



# Rooms available: How COVID-19 has impacted the hotel industry



The COVID-19 pandemic has caused an unprecedented level of disruption to the hotel industry. As a result of the local lockdowns and travel restrictions many hotels have been forced to close (both temporarily and permanently) or operate at a fraction of their available capacity. As the crisis continues to evolve, it is still unclear what shape the industry will emerge in.

With international borders closed for leisure since March 2020 and its gradual opening on the 1st of October 2020, South African hotels are pinning their hopes on domestic travel for now. According to UNWTO occupancy rates recorded by STR for sub-Saharan Africa is 27% - with some estimates of a bleak 16% for South Africa. So what are the specific challenges the hotel industry is dealing with?

## Liquidity

The immediate impact has been a steep drop in revenue as business travellers and tourists live in lockdown or utilise video conferencing to meet clients. Adding to the problem is all of the uncertainty regarding the current situation. Hotel operators cannot currently say with confidence when international travel restrictions will be lifted, and whether consumers will remain cautious for the period after. Also, social distancing may require hotels to offer fewer rooms for the foreseeable future.

## Employment

Many operators have been forced to reduce their labour costs by reducing employee hours. This could potentially create issues once hotels are back to normal occupancy. With fewer staff, will there be more room for errors, oversights and below-standard service as remaining workers are stretched thin?

## Debt and restructuring

Large numbers of hotel operators are looking to restructure their debts, which could create opportunities for private equity owners with large cash reserves. Being able to restructure requires being able to show that a hotel remains a viable business and is likely to continue running once operations are back to normal.



## Preparing for life in the new normal

The pandemic may lead to a speeding up of the introduction of digital and remote services like mobile check-ins, and contribute to a shift in customer experience across the industry. What is clear though, is that it will be some time before the hotel industry returns to the way it was able to operate a year ago.

The hotel industry faces some stark choices in the coming months, as we all begin to navigate our way towards recovery. We can help you protect and restore value in your business, so that you are best placed to operate in the new normal.

## Get in touch with one of our hotel industry experts:



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