

Thai Hotel Resilience during Covid-19

Abstract

The Covid-19 pandemic has had a severe impact on the tourism industry in Thailand, particularly on the hotel sector. However, some Thai hotels have shown remarkable resilience during this challenging time. This article explores the business strategy adopted by the Thai hotel industry, and how hotels have managed to survive during this challenging time. Additionally, the article provides insights into the future trends of Thai tourism. The content of the article covers the characteristics of the Thai hotel industry, the impact of Covid-19, government policies, management strategies, and future tourism trends.

Learning Objectives

The objective of this article is to analyze the impact of Covid-19 on the Thai hotel industry and to understand the strategies and actions that Thai hotels used to survive during the pandemic. The article also aims to provide insights into the future trends of Thai tourism and offer recommendations on how Thai hotels can continue to thrive in a post-Covid world.

Thai hotel industry

The tourism sector is integral to Thailand's GDP. Tourism in Thailand contributed around 18% of the nation's GDP prior to the COVID-19 pandemic (Figure 1), and accommodation businesses such as hotels and resorts comprise a large proportion of the tourism sector.

Thailand is one of the world's most popular tourist destinations; it was eighth-ranked in terms of international tourist arrivals globally in 2019. The country has various attractions, such as famous islands and beaches, and offers a range of eco-tourism options. Furthermore, with the low cost of living in Thailand compared to others tourist destinations, it offers better value for money.

With respect to the distribution of foreign arrivals, the most common countries of origin are China, India, Malaysia, and Russia. In 2019, Chinese tourists comprised about 27% of all foreign travelers

to Thailand, which is around 11 million visitors (Table 1). This is the highest proportion among the 4 countries, and Chinese travelers were the most common foreign travelers in every province before the pandemic. This is largely because the government had, in the years prior to the pandemic, launched policies to attract Chinese tourists such as waiving fees for a visa issued on arrival.

In 2019, foreign travelers accounted for 65% of the revenue in the tourism sector, whereas domestic tourists accounted for just 35%.

A wide range of domestic and international hotel chains serve travelers in Thailand, as shown in Figure 3. In response to continuously increasing demand, the number of hotel rooms in Thailand increased from 540,000 in 2014 to 780,000 in 2019 (Figure 2), representing 6% average annual growth.

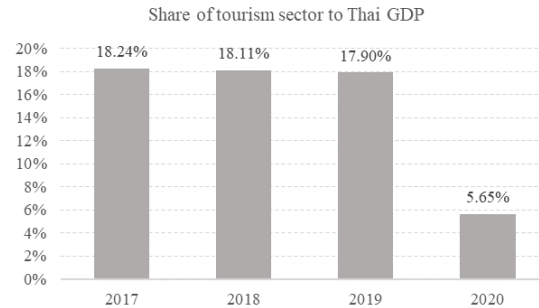


Figure 1: Tourism industry contribution to Thailand's GDP (2017-2020)

source: Statista



Figure 2: Thai hotel rooms capacity (2014-2019)

Source: Krungsri research



Figure 3: Thai hotel chains and international hotel chains.

Source: Krungsri research

Rank	Country	2009	%share*	2019	%share*
1	China	777,508	5.49	10,004,721	27.63
2	Malaysia	1,757,813	12.42	4,166,868	10.47
3	India	614,566	4.34	1,995,516	5.01
4	South Korea	618,227	4.37	1,887,853	4.74
5	Laos	655,034	4.63	1,845,375	4.64
6	Japan	1,004,453	7.10	1,806,340	4.54
7	Russia	336,965	2.38	1,483,453	3.73
8	USA	627,074	4.43	1,167,845	2.93
9	Singapore	563,575	3.98	1,056,836	2.66
10	Vietnam	363,029	2.57	1,047,629	2.63

Source: MOTS, Krungsri Research

Note: * percentage share of Thailand's international tourist arrivals

The impact of Covid-19

Thailand was the second country to report covid-19 cases, and the country faced significant challenges in controlling the spread of the pandemic starting in the early months of 2020. The pandemic severely impacted the Thai tourism sector, with airports shutting down in April 2020, with a complete halt to international travel to Thailand. Domestic travel was also severely curtailed

or halted due to the spreading outbreak of the virus in Thailand and were put in place at all border crossings. Many hotels were forced to cut their room rates, switch to new services such as catering, change their marketing focus to domestic tourists, cut overhead expenses, and even lay off staff to survive during the health crisis. Even though, by the fourth quarter of 2020, Thailand had started to reopen and welcome some tourists, who were subject to a quarantine period of 14 days, the visitor arrivals to Thailand dropped by 83%, with just 6.7 million visitors in 2020. The graph in Figure 4 shows the number of tourists who visited Thailand per month in 2020. This significantly and adversely affected the unemployment rate in Thailand.

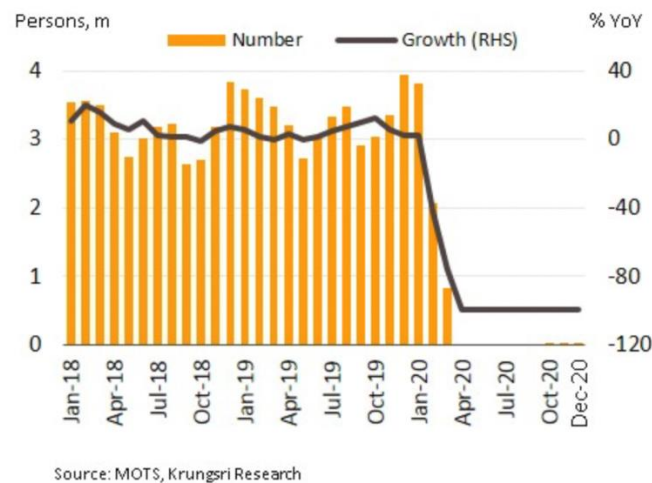


Figure 3: The number of tourists arrivals to Thailand per month in 2020

In 2021, the fourth wave of COVID-19 hit Thailand. Although the national employment rate remained stable at 68% according to The World Bank data, there was a contrast between regions and population groups. While employment in urban areas declined, the employment rate increased in rural areas as people who had been laid off from their jobs in the cities returned to work in agriculture. However, according to a World Bank survey, over 50% of respondents reported job losses, temporary work stoppage, reduced working hours, or reduced pay. The pandemic significantly affected low-income households, women, low-education groups, and especially those in the southern region of Thailand. Moreover, care work negatively affected the employment of married women and those with young children in their households.

The restriction policy created to control the spread of the pandemic predictably led to a massive decrease in the number of tourists. As a result, Thailand's GDP dropped from \$544.08 billion in 2019 to \$499.68 billion in 2020. Profitability in the tourism sector decreased by 67%. McKinsey & Company found that international tourists spent \$1,543 on average per person, more than ten times higher than the average of \$152 per person spent by domestic tourists. The drop in international

travel due to the pandemic, therefore, resulted in a significant loss of revenue for the tourism industry and the country's economy. This drop also had a negative impact on Thailand's food and beverage retail industry, which consists of 1.2 million small and medium-sized enterprises.

Thai government regulations in the hospitality sector

During the period of the pandemic crisis, the Thai government attempted to boost tourism, which is a key component of Thailand's economy. The government deployed various stimulus programs to compensate for the loss of inbound tourism including.

We Travel Together Program was a government campaign that provided each participant a 40% subsidy on hotel stays, up to a 3,000-baht cap per night per room, for up to 5 nights or 5 rooms per person on the condition that the eligible hotel participated in the project. with the program also provided coupons and up to 600-baht discounts for dining with an eligible partner or engaging in other approved spending activity.

Phuket Sandbox program originated in Phuket in July 2021; the program allowed foreign travelers to visit Phuket province without having to spend time in quarantine. A negative PT-PCR test result was required before travelers could travel to or participate in leisure activities in Phuket. Under the Phuket Sandbox program, travelers were required to spend at least 7 nights in Phuket before being allowed to visit other destinations in Thailand.

The Amazing Thailand Safety and Health Administration (SHA) is another program established during the spread of covid-19, through cooperation between the government and private sector, led by the Ministry of Tourism and Sports, the Tourism Authority of Thailand (TAT), the Ministry of Public Health, and the Department of Disease Control. The program aimed to ensure the prevention of disease in Thailand while allowing tourists have a positive experience. A key focus of the program was to guarantee the satisfaction and confidence of travelers with respect to the sanitation and safety standards of Thailand's tourism products and services. The program was executed by combining public health safety measures and initiation of high-quality service standards to reduce the risk and prevent the spread of COVID-19, as well as improving the products and service standards of Thailand's tourism sector.

SHA+ Hotel is a term that describes a hotel with an SHA certificate that also meet the requirement that all front-line workers be completely vaccinated against covid 19. The SHA+ hotel concept was initiated as part of the Phuket Sandbox model. Many Thai independent hotels took advantage of the opportunities offered by these government initiatives to offer their hotel properties for use as alternate quarantine locations. In addition, hotels and enterprises in the tourism sector in the Phuket sandbox had to be SHA+ certified in order to ensure the safety of travelers during this reopening plan, which followed a long period of lockdown. This was an opportunity for Thailand hotels to

reopen their doors to secure needed cash flow during the height of the pandemic and its associated lockdowns and other containment measures.

With the Phuket sandbox model, Thai hoteliers discovered that certain modifications were required to meet consumer needs compared to the prior operation due to changes in customer demographics or purpose of stay. Prior to the pandemic, most customers had traveled for tourism, but under the sandbox model, many hotel guests comprised Thai nationals or foreign residents who chose to stay in Phuket for a quarantine period before returning home to other provinces or regions. International guests were also increasingly arriving from the United Arab Emirates (UAE) and India. As a result, hotels had to be flexible and adaptable to support the shift in business that came with the changing customer profiles.

In the wake of the Phuket sandbox model, the government devised other reopening plans, such as "Samui Plus" and "Andaman Sandbox," to boost the country's economy while the world grappled with the pandemic.

Business practices and strategies during Covid-19

Restrictions implemented to prevent the spread of Covid-19 had a particularly negative impact on the tourism and hospitality industries, making it difficult for them to carry on as usual. Thai hotel owners found it particularly challenging to maintain their companies as a result of the country's closure and the inability of tourists to travel here. Yet, the experience offered valuable lessons. There are several strategies listed below that the Thai hotel industry should apply to survive during a pandemic.

Implement cost control

Because employee wages are a major expense, it is vital for Thai hotel enterprises to establish reserves and cut expenses in response to a fall in traveler numbers resulting from a pandemic. Management should estimate the lowest number of necessary workers and have plans in place to adjust quickly. The hotel can eliminate some staff while maintaining others. One example of such action would be eliminating waiters and allowing the chef to cover the waiter's role. During the Covid-19 pandemic, large hotels responded by reducing staff by 56.3%, causing many workers to return to their hometowns, many of which are located in rural areas. In addition to reducing the number of personnel, the hotel can eliminate non-essential services by doing such things as operating only one restaurant at a time rather than having all restaurants open 24 hours a day, seven days a week; this can assist in decreasing costs during a pandemic.

Furthermore, the most common hospitality strategy in Thailand during Covid-19, according to a BOT study, is to lay off staff and lower management wages to reduce payroll expenses. This aggressive strategy considerably enhances the hotel's ability to save money while remaining

operational. In addition, a Thai hotel, similar to a condominium, may offer a one-year contract and a discount for leasing a room in order to produce cash flow and improve liquidity for hotel operations. As important as it is to ensure short-term viability through layoffs and salary cuts, management must also plan for future business recovery.

Good preparation for a pandemic

Being able to respond to and quickly recover from a crisis is part of good executive management. In the highly competitive hotel industry, an emphasis must be placed on staying current with the latest news and information, as well as on effective communication within the organization.

To remain prepared to handle any crisis or significant challenges to hotel operations, executive management should do a number of things to be as prepared as possible:

- Internal communication in organizations can be developed to lessen the stress that affects employees who are under pressure during uncertain times.
- Avoid the risk of relying on a single market or single source of customers; diversify business operations, broaden the target customer base, and make use of a range of marketing channels.
- Promote contactless services with the use of technology such as using QR codes for payment in hotels and restaurants.

Thai Government policies to support the tourism sector during Covid-19

During the crisis, the Thai government launched a scheme to boost the tourism sector known as the “We Travel Together Campaign”, which provided a discount to customers when visiting hotels in Thailand. The campaign was designed to motivate domestic tourists to travel more, and the campaign helped hotels attract more customers, even during the pandemic period. For Thai hotels, participation in this promotion scheme helped secure ongoing income during the crisis.

Re-evaluate promotional strategies and apply low seasons strategies

During low seasons, hotels can reduce rates, but a more intriguing option may be to create packages or deals like Spa packages & retreats or Dine & Stay packages. This approach can also provide motivation to customers who still want to travel during unusual times, like those that prevailed during the Covid-19 pandemic. Thai hotels can highlight their quality of service or other unique points in such packages, creating differentiation and emphasizing competitive advantages over other competitors.

Marketing to loyal customers

It might be easier to attract loyal customers who often visit the hotel and appreciate those hotel services as opposed to finding ways to appeal to new customers. There are many ways that this can be done; the hotel might show appreciation, for example, by providing room upgrades, nice inclusions, welcome amenities, and other unexpected benefits. These sorts of rewards for loyal or returning customers allow Thai hotels to drive future business maintain contact with their most loyal consumers. This point might be easier for Thai independent hotels since they have fewer hierarchical and decision-making layers compared to the chain hotel.

Emphasizing the future upsell

With travel and dining demand at an all-time low due to the pandemic, data analytics technology offered an opportunity to better understand the needs of tourists in each segment of the market. Such technology ideally involved improving future revenue from each booking or reservation. It would have helped the business add extra benefits that clients desire and need, which, in turn, encouraged future stays in premium accommodation or longer stays. Hotels should be able to offer specials such as three nights for the price of one, or encourage vacationers to extend their stay to include some leisure time. This approach would have provided Thai hotels with some added cash flow to continue operations and survive the pandemic. Furthermore, hotels were able to partner or do a network matching services to expand wider range of services and expand their customer base. All of these strategies can be employed at times of future crises that adversely affect tourism and travel.

Keeping the hotel clean and hygienic

During the spread of Covid-19, cleanliness and hygiene were of heightened importance, and represented the highest concern of customers, so hotels took care that all practices and strategies should come together with customer trust regarding cleanliness and hygiene. The aim was to gain customer trust for being a safe destination, which could be done by launching hygienic procedures such as cleaning the public area more frequently and obviously showing that procedures were strictly followed, by lessening the crowd by allowing fewer people to use a spa service at a time, or any other procedures which made customers more comfortable to stay at the hotel, just like they would at home without the worry of contracting the covid-19 from the hotel. Again, these lessons can be applied to any similar future health crises that arise.

Future Tourism Trends

The Covid-19 pandemic has changed people's lifestyles and affected traveler behavior and tastes. Thailand's tourism industry is on the mend, thanks to a number of factors. Nevertheless, foreign travel limitations resulted in a reliance on domestic leisure tourism for tourism recovery in the short to medium term. Travelers are opting to visit domestic destinations as demand for travel continues to rise. Staycations are likely to remain popular while some outbound travel restrictions

remain in place. Domestic travel demand for staycations has been especially strong in mainland China, as outbound foreign travel has been mostly limited since the outbreak.

Travelers' habits have also been affected by the unpredictable and often shifting travel regulations. Following a long period of seclusion, tourists are preferring to visit less populated and even new locations. There is a growing interest in visiting secondary locations and ecotourism spots or those with environmentally friendly practices. Tourists have become increasingly concerned with sustainability, which has influenced their travel choices. The lockdowns have also placed greater emphasis on wellness and general health, encouraging more people to seek out further wellness activities. Furthermore, the senior tourist segment is growing in line with the trend of expanding senior citizen populations in many nations, resulting in a higher percentage of travelers in the high-value segment.

Because the hotel business will face stiff competition from both within the country and from other tourism destinations across the world, to gain an advantage over other destinations, hoteliers should adopt competitive assessment in order to cater to the needs of passengers. Hoteliers should also take advantage of current technology to strengthen the value chain within the tourism sector, relying on third parties such as tour agencies, transportation firms, and local businesses to make the travel experience more efficient and to boost consumer confidence in order to maintain competitiveness.

Consumers' preferences have become evident, with domestic travel leading the recovery and younger people being the first to travel again; these travelers have demonstrated an increased demand for longer stays, fee-free cancellations, and improved health and cleanliness measures.

The tourism business has prioritized sustainability, which has grown in importance as a result of the pandemic. Tourists are concerned about environmental impact and are looking for more sustainable solutions. Long term, the trend of sustainability will continue, with more people aiming to travel responsibly with the help of the governmental and business sectors, as well as local communities.

As a result of the Covid-19 pandemic, there have been a number of issues related to mental health, such as stress and loneliness, that have arisen. Consumers now have a greater appreciation for the value of mental health, a better understanding of wellness, and greater interest in maintaining and improving excellent mental health and wellness. Customers are willing to devote more time and money to self-care, wellness, and stress alleviation. Likewise, the distinction between business and leisure travel is becoming increasingly blurred. Wellness tourism will continue to develop in the foreseeable future.

Also, during the Covid-19 pandemic, consumers became much more concerned about healthier surroundings, so enhanced hygiene measures remain a priority for consumers. As a result, Thai hotels must continue to develop and strengthen their tourism activities to promote sustainable travel while partnering with local communities. Tourists also require wellness therapy.

CONCLUSION

During the Covid-19 pandemic, Thai hotel businesses were badly affected and faced significant challenges in controlling the spread of the virus starting in early 2020. To demonstrate resilience in the wake of the pandemic, Thai hotel businesses should implement management strategies such as cost control, risk management, and adoption of new technology for the tourism sector. It will also be important to continue to focus on sustainability, wellness, and the highest standards of cleanliness and hygiene.