastating short- to medium-term impact. The pandemic has led to a spike in booking
cancellations as witnessed on five platforms from which the data were collected, namely, Agoda, Airbnb, Booking.com, Expedia and Hotelbeds. A spike in cancellations and a decline in bookings has left many hotels vulnerable to the impact of financial losses. The pandemic also came at a higher cost to Airbnb, which has lost close to 50% of the company’s market value. Cancellations for Airbnb have left property owners vulnerable to fixed expenses of property ownership such as rates, taxes and loan repayments. Faced with imminent business collapse, hotel organisations globally have resorted to massive job layoffs and furloughs with adverse impacts on employees as most hotels temporarily closed shop. As the chapter was being finalised, there was a real danger than most hotels would not be able to meet their financial obligations such as loan repayments and servicing of rates. Most global hotel groups deferred or cancelled the payment of dividends to shareholders and suspended capital expenditure. Initial assessment showed that for the tourism industry alone, hundreds of billions of dollars in potential revenue was lost. The figure could translate into trillions of dollars if one considers the knock-on effect of hotel shutdowns on the entire tourism value chain.

In light of the enormous liquidity challenges that were being faced by the tourism industry, especially hotels and Airbnb, there was a need for state and private sector intervention in the form of stimulus packages. Such stimulus packages would assist the industry to get back on track as soon as the disaster is over, and therefore a full chapter is dedicated to this in this book. It is anticipated that the first revival will come from the domestic tourism markets. The promotion of domestic tourism would offer much-needed relief to the industry as states were likely to open up to the domestic tourism market before they open up to the international markets.
Incentivising the domestic tourism market could offer the needed relief sooner than the international tourism market.

Governments could assist in waiving some of the taxes and charges as part of the relief package for the sector. Assisting employees with unemployment benefits could go a long way in relieving the burden from laid-off employees in the interim, but long-lasting solutions have to be found to assist laid-off employees. Fortunately, some of these interventions were already in place, as the chapter was being finalised. The tourism industry also includes many small to medium enterprises that needed special stimulus packages if they are to remain viable as they are more vulnerable to the impact of the pandemic.

In the absence of medication for the coronavirus, there was a need for the industry to be allowed to also open with new health and safety protocols that ensure the safety of guests and staff. A new deep cleaning mechanism was needed to ensure that the disease does not spread in accommodation establishments. In ensuring safety and health, it was imperative to ensure the existence and grafting of social distancing in hotels and hotel restaurants. Innovative technology such as contactless check-in and payments was a must to instil a sense of safety among guests. As such there was a need for the industry to come with health and certification scheme that shows the adherence of hotel and other accommodation to global health and safety that takes into consideration the new normal under COVID-19. Lastly, the chapter recommends further regional, national and local studies to ascertain the extent of the impact and industry response to COVID-19. Such work would assist the industry to better prepare for future pandemics when they occur.

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