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### RESEARCH ARTICLE

#### IMPACT OF COVID-19 ON THE HOSPITALITY SECTOR: A STUDY INTO THE PLIGHT OF RESTAURANTS IN DELHI-NCR

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#### Abstract

The project aims to observe, study, and analyse the factors of political, social, and economic nature that affected the growth and development of the hospitality sector in the context of the COVID-19 crisis. Moreover, an apt analysis of the future of the hospitality sector is aimed to be the conclusion of my investigation. In this regard, I have made innovative use of digital questionnaires covering questions pertaining to sales, growth, cost-cutting, and demand inflation dimensions of the restaurants, and gotten them filled by respective businesses in and around Delhi. Moreover, collaborating this data into a comprehensive analysis, I have also observed the social trends around dining out, and getting packaged food in India that were initiated by COVID-19 crisis. Indeed, the danger is real and the historic crisis of infection through human to human contact has had multifaceted effects on the present and future of our society. In this light, the restaurants which depict interpersonal relationships and private life of a community constituted a rich subject of study, as far as the present and future possibilities of resumption is concerned with respect to the social landscape of the country. I have also kept the theory light and readable for the content to reach varied sections of the society and brace people for the new standards of social life in India.

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#### Introduction:-

Coronavirus, now globally carrying the status of a pandemic, has led to a worldwide crisis with its effects on the hospitality industry potentially heavier than those of 9/11, SARS, and the financial crisis in 2008. On a business level, the impacts of the crisis have reached every industry in the world, with travel and tourism taking a massive hit. Nearer home, the Indian hotels' sector has been hit hard, grappling with significantly low demand, with very few future bookings. Essentially, all transient demand has completely vanished – the remaining is largely on account of either a few long stay guests or hotels having been prescribed by the Government for the international travellers returning to India. The Indian hospitality industry is undoubtedly one of the biggest casualties of the COVID-19 outbreak as demand has declined to an all-time low. Global travel advisories, suspension of Visas, the imposition of Section-144 (prohibition against mass gatherings), India like most other countries is on lockdown, the ramifications of which are unprecedented. Occupancy across hotels in key cities declined rapidly and as per our estimates has declined by a staggering 45 percentage points compared to the previous year. Such a steep decline in such a short period of time has never been witnessed by the sector. All of the hospitality sector will be heavily affected by the change in the supply chain, the lesser demand, some of them might partially or even fully shut down until the recovery can take place.

With such heavy impacts, the hospitality industry will have to learn to function in a way not seen before. As the relationship between each brand and consumer starts by building trust, regaining customer confidence will be the first step in overcoming the crisis. Strict sanitary and hygiene measures will need to be applied, with new practices put in place to monitor and control the environment in which the business takes place. As in all crisis situations, the communication should take the lead role in reaching out to the customers in a gentle and non-aggressive manner to reassure them of the safety in their decision to start travelling again. Promoting the business should be done in a positive manner, showing the benefit to the customer and providing the traveler's with a light at the end of the tunnel.

The players of the industry should consider how to emotionally and sensitively receive the traveler's once confined in their homes after the lockdown is lifted. The change will also apply to the players in the hospitality industry on the employer level. With the new approach to remote working, the businesses shall have to adapt to the emerging trends in the work practices. The efficiency of current work models will have to be re-evaluated and the employee wellbeing should be put even higher in the priority list. The hospitality sector has been hit very hard due to the impact of COVID -19 and it will take time for the sector to recover.

#### **Share of the Hospitality Industry in India's GDP:**

With a consistently growing middle class and increasingly disposable income, the tourism and hospitality sector is witnessing a healthy growth and accounts for 7.5 per cent of the country's GDP. According to a report by KPMG, the hospitality sector in India is expected to grow at 16.1 per cent CAGR to reach Rs 2,796.9 thousand crore in 2022. The hospitality sector encompasses a wide variety of activities within the services sector and is a major job provider both direct and indirectly. The sector attracts the most FDI (Foreign Direct Investment) inflow and is the most important net foreign exchange earners for the country. It also contributes significantly to indirect tax revenue at the state and central level which includes revenues from VAT, Service Tax, and Luxury Tax etc.

The growth in the hospitality sector and its contributions to the GDP will continue to be substantially higher than other sectors of the economy on the back of huge tourism potential in the country. However, the hospitality sector is one of the most heavily taxed industries and is saddled with multiple layers of tax such as VAT, service tax, luxury tax, etc. ranging from 20 per cent - 30 per cent. These multiple taxations add to operational costs and reduces profitability. While the operationalization of the much awaited GST regime is expected to rationalise the taxation structure, bring a positive outcome with streamlined taxes, enhance ease of doing business and lower cost for the consumers, there is an urgent need for lowering the tax levied, to incentivize and attract more investments to the sector.

#### **Effect of COVID-19 on the Indian Economy:**

To combat with COVID-19, the Indian Government extended the date of lockdown to 3rd May, 2020.

Recently, an industry survey that was jointly conducted by FICCI, an association of business organizations in India, and Dhruva Advisors, a tax consultancy, took responses from about 380 companies across the sectors. It is said that businesses are grappling with "tremendous uncertainty" about their future.

According to the survey, COVID-19 is having a 'deep impact' on Indian businesses, over the coming month's jobs are at high risk because firms are looking for some reduction in manpower. Further, it adds that the COVID-19 crisis has already caused an unprecedented collapse in economic activities in a matter of a few weeks.

The present situation is having a "high to very high" level impact on their business according to almost 72 per cent respondents. Further, 70 per cent of the surveyed firms are expecting degrowth sales in the fiscal year 2020-21.

#### **Effect of COVID-19 on the Indian Hospitality Sector:**

India's hotel and hospitality industry's occupancy has declined sharply in the first quarter of 2020, as the COVID-19 outbreak impacts various segments of the sector. Coming off a high-performance base in 2019, the COVID-19 outbreak and the containment measures introduced by the centre have resulted in a severe drop in foreign and domestic travel, across both the tourism and business traveller segments.

"In the third week of March 2020, at an all India level, the hotels' sector witnessed a decline of more than 65 per cent in occupancy levels as compared to the same period of the previous year. As travel restrictions around the

world intensified further, second and third quarters of 2020 are likely to be similarly impacted,” according to the report.

The report estimates that at least 30 percent of hotel and hospitality industry revenue could be impacted if the situation doesn’t improve by the end of June 2020. With more than 60 percent of organised hotels in India already shut and several others operational with single-digit occupancies, recovery will be gradual.

### Methodology:-

This paper has adopted a digital survey research method and thus to perform the survey research methods have been strictly followed. We empirically examine whether the COVID-19 crisis has affected the hospitality sector. The population that was surveyed was a mix of owners, managers and employers of various restaurants in Delhi. The questions were formed as multiple choice questions and open ended questions to get the views of different viewers working in this business.

A systematic sampling method has been used. The questionnaire was designed to have an insight about how the COVID-19 crisis impacted the restaurants and how it changed the operations of the restaurants, working force, marketing strategies, growth, cost-cutting, and demand inflation dimensions of the restaurants. My method of digital questionnaire was more appropriate as surveys are designed to produce relatively short answers rather than extensive responses expected in qualitative interviews.

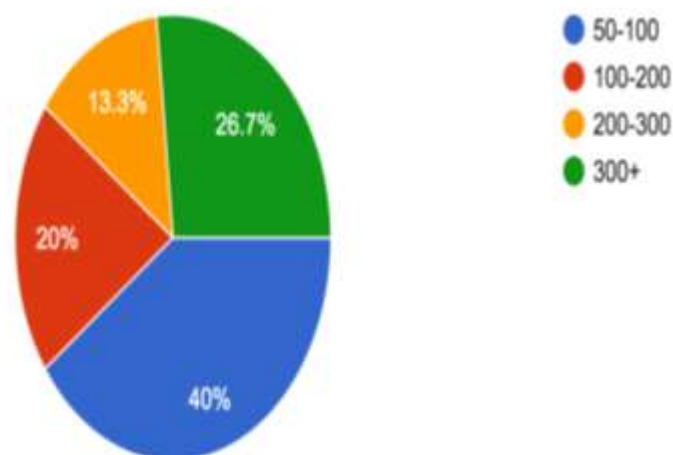
Due to the current situation of lockdown, having access only to digit surveys I faced certain limitations in reaching out to the small businesses that I approached. There is limited sampling and respondent availability and some people are not truthful in contributing to your study and there are chances of survey fraud. After reaching out various restaurants and getting the responses we can clearly make out how most of the restaurants have been affected and what measures they are taking to overcome this. Further, we also get to know about what protocols will they follow and what is their plan of action. We gain an insight on their current sales and their confidence building measures in terms of customer services.

### Result:-

The following charts provide graphical representation of the data gathered from the survey:

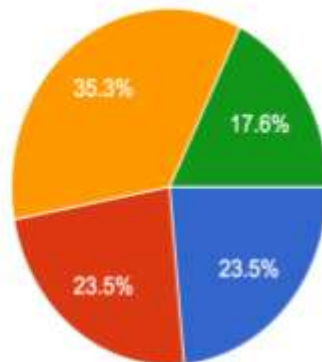
Employee Count :

15 responses



How has the workforce been impacted during this period ?

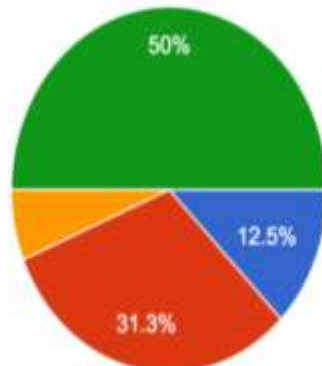
17 responses



- We have reduced hours per staff
- We have reduced staffing through layoffs or furloughs
- Staff is allowed to work remotely
- We have changed our current/future hiring plans

What were the changes in operation ?

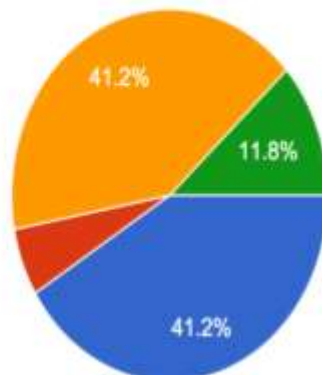
16 responses



- We had to close completely
- We have reduced opening hours
- We are closed on in-person customer visits
- We are currently not offering on site services , but do offer delivery , take-out , online ordering , etc

How have the finances changed due to pandemic ?

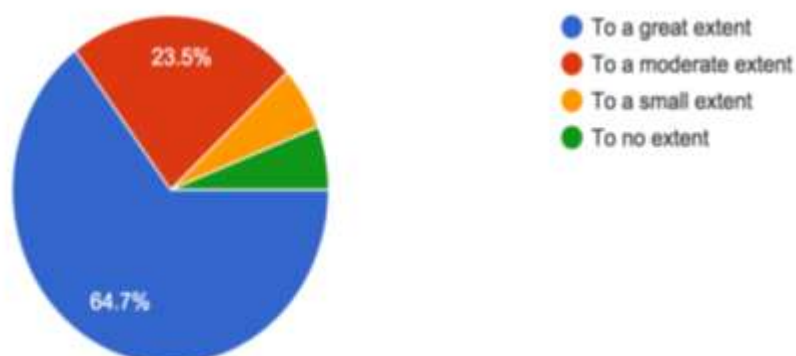
17 responses



- We have seen reduction in sales
- We are planning to suspend operations
- We are monitoring expenses due to uncertainty
- Other financial changes

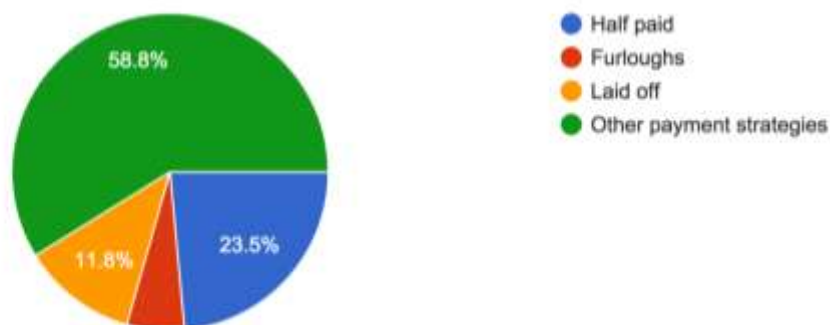
How much has the pandemic affected the profits of your business ?

17 responses



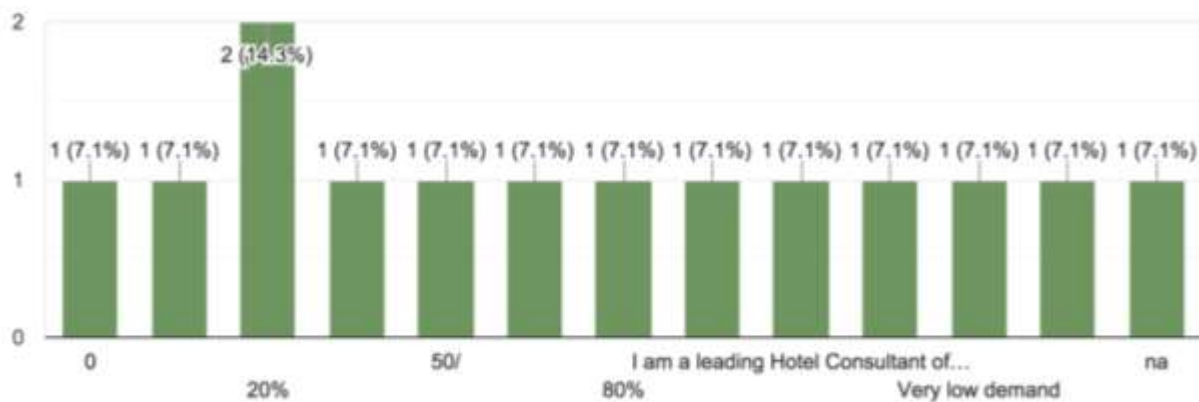
How were the employees paid during this crisis ?

17 responses



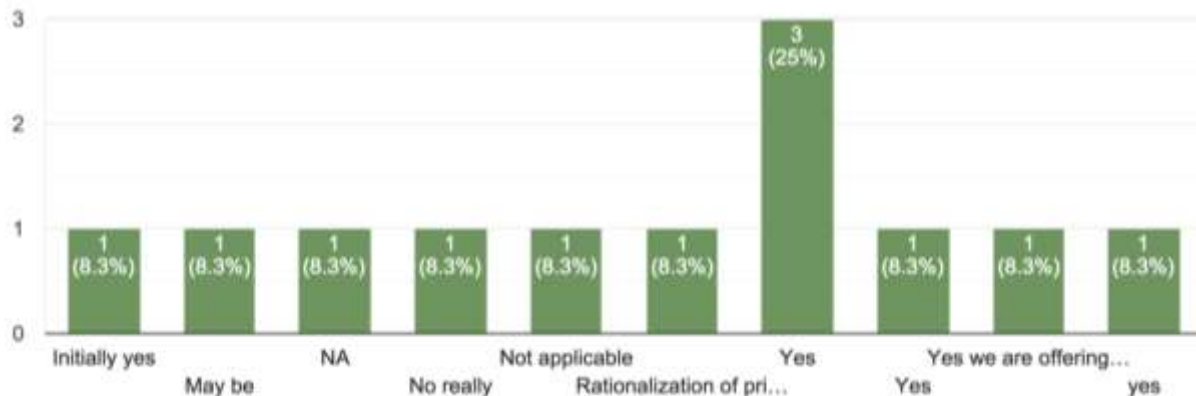
What was your percent change in demand compared to this time in last year ?

14 responses



You might change the packing of food and encourage contact-less delivery, as we are seeing by most online delivery websites; will this increase your costs?

12 responses



**Have you shifted your overall strategy in response to COVID-19? If yes, how has your marketing, funding, operations, personnel, and sales changed?**

**15 respondents gave the following answers to the open-ended query, others chose not to disclose:**

1. Yes
2. No
3. Yes it has been affected a lot and we are improving our online services.
4. Yes at present online order, quarantine passenger. No social event.
5. It has affected our sales and also has led to change in operations.
6. can't disclose
7. Yes, it changed. Confidential.
8. They are offering guest the best services, and new normal guidelines as per government
9. More focusing on online services and delivery
10. Yes, efficiently using manpower and other expenses
11. Still trying to adjust on a daily basis.
12. Yes our sales have been reduced.
13. We are trying to make all our services online and we have allowed takeaways.
14. Yes we are doing digital marketing to increase our sales but we have reduced our productions due to reduced sales.
15. Yes planning on allowing delivery to some safe zones with hygiene

**How do you plan to move ahead in your post lockdown era?**

**22 respondents gave the following answers to the open-ended query, others chose not to disclose:**

1. We plan to take all kinds of safety measures and continue our business keeping social distancing in mind.
2. Post lockdown staff will be back to normal and focus will be on new business generation and production will be increased on accordingly
3. By trying to have more consultancies in the times to come
4. With crystal clear planning
5. Save money
6. With New Normalcy processes
7. limited
8. Planning how we can increase our sales and keeping in mind some amount that we are going to put in to maintain proper sanitation.
9. Following proper hygiene and sanitation guidelines
10. Safe
11. We are trying to follow proper government guidelines and expand our business.
12. Wait for a vaccine to be invented
13. Gradual increase in revenue and strict control on expense
14. As per government guidelines

15. New Normal is our mantra
16. We are planning a new concept and improvising on the infrastructure of our restaurant.
17. Post lockdown staff will be assigned back to work but we will reduce our staffing and reduce our expenses .  
Work more on online marketing.
18. We will work on our planning techniques to improve our sales and marketing.
19. With proper planning and following hygiene methods.
20. We are following a proper procedure of safety measure keeping in demand the consumer demands.
21. With decrease in sales we are trying the concept of digital restaurants.
22. We are still planning on how to go about it.

**How do you plan to incorporate social distancing of 1.5 meter distancing between customers, owing to the limited space available with you? How do you plan to put your limited space now to full use?**

**14 respondents gave the following answers to the open-ended query, others chose not to disclose:**

1. We have limited walk-in customers daily so we will arrange for complete safety and hygiene in eat areas and reception and allied areas.
2. It differs from establishment type or eating joint place type of clientele-type of. Competitors and Standard of the hotel etc is situation wise it needs to be worked out
3. Our business is close
4. Implemented
5. Marking
6. Will work out
7. According to 1.5-meter distance, we are limiting the customers and following proper safety measures.
8. We are planning to get transparent dividers in the eating areas.
9. Very difficult
10. Reducing covers in all areas
11. Yes we have done the marking at front office and back areas, and following the government direction.
12. We are offering only limited guest in the premises, as per government guidelines
13. We have implemented
14. We are planning to book appointments for our restaurant, we will only allow limited guests at one time.

**What kind of protocols do you intend to put in place so that your customers are reassured that the food prepared by the chefs is hygienic and virus-free?**

**13 respondents gave the following answers to the open-ended query, others chose not to disclose:**

1. Use COVID-19 protocols and ensure proper hygiene.
2. Customer Visit of processes
3. AS per SOP by FSSAI & HACCP
4. Following WHO guidelines
5. Half course right
6. By using disposable gloves, spacing out work stations and limiting the number of staff in the food preparation area.
7. As per protocols suggested by FHRAI
8. PPE kit, hand sanitizing, regular temp check, liaising with local authority for any help
9. Social distance of range. Disposables crockery glass cutlery.
10. We have taken all safety measures as per the guidelines to protect our customers & employees.
11. All the the hygiene practices are already in place
12. By protecting utensils and shifting to sustainable disposables.
13. Organising staff into working teams to facilitate reduced interaction between the groups

**What kind of confidence-building measures do you intend to put in place?**

**13 respondents gave the following answers to the open-ended query, others chose not to disclose:**

1. A security gate security tunnel with a showering facility will be incorporated, at various places hand free sanitizer stands will be placed.
2. Manage every situation with safety.
3. Hygiene and safety being the top most priority for guests as well as staff.
4. ensuring touch less.
5. Cleanliness.

6. Safe and social distance.
7. By guaranteeing full safety.
8. Digital marketing ensuring safety of customers.
9. Too early, we should wait.
10. safety and hygiene related videos, talking to customers personally.
11. We are very confident about our products which are prepared.
12. Daily briefings and motivational insights in work at the security gate security tunnel with a showering facility will be incorporated, at various places hand free sanitizer stands will be placed.
13. By providing proper measures and standing up to their expectations.

**While the cost-cutting measures can include delivery of ebill (no printed ones to save cost of paper, ink etc), low cost on air conditioning (24 degrees to 26 degrees) et al; how will they transpire you on realigning the cost structure?**

**10 respondents gave the following answers to the open-ended query, others chose not to disclose:**

1. Such measures will reduce 15% costing
2. This program handle our engineering staff
3. Not really
4. Half course
5. With 26 degrees inside the restaurant, it's a challenging task to get customers
6. These measures can be used even after the pandemic is over. Will help in using our resources effectively
7. We have taken all cost measures to reduce operational costs.
8. To a greater extent
9. Will reduce cost structure by 15%
10. Will planning according to the future benefit of our business.

**What will be the economic impact of such measures and protocols that you put in place? Is the food cost going to increase?**

**11 respondents gave the following answers to the open-ended query, others chose not to disclose:**

1. Yes the food cost is going to rise rapidly
2. Depend on COVID-19 impacts
3. yes, will certainly increase and will require simpler menu planning
4. food cost is normal, packing & preparation cost is high
5. Absolutely
6. Business related then only we decide
7. There is an absolute possibility of a huge rise in the food costs keeping in mind the current crisis.
8. For the next 6 months at least, food is going to be ordered from outside, and we should focus on Take away and In Room Dining for hotels. Complimentary breakfast will be a packed one and Hotels save a lot on that front... no more buffet which results in a lot of wastages. Let us all be patient till this crisis comes to a logical conclusion. All the stop gap arrangements are not going to be rewarding. If the RBI agrees for an interest waiver for 6 months along with EMI waiver, then the owners need not to worry much.
9. It will give a good amount of savings. We will be more vigilant in spending than ever before.
10. During the period the business is low and we follow all protocols for our guest and employees safety.
11. We are managing to get a note of the fluctuations and alter the costs.

### **Conclusion:-**

The Indian hospitality industry is undoubtedly one of the biggest casualties of the COVID-19 outbreak, as demand has declined to an all-time low. Several countries have issued travel advisories and are in lockdown mode, with all major global business, social and sporting events getting cancelled since February. Global travel advisories, suspension of Visas, the imposition of Section-144 (prohibition against mass gatherings), India like most other countries is on lockdown, the ramifications of which are unprecedented.

The Indian hotels' sector sailed smoothly into January 2020, after a record year in 2019, with 2020 set to be "even bigger". The country first started feeling the ripple effects of the global COVID-19 turmoil towards the end of February 2020, which worsened at the beginning of March. Occupancy across hotels in key cities declined rapidly and as per our estimates has declined by a staggering 45 percentage points compared to the previous year. Such a steep decline in such a short period of time has never been witnessed by the sector.

Besides the actual business loss, the hotel owners will also incur losses due to fixed operating expenses, debt repayments, interest payments and several other compliances required to be undertaken as part of the sector.

The Government has already taken a step in the right direction by announcing its plans to set up a COVID-19 Taskforce to undertake measures necessary to combat the economic effects of the pandemic on the country. Providing a stimulus package to stabilize and support the sector, providing a 12-month corporate tax holiday to travel, tourism and hospitality sectors. Deferring all statutory dues such as advance tax, custom duties, excise duties, PF, bank charges etc. at central and state level for 12 months. Waiving or reducing GST on products offered by the sector for a one-year period are some major key steps in this regard.

The reopening plan of a hotel should be viewed through the prism of past reopening plans that were devised for the hotel prior to its initial opening. The only critical difference in this instance being that the hotel will now reopen post a horrific event that would have fundamentally altered the foundation of the hospitality sector globally. Hotels should look to implement the reopening plan in the shortest possible time available, as when demand returns the statement 'customer is king' will be reinstated with stronger emphasis.

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