# HOTEL INDUSTRY - TRENDS AND PERSPECTIVE IN THE CONTEXT OF COVID-19 PANDEMIC

**Roxana Elena POPȘA**

***Abstract:*** *Worldwide, one of the most affected by the COVID-19 pandemic is the hotel industry. The decrease in the occupancy rate of hotels has been visible since March 2020, similarly there is a decrease in performance indicators, such as average daily rate (ADR) and revenue per available room (RevPAR). Specialized studies estimating that only starting with 2024 the hotel industry will be able to return to the level of performance before the pandemic. Therefore, the paper aims to present the main coordinates of the hotel industry worldwide, the impact of the Covid-19 pandemic, as well as the development possibilities of the industry in the current socio-economic context.*
***Keywords:*** *hotel industry; hotel occupancy; hotel chains; revenue per available room; COVID-19 pandemic*

## 1. INTRODUCTION

Globally, the hotel industry is dominated by hotel chains, defined as a strategic alliance for the horizontal development of a hotel product under a common brand.

The value of the chain concept includes real estate acquisitions, franchising (Butler and Braun, 2011), operational management, human resources management (Gannon *et al.*, 2012), marketing and sales, reservations and information, administration control, customer services (O'Neill and Carlbaeck, 2010).

The COVID-19 pandemic and the restrictions imposed by it, such as lockdown, social distancing, travel restrictions, significantly affected the hotel industry; on the one hand some of the accommodation units suspended their activity, and on the other hand the hotels that were allowed to operate recorded a decrease in demand and thus revenues.

In this regard, information provided by Statista indicates that the number of users has halved in 2020, compared to the previous year, reaching 595 million in 2020. Furthermore, the five leading hotel companies, by number of proprieties, namely: Wyndham Hotel Group, Marriott International, Choice Hotels International, Hilton Worldwide and InterContinental Hotels Group have registered a lost in revenue of 14 billion dollars.

Thus, it becomes opportune to know the impact that the COVID-19 pandemic had on the hotel industry worldwide, by presenting the changes in terms of hotel occupancy, average daily rate (ADR) and revenue per available room (RevPAR), but also the forecasts made by specialists in regarding the relaunch of this industry.

## 2. ANALYSIS THE IMPACT OF COVID-19 PANDEMIC ON THE HOTEL INDUSTRY

Globally, in terms of number of properties, the leading hotel company is Wyndham Hotel Group with 9280 properties, followed by Marriott International with 7484 properties and Choice Hotels International with 7118 properties, while at the opposite pole is Apple Hospitality REIT with 233 properties, as can be seen from figure 1.

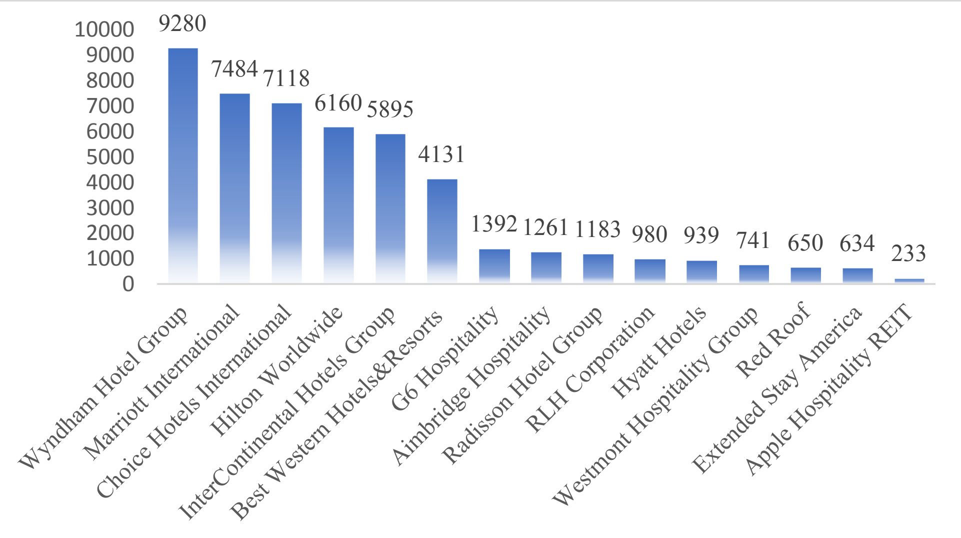


**Figure 1**. Leading hotel companies worldwide 2020, by number of properties
Source: www.statista.com

Leading the hotel industry, in 2019, with 9,157 properties, as a result of the expansion and through the acquisition of La Quinta Holdings, Wyndham Hotel Group has 20 brands in its portfolio. In 2020, the brand of the hotel group with the most properties was Super 8 with 2723 properties, followed by Days Inn with 1600 properties.

As for the leading hotel companies in terms of number of guestrooms, as can be seen by analyzing the data in the figure below, on the first place is Marriott International with 1.400.693 guestrooms, followed by

Hilton Worldwide with 974.508 guestrooms and InterContinental Hotels Group with 881.562 guestrooms, while Wyndham Hotel Group ranks on the fourth place with 831.025 guestrooms.

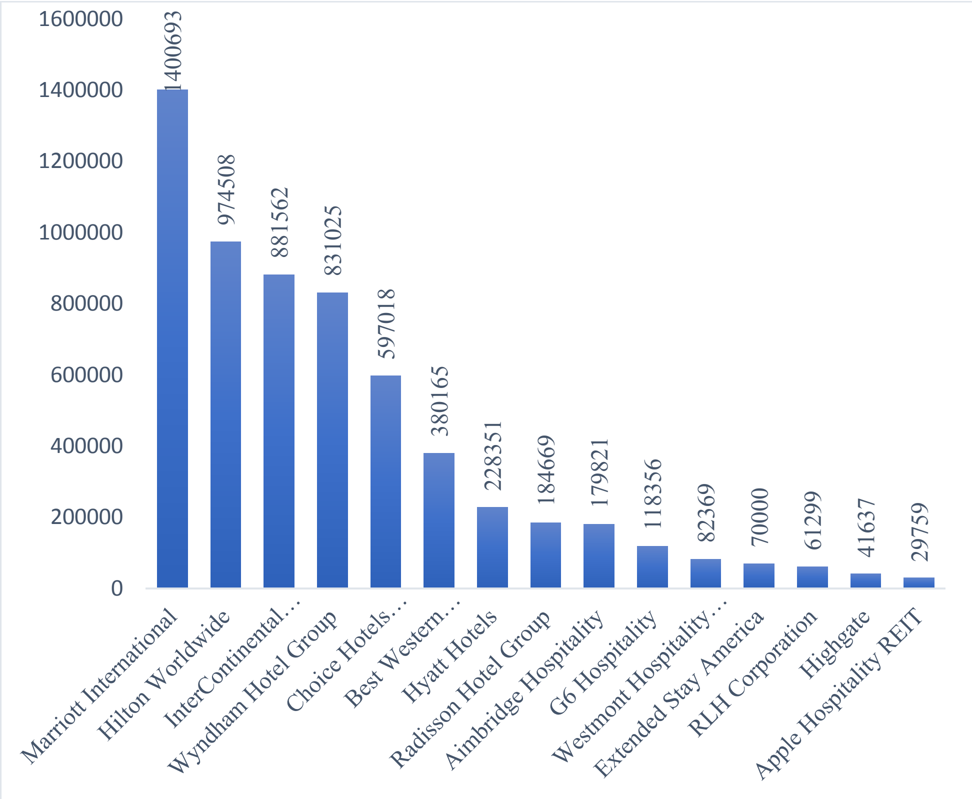


**Figure 2.** Leading hotel companies worldwide 2020, by number of guestrooms
Source: www.statista.com

Thus, in 2020, Marriott International had almost 427 thousand more rooms than the next ranked, Hilton Worldwide.

An important period in the expansion of Marriott International was between 2015-2016, when the hotel group acquired the Canadian Delta Hotels chain and the American Starwood Hotels and Resorts chain.

The data provided by Statista indicate that the pandemic significantly affected the revenues of the leading hotel companies, as follows: Wyndham Worldwide registered a decreased in revenue by 36% and Choice Hotels International by 31%. While Marriott International saw a $10.4 billion drop in revenue and Hilton Worldwide a $1.5 billion loss in revenue in 2020.

Looking at this context it should be mentioned that according to Brand Finance, the COVID-19 pandemic could lead to the loss of up to 20% of cumulative hotels brand value.

In 2020, on the first place, regarding the world's top 50 most valuable hotel brands, ranked Hilton, recording an 35% growth in brand value, from US$8.023 million in 2019 to US$10.833 million. On the second place ranked Marriott with an 19.6% growth in brand value to US$ 6.028 million, followed by Hyatt with an 23.3% growth in brand value, from US$4.532million in 2019 to US$3.677 million.

Considering these aspects, the impact of the COVID-19 pandemic on the hotel industry, can be evaluated not only by the value of brands but also by the analysis of some hotel performance indicators, such as: revenue per available room (RevPAR); hotel occupancy; average daily rate (ADR).

The first negative effects of the pandemic can be observed by analyzing the data contained in figure 3, in terms of percentage change in revenue per available room (RevPAR) of hotels in selected European countries from February to March 2020.

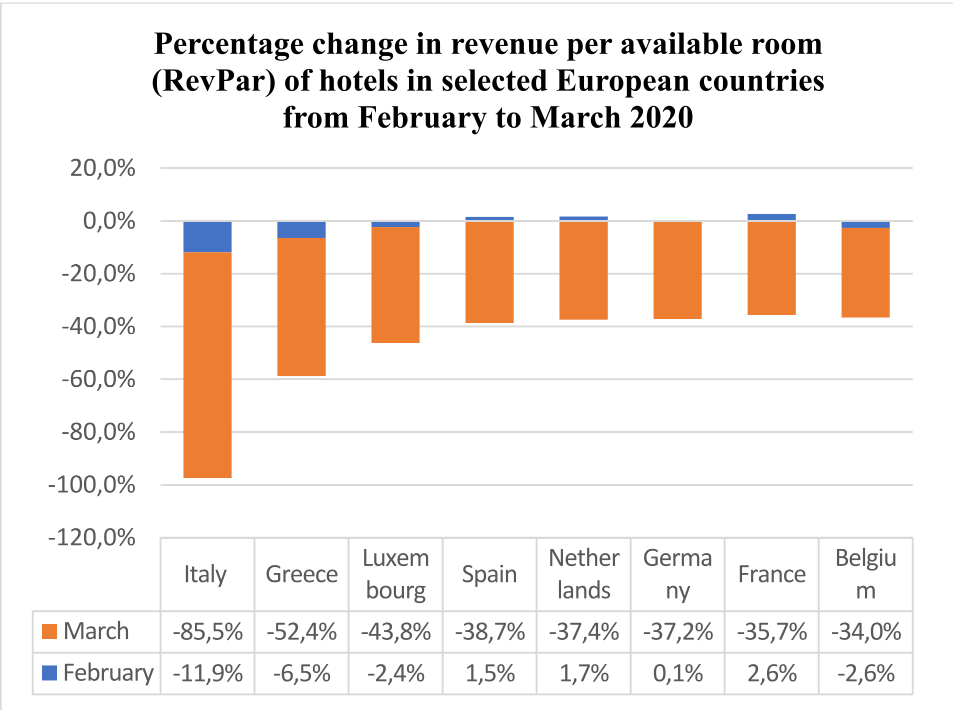


**Figure 3**. Percentage change in revenue per available room (RevPAR) of hotels in selected European countries from February to March 2020
Source: www.statista.com

The measures imposed by the COVID-19 pandemic, such as lockdowns and travel restrictions, affected the whole Europe, Italy being by far the country with the most significant decrease in RevPAR, respectively 85% in March 2020, Greece recorded a 52.4 percent drop, and hotels in Luxembourg a decrease of 43.8% in terms of revenue per available room.

Regarding the percentage change in revenue per available room (RevPAR) of hotels in selected European capitals from February to March 2020, the hotels from Rome recorded a decline of 86%, significant decreases were also registered in the other capitals of Europe, such as: Prague and Madrid with a 78, respectively 76 percent drop (see figure 4).

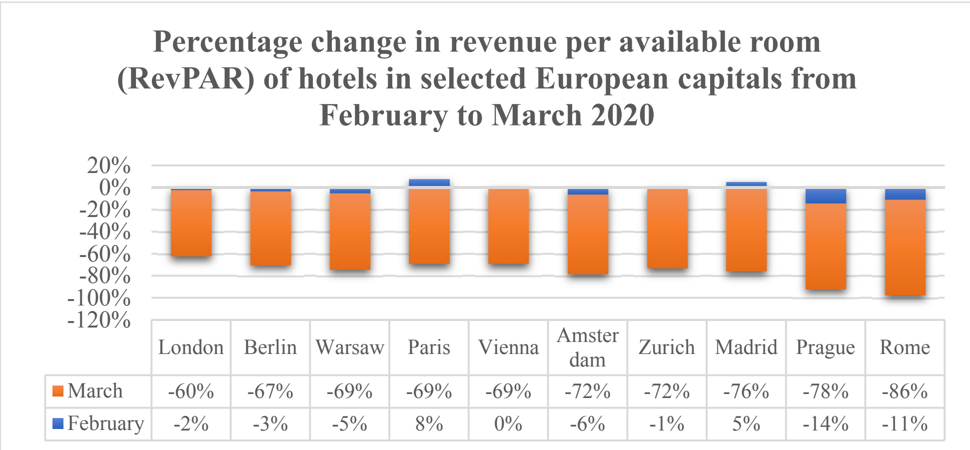


**Figure 4**. Percentage change in revenue per available room (RevPAR) of hotels in selected European capitals from February to March 2020
Source: www.statista.com

Overall, hotel occupancy in Europe fell by 72.8%, the revenue per available room dropped with 82.3%, and the average daily rate with 34.8%.

Obviously the COVID-19 pandemic did not only affect the hotel industry in Europe, STR data show a continuous downward movement from year to year of the global industry in June 2020, compared to June 2019, thus:

- Asia/Pacific - the hotel occupancy rate dropped with 43%, the revenue per available room with 63.1%, and the average daily rate decreased with 35.2%.
- Middle East - the hotel occupancy rate decreased with 42.9%, the revenue per available room dropped with 57.1%, and the average daily rate with 24.9%.

- Central/South America - the hotel occupancy rate dropped with 68.9%, the revenue per available room with 79.7%, and the average daily rate decreased with 34.6%.
- Africa - the hotel occupancy rate was 13.8%, decreasing with 76.8%, the revenue per available room dropped with 83.1%, and the average daily rate with 27.1%.

Thus, figure 5 shows the hotel occupancy changes due to coronavirus pandemic in selected countries worldwide, March 2020.

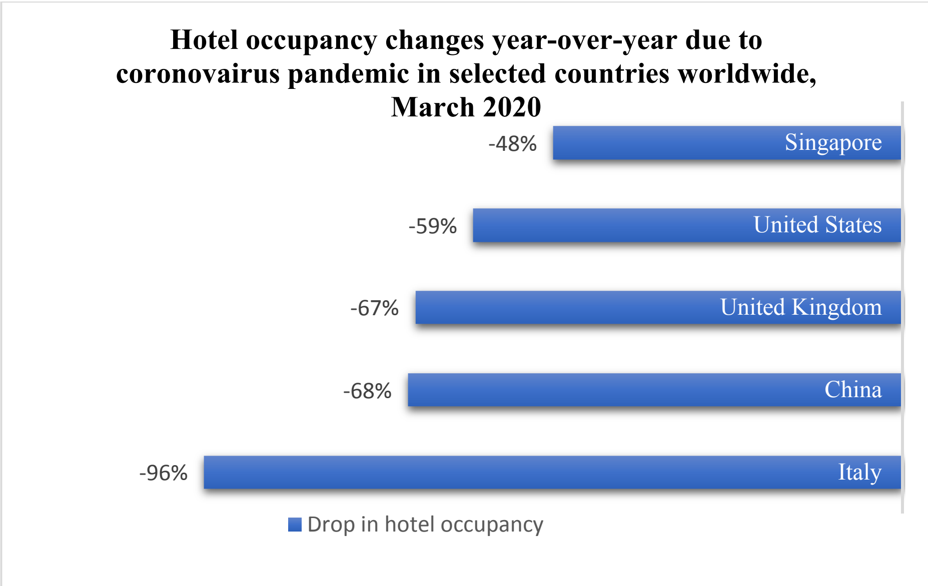


**Figure 5**. Hotel occupancy changes due to coronavirus pandemic in selected countries worldwide, March 2020
Source: www.statista.com

Analyzing the data contained in the figure above, we note that after Italy, whose occupancy rate decreased by 96%, among the countries where the coronavirus pandemic significantly influenced the performance of the hotel industry is China with a decrease of 68%, but also United Kingdom, United States, Singapore.

With an increasing number of cases reported daily, the coronavirus pandemic will continue to negatively affect the hotel industry worldwide, with HVS forecasts indicating that only from 2024 will hotel performance indicators return to pre-pandemic level, respectively a hotel occupancy rate of 72%, an average daily rate of 117 euro, and a revenue per available room of 84 euro.

Meanwhile, accommodation units are trying to limit the decline of specific hotel performance indicators and to implement a series of necessary and timely measures, such as: investment in new standards and hygiene procedures; renegotiation of contracts with suppliers and customers; restructuring; investment in digital marketing, brand / chain affiliation, in the case of independent hotel units.

In terms of maintaining the value of brands, and thus future revenues, hotel groups are focusing on improving their reputation during the crisis. Thus, Hilton donates free parking spaces to healthcare professionals, and in collaboration with American Express wants to donate 1 million nights of accommodation for frontline medical workers from US. Mercure brand, part of the Accor hotel group, shows goodwill by providing accommodation for homeless people and other vulnerable communities during COVID-19. Not least, Premier Inn measures consists in: reducing the number of unnecessary journeys to work, reserving hotel rooms to support the employees in key areas and implementing refund policies to non-refundable rooms.

## 3. CONCLUSION

The Covid-19 pandemic has affected several industries globally, including the hotel industry. Both the independent accommodation units and the leading hotel chains registered significant decreases in revenues, some hotels being forced due to the lockdowns, travel restrictions and other negative effects of the pandemic to suspend their activity. Many hotels are currently under increasing cash flow pressures, being forced due to restrictions to provide accommodation to a limited number of guests, while operating costs remain high. In this regard, each hotel unit must carefully analyze whether the standards can be lowered to ensure an optimal level of profitability.

The most affected country in Europe was Italy, where the occupancy rate of hotel units fell by 96% in March last year. Globally, a significant decrease in hotel occupancy in March 2020 was also recorded in China, United Kingdom, the United States or Singapore.

The data provided by Statista indicate that it will take at least three years for hotels around the world to generate revenues at a level similar to the one before the pandemic. Thus, it is expected that in 2022 revenues from the hotel industry will reach 342.6 billion dollars, which means 1.3 billion dollars less than the revenue recorded for the last five years. Finally, in 2023, hotel revenues are expected to reach 390 billion of dollars, and in 2025 $ 456.2 billion.

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