

## **Adapting to the New Normal: Exploring the Resilience of Chain Hotels in Thailand During and After the COVID-19 Pandemic**

### **Abstract**

The COVID-19 pandemic has had a profound impact on the hospitality industry in Thailand, with a sharp decline in tourism and revenue for hotels and resorts. In response, chain hotels have shown remarkable resilience by leveraging their brand reputation, operational expertise, and scale to respond to the crisis. This study explores how chain hotels in Thailand adapted to the new normal during and after the COVID-19 pandemic. Specifically, it identifies the key trends that chain hotels in Thailand must adapt to, including the emergence of new target groups, shifting customer behavior and preferences, and the need for effective human resource management. It also finds the chain hotels can promote sustainability and responsible business practices to remain competitive and relevant in the evolving hospitality industry.

### **Learning Objectives**

- ☐ To understand the changes implemented by the target hotel group due to the effects of the COVID-19 pandemic
- ☐ To study the hotel marketing strategy that effectively captured a new target group during the COVID-19 situation
- ☐ To study how the chain hotel responded to changes in customer behavior in the 'new normal'
- ☐ To explore the chain hotel's adoption of human resources management practices during COVID-19 pandemic

# INTRODUCTION

The COVID-19 pandemic resulted in a global economic recession that deeply affected travel and tourism. According to World Bank (2021), the world's GDP growth rate declined dramatically from 2.2% in 2019 to -3.3% in 2020. In 2019, prior to the pandemic, Thailand welcomed a record 39.8 million tourists, which accounted for approximately 21.6% of the total GDP. The tourism industry was a major contributor to Thailand's economy, providing jobs and generating revenue for local businesses. When the pandemic occurred, Thailand faced a severe cross-border demand shock when international to Thailand was almost totally blocked. As a result, the COVID-19 pandemic has had a significant impact on the tourism industry in Thailand, resulting in a drastic reduction in the number of tourists and a decline in the economy.

A number of policies were put into place in an effort to control the spread of COVID-19, including the use of government-mandated lockdowns in many countries and the implementation of travel restrictions. Due to the implementation of these anti-pandemic policies in order to control the spread of COVID-19, the number of domestic and international tourists decreased dramatically. Unsurprisingly, the hospitality industry in Thailand has experienced significant changes in the wake of the COVID-19 pandemic. The tourism industry has been hit hard by the significant decrease in hotel occupancy rates and revenue. The situation has forced hotels to adapt to the new reality and find new positioning strategies to remain competitive in the 'new normal', a term coined by McKinsey to describe the situation that will emerge in the post-viral era: the new normal.

Despite being a well-known chain hotel brand in Thailand, the case study organization in this study is no exception. It has had to develop new positioning strategies to adapt to the new post-pandemic reality and remain competitive in the new normal. To ensure guests' safety and well-being, the hotel has implemented measures such as social distancing, enhanced hygiene protocols, and contactless technology that have helped chain hotel to gain the trust of its customers and maintain its reputation as a reliable and trustworthy brand.

This study aims to investigate the new positioning strategies of chain hotel in the new normal, considering the challenges the hotel has had to face before, during, and after the COVID-19 pandemic, and further aims to provide insights into the new positioning strategies of chain hotel in the new normal, and their implications for the hotel industry in Phuket, Thailand.

## 1. The new target group

According to statistics from the Ministry of Tourism and Sports (MOTS) as shown in Figure 1, the proportion of total trips attributable to international travellers has dramatically declined since the start of the pandemic as a result of cross-border restrictions implemented around the globe. Therefore, many tourism & travel industry firms have had to change their target group specifications from international travellers to domestic. For example, hotels in Phuket, which were extremely dependent on international tourists prior to the COVID-19 pandemic, have had to shift

their strategies to focus more on the local Thai customers as the key driver to survive during the pandemic.

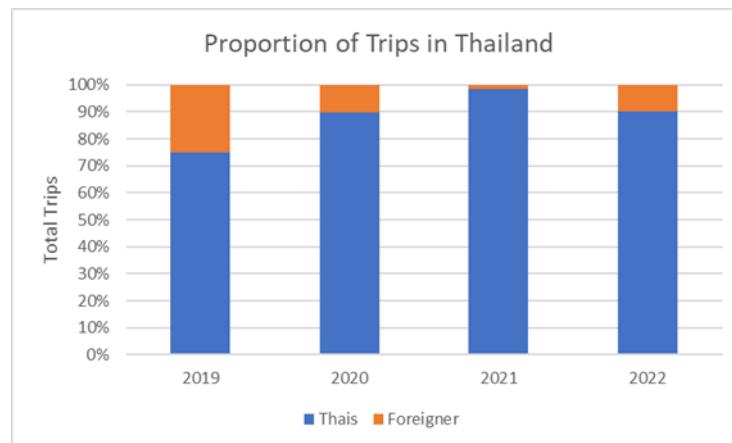


Figure 1: Proportion of Thailand travel trips (Ministry of Tourism and Sports, 2023)

### 1.1 The effects of the COVID-19 situation

To prevent the spread of COVID-19, travel restrictions were implemented in most countries, forcing the hospitality industry to shift focus to domestic markets. The average spending per person among Thai tourists is less than that of international tourists, which is a concern that hotels have to manage as part of their strategic efforts to maintain profitability (Ministry of Tourism and Sports, 2019).

After the COVID-19 situation had stabilized, the level of domestic tourism remained robust due to incentives from government travel projects (e.g., We Travel Together) and the high cost of international air travel. In addition to the relative health of domestic tourism, international tourism also began to recover slightly. With the economy in recession during the period, international travelers who were able to afford the high cost of travel tended to be in high income group. This was a change for hotel since, previously the international tourists it targeted had been mostly in the middle-income group.

### 1.2 Revenge Demand after COVID-19 situation

There is an upside for Thai hotels which results from the pent-up demand following the easing of COVID-19 restrictions. Foreigners from many countries have come to Thailand to release their pent up tourism ‘revenge demand’, which refers to a sudden surge in spending after people have been denied the opportunity to shop – or in this case, travel – for extended periods of time. The proportion of international tourists has changed due to many factors mentioned above. While

tourists visiting Thailand tended to be from East Asia, Europe, and South Asia in 2022, there are signs of a resurgence in Chinese travelers following China's easing of travel restriction beginning in January 2023.

### **1.3 A new approach for the new target group**

Understanding that the target group for hotels has changed substantially since the emergence of COVID-19, hotels have had to come up with new ideas to respond to these changes in market demand. We found that hotels are more focused on selling 'the experience' rather than focusing on the accommodations, and they are adapting the value proposition in the direction of being more luxurious. In this case, hotels are telling the story of their product in an effort to communicate uniqueness that attracts high income travelers. Examples include designing and decorating the hotel and rooms based on the theme of 'Buddha', or offering a fine dining experience instead of casual dining (e.g., plant-based dining, fine dining using all in-house ingredients, French service style dining, etc). Additionally, they have also aggressively focused on influence marketing by hiring the bloggers and influencers to promote the hotel and capture domestic customers via social media.

### **2. The Chain Hotel is adapting to changes in customer behavior**

In the years 2020-2022, the COVID-19 pandemic significantly changed the habits and points of view of customers. Travelers have adopted 'new normal' lifestyles, which means that the requirements and preferences of customers are not the same as they were prior to the pandemic. The period of widespread infection, border closure, and economic collapse shaped the habits of consumers in new ways.

Hygiene is more important in people's daily lives; they now expect an even higher level of cleanliness. In fact, many customers prefer to manage as many transactions as possible online due to their health and hygiene concerns. Meanwhile, customers are also more conscious of their spending habits because they may feel financially vulnerable in the wake of the pandemic. Lots of employees in Thailand have been laid off as businesses were unable to perform as usual, especially in the tourism and hospitality sectors. In order to recover from the impacts of Covid-19, the Thai government has implemented several programs to improve the situation and stimulate customer demand.

Apart from Covid-19 related issues, the global trend of environmental sustainability has been brought increasingly into the public eye, especially in recent international conferences. Leaders from many developed countries are encouraging people around the world to have a greater awareness of environmental sustainability and concepts like net zero emissions. Moreover, the

popularity of things like electric vehicles (EV) and organic food (plant-based) is also on the rise and having an impact on consumer demand. Therefore, large corporations and governments, in an effort to keep pace with developing trends, have responded by launching campaigns related to these topics.

Likewise, chain hotels need to respond by adjusting their business practices to keep pace with changing customer habits. The following provides a few examples of recently developed practices.

## **2.1 Hygiene for new normal**

Travelers are increasingly conscious of the importance of hygiene in their daily lives, and proper hygiene management has become an essential component of providing service for the new normal. Hotels have raised hygiene standards to an incredibly high level to ensure that guests feel confident. The studied hotel chain has expanded its commitment to maintain a clean environment by enhancing the InterContinental Hotels Group Way of Clean, partnering with industry leading experts Ecolab and Diversey, both world leaders in hygiene and cleaning technologies and services, and launching the global IHG Clean Promise. These improved procedures are designed to inspire greater confidence in customers while also providing the necessary protection for hotel staff members.

Physical Evidence is a component of the marketing mix that is necessary to create a strong impression on guests; it relies on a strong focus on visible surroundings. For instance, hotels allow housekeepers to clean the premises in front of guests in order to instill confidence in the hotel's hygiene, and the guests, in turn, are happy to see these kinds of actions taking place. In addition, certificates such as that issued by the SHA (Safety and Health Administration) are needed. In short, physical evidence creates an expectation of a good atmosphere, including the notion that things like clean facilities, tidy staff members, and green space will be part of the guest experience.

## **2.2 Customer Expenditure and Revenge Tourism**

In the wake of the pandemic, domestic customers have become more attractive to chain and luxury hotels due to the Thai government's support campaign "We Travel Together". In the past, middle-income customers might not have been interested in booking travel in this segment due to high prices and unaffordable charges, but with the support from the government, the hotels in this segment of the industry receive these benefits directly. In addition, revenge tourism, a phenomenon in which people wish to break free from the enforced inactivity that came along with lockdowns and curfews during the height of the pandemic, will influence tourists in terms of expenditure and consumption. As a result, chain luxury hotels will benefit from the high volume of spending and booking as the restrictions associated with the COVID-19 pandemic fade into the past. This

phenomenon of revenge tourism also applies to foreign travelers. During the COVID-19 situation, the Thai government aimed to attract foreign tourists to Phuket to generate revenue for the island and the people through campaigns such as the 'Phuket Sandbox'. This campaign was intended to benefit hotels that cooperated with the government. Therefore, with the support of campaigns and changes of customer behavior in the terms of expenditure and consumption, chain hotels must apply special approaches to respond to the increasing demand and volume by doing such things as renovating hotels, applying higher standards of hygiene, and launching new features at their properties.

### **2.3 Plant-based food trend and environmental sustainability (EV cars)**

Many hotels feature organic food, including organic recipes and plant-based menus. The growing popularity of health and wellness trends are not new; consumer concerns with respect to health and wellness had been growing well before the global pandemic. This was due to several factors, such as the aging society developing in some countries, and a global increase in vegetarianism. However, the concerns raised by COVID-19 escalated the awareness of healthy lifestyles, causing health consciousness around the world to develop even faster. The chain hotel now focuses even more on organic food using fresh and local raw materials. Moreover, the hotel has launched more environmentally friendly cafes along the beachfront to promote the new approaches of sustainability. The hotel is focused not only on food, but also on other elements that encourage customers to exercise and have good experiences during their stays. Elements like well-equipped fitness centers and large and attractive swimming pools are intended to respond to the demands of travelers for such facilities.

In order to raise awareness for the zero-carbon movement, make a positive contribution to environmental sustainability, and accommodate eco-conscious travelers, the hotel chain has entered a partnership with an electric vehicle (EV) business. The partnership represents an important component in promoting sustainable living in the next normal and communicating clearly that the actions of today are beneficial for the future and show a strong commitment to the community. In addition, the hotel initiated the installation of EV charging stations at the resort to get ready for sustainability trends, and to lower pollution levels in the community. Moreover, as a way to offer an incentive to travelers who adopt green awareness, every customer who rents a car from the partner company will receive a complimentary from the resort.

### **3. Human Resource Management and the COVID-19 Crisis**

### **3.1 Coping with COVID-19 Crisis**

Human resource management (HRM) has been greatly impacted by the COVID-19 pandemic, which generated various challenges for executives and human resources management practitioners. Government policy and regulation are among the significant factors that have had an impact on HRM. The government implemented numerous policies, such as lockdowns, quarantine restrictions, business and workplace closures, and travel restrictions, aimed at controlling the spread of COVID-19 and lessening the number of confirmed cases. The chain hotel, of course, was affected by these policies, especially with respect to human resources functions. Among the strategic options implemented during the COVID-19 pandemic were:

- 1) Employee-Provided Accommodation - Due to travel restriction policies, many hotel workers were not allowed to commute to work from their homes in neighboring provinces. Therefore, the hotel chose to provide accommodation for workers as part of the efforts to maintain hotel services and operations.
- 2) Employee Layoffs - the dramatically lower number of customers due to lockdown policies led to a surplus supply of hospitality services. The chain hotel laid off excess employees to balance the number of workers with minimal operations during the health crisis.
- 3) Employee Pay-cuts - The hotel reduced employee salaries in an effort to improve cash flow. Furthermore, the HR manager of the chain hotel stated that the organization had “closely monitored the pandemic situation, to promptly manage and adjust the workforce to suit the situation”.

These strategic options were executed to control costs, improve cash flow, maintain minimal operations, and survive during the crisis.

During the COVID-19 pandemic recovery, the number of confirmed cases decreased, and governments loosened travel restrictions. Travel demand from domestic travelers quickly rebounded and became the main driver for hotel recovery. However, the number of international travelers remained low during the early post-pandemic period. The HR manager said that more than 80% of customers were domestic travelers.

With the rebound in demand, the chain hotel recruited employees to bolster staffing for increased service operations. However, the hotel management faced significant challenges in the recruitment process. Some job candidates expressed concern about health issues, and a large number of people decided to leave the travel and tourism industry due to these health concerns that were prompted by the pandemic.

There has also been a shift in from permanent employment to casual employment in the industry. As the hospitality industry returns to normal operations, companies require various skilled employees with diverse backgrounds; however, the number of these skilled workers in the local market is inadequate to the industry's needs. These factors have led to difficulty in recruitment, and created pressure on wages or salaries. the hospitality industry now faces a unique workforce challenge in the post-pandemic recovery phase.

As a result, the HRM of the chain hotel has implemented strategies to attract workers, such as enhanced focus on employee safety and health, the provision of support and resources to help employees feel secure in their jobs, and incentives or other benefits to encourage employees to stay with the company. Additionally, HRM has adopted a proactive approach to promptly identifying and addressing any challenges or issues related to staffing, such as increased absenteeism or employee turnover.

Meanwhile, the HR department has also utilized technology and innovations in human resource management. A workforce optimization tool (WOT) has been implemented by headquarters and has been leveraged by all chain hotels across the world. This tool aims to optimize the number of employees required on each operational day. Generally, the hotel industry is characterized by seasonality, and it is a challenge for hotel management to determine the number of employees needed with changing occupancy rates. Thus, the WOT was initiated to optimize the level of employees during periods of seasonal fluctuation. This tool increases efficiency and effectiveness in human resources management.

### **3.2 Recovery Solutions and Strategies for after COVID-19**

The COVID-19 pandemic disrupted the hospitality industry and caused significant changes in how hotels operate and how guests travel. These changes may not be temporary, and the industry may not return to the pre-pandemic situation. Thus, the chain hotel has had to strategically adapt itself in the "new normal". Proactive strategies should be adopted to explore technologically efficient innovations and tools appropriate to the post-COVID-19 world. There are various opportunity areas for HRM to respond to these contemporary challenges:

- 1) **Health and Safety Measures:** Strong health and safety measures, such as frequent sanitization, use of masks and gloves, and social distancing protocols, should be implemented and promoted to build trust and confidence among employees and guests.



- 2) Employee Training and Development: Hotels should invest in staff training and development to equip employees with the skills and knowledge needed to respond to the evolving needs of guests and industry.
- 3) Employee Support and Wellness: Adequate support and resources should be provided to employees to help them maintain physical and mental well-being in the post-pandemic workplace.
- 4) Technology Adoption: Technology, such as online training and telecommuting options, should be incorporated into HR processes to support remote work and improve efficiency.
- 5) Employee Communication: Open and transparent communication with employees should be encouraged in order to address their concerns and keep staff informed about company policies and developments.
- 6) Employee Retention and Recruitment: Strategies, such as competitive compensation and benefits packages should be developed and implemented in order to retain existing employees and attract new talent to the industry.
- 7) Diversification of Services: The range of services offered by the hotel should be diversified to cater to changing customer preferences, such as offering alternative dining options, remote check-in, and contactless payment options.

To address the challenges in the world after COVID-19, HRM has to accelerate these strategies to enable operations resilience as well as to help overcome the challenges posed by the COVID-19 pandemic and ensure the future success and sustainability of the hospitality industry. Furthermore, the strategies could help chain hotels to gain competitive advantage and evolve from surviving to thriving.

## **CONCLUSION**

In the wake of the COVID-19 pandemic, there have been two significant changes in the market trend of chain hotels in Thailand. Firstly, chain hotels must consider the adaptation to new target groups as guests. The pandemic has not only forced the hotels to shift their focus to the domestic market but has also led to a change in the international tourist's demographic profile, with a greater proportion coming from East Asia, Europe, and South Asia. With the easing of travel restrictions, pent-up demand for travel has been released; hotels can capitalize on this phenomenon by

emphasizing unique experiences and luxury offerings. To attract high-income travelers, hotels are implementing attraction strategies, such as creating themes or offering fine dining experiences together with social media usage. Secondly, chain hotels must be aware of and cater to changes in customer behaviors and preferences. The pandemic experience has heightened customers' awareness of hygiene and cleanliness, raised some financial concerns, and increased the popularity of digital solutions to reduce physical contact. Additionally, there is a growing global trend towards environmental sustainability and net zero emissions, as well as a rise in the popularity of EVs and plant-based food trends. Hoteliers must adjust their business practices to meet these changing demands. This may include implementing new hygiene and cleanliness standards, offering greater financial flexibility to customers, investing in digital solutions, or promoting sustainability and environmentally friendly practices. The chain hotels in Thailand also need to focus on effective HR management to adapt to new market trends. The pandemic has highlighted the importance of employee safety, well-being, and training, and hotels that prioritize these factors are likely to earn greater loyalty and commitment from their staff. HRM has implemented new technology and innovation in human resource management, such as the Workforce Optimization Tool (WOT), which optimizes the number of employees required on each operational day, increasing efficiency and effectiveness in HRM. In the future, HRM in industry will need to continuously develop and implement innovative strategies to attract and retain a sufficient and skilled workforce, address staffing challenges, and maintain high employee safety and health standards. The continued adoption of technology and innovation in HRM will also be essential in improving efficiency and effectiveness in the industry.

To this end, the resilience of the chain hotel industry in Thailand during the pandemic provides important lessons for the future. To position themselves for long-term success, they must adapt to new market trends, invest in digital solutions and sustainability, prioritize effective HR management, and leverage their brand reputation and operational expertise. By doing so, they can remain competitive and relevant in the evolving hospitality industry. In addition, they can promote sustainable tourism practices and prioritize the well-being of their employees, demonstrating a commitment to responsible business practices. These efforts will be essential in ensuring the continued growth and success of the hospitality industry in Thailand.