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Research note

The impact of the Severe Acute Respiratory Syndrome on hotels: a case study of Hong Kong

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Abstract

Hotel business in Hong Kong has been badly affected by the outbreak of the Severe Acute Respiratory Syndrome (SARS) since March 2003. Medical reports suggest that a direct contact with the secretion or respiratory droplets from a patient through a short distance is very likely to be the possible way of transmitting the disease. World Health Organization (WHO), hence, has advised international travellers to avoid visiting several regions that have the most number of SARS cases, including Hong Kong. Since then, the number of hotel guests has largely dropped to a level that Hong Kong has never experienced before. As a totally new experience to the hotel industry in Hong Kong and elsewhere, hoteliers basically do not have enough knowledge to respond to epidemic crisis. In view of the lack of published articles in the hospitality literature that examine the issue, this paper investigates the impact of the SARS outbreak on the hotel industry in Hong Kong. In addition, this paper addresses the issue of SARS crisis management in risk identification, assessment and alleviation. The paper is expected to benefit the entire hotel industry from better understanding and planning to face the mysterious illness.

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1. Introduction

Severe Acute Respiratory Syndrome (SARS), which is caused by atypical pneumonia viruses, has generated panic around the world since its surveillance period in mid-March 2003. As at mid-April, the illness has inflected more than 3000 people in many countries worldwide (WHO, 2003a). In Hong Kong, the original

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source of the SARS outbreak was traced back to a local hotel in which an infected guest from Southern China who stayed in the hotel in late-February 2003 was known to be the carrier (Chow, 2003; Saywell and Murphy, 2003). Six other non-local guests in the same hotel were then contracted with SARS and these people further spread the disease to other countries including Singapore and Vietnam, and later to other parts of the world (BBC News, 2003a).

Medical evidence indicates SARS is an infectious illness that can spread primarily by close person-to-person contact. Potential ways of being infected also include touching contaminated objects and then applying the unwashed hands to eyes or nose. According to official advice, any person who have travelled to a known SARS area in the past 10 days or have had close contact with suspected SARS carriers could be at increased risk of developing the illness (LD, 2003). If any of the vigilant symptoms, such as fever, chills and respiratory symptoms, has been developed, the person should immediately seek advice from a healthcare officer and practice infection control precautions as recommended for home or residential setting (CDC, 2003a).

In spite of the global widespread of news about SARS, the existing hospitality literature does not have any published article that cover the topic. In other words, hotel practitioners have no reference on how to deal with the crisis for their business. In view of this arising need, this paper aims to raise the awareness of the issue to hoteliers. More importantly, this paper offers some useful suggestions and guidelines for hoteliers to follow. Since the SARS epidemic has no geographical or cultural boundary, its impact is not only on the hotel industry in Hong Kong but also on the hotel industry at large. Readers, however, should understand that this is a hospitality-management-oriented paper for managerial implications instead of a paper for medical diagnosis.

2. General societal and economical influence

In Hong Kong, the spread of SARS cases has been linked with frequent travel between Mainland China and the city (CDC, 2003b). In terms of transportation, Hong Kong is one of the most popular tourist destinations in Asia Pacific and the city is conveniently connected by air to most major cities in the world, especially the newly emerged tourist destination in Mainland China. Such an easy access, unfortunately, acts as the catalyst for fast and broad SARS infection. According to WHO, Hong Kong is the second most severely affected area (WHO, 2003b). In Hong Kong, there were a total of 1543 contracted cases and 133 deaths as at April 27, 2003 (DH, 2003a). Moreover, it is unlikely that these numbers will become zero in a short time. The not too bad news is that most death cases occurred to individuals who have a history of chronic diseases or patients who sought treatment at a late stage of infection (DH, 2003a).

Apparently, the SARS outbreak has already changed the schedule of most international travellers who plan to travel to Mainland China, Hong Kong, Singapore, and Vietnam. Many countries including the United States have issued

travel advisory and health alert notices for their residents travelling to the affected areas (CDC, 2003b, c). Further, many nations have advised their residents who plan elective or nonessential travels to the severely affected areas to postpone their trips (Anonymous, 2003a, b; Barboza, 2003).

In Hong Kong, SARS has led to many job cuts and further economic recession as most international leisure and business travellers have cancelled their trips on which Hong Kong's economy heavily relies on. Having faced with an 80% decrease in tourist bookings, a leading Hong Kong-based travel agency warned that many travel and tourism firms could be driven out of business soon unless the industry receives substantial government aid (BBC News, 2003b). Similarly, JPMorgan, an American financial services company, estimated that the economic growth in Hong Kong could be reduced up to 6% as long as the SARS outbreak continues (Fowler, 2003). Basically, the increasing number of personal bankruptcy cases can serve as an indicator for the current economic situation. In March 2003, 3199 people in Hong Kong declared bankruptcy, representing an increase of 18.1% from the previous month. The number of personal and bankruptcy cases may go up even higher if the SARS epidemic is not contained. The Hong Kong Government also admits that the SARS outbreak will slow down the economic growth in 2003 and has thus abandoned its original goal of a 3% increase (BBC News, 2003b).

3. Impact on hotels in Hong Kong

The tourism industry is one of largest earners of foreign exchange in Hong Kong. In 2001, the industry generated more than US\$8 billion of tourism receipts (HKTB, 2002). According to Hong Kong Tourism Commission (TC, 2003a), the tourism industry in Hong Kong has performed satisfactorily in the previous years, and there were 13.73 million visitor arrivals in 2001. The well-performed tourism industry has thus lead to high hotel occupancy rates in Hong Kong. For instance, hotel occupancy rates in Hong Kong were 79% in 2001 (TC, 2003a) and 86% in 2002 (TC, 2003b).

Normally, March and April are the peak seasons for hotel businesses in Hong Kong with an average occupancy rate of about 86%. However, due to the large decrease in tourist arrivals, the occupancy rates of many hotels in Hong Kong fell to 10% or lower in March and April 2003 (Li, 2003a). In other words, what the hoteliers have to deal with, instead of how to raise room rates, is how to handle a large scale of cancellations. A natural outcome of such a large drop in occupancy rate is the actions to reduce costs, defer promotions that involved overseas travel, and avoid non-essential capital expenses. Examples of these actions include closing of floors and suspension of food and beverage services in response to the slump. Some hotel even simply chose to temporary close their properties because profits made from these hotels were not enough to cover electricity, water, and gas charges (Li, 2003b). Five of the 81 hotels on the Hong Kong Hotels Association membership list were even put up for sale when occupancy was badly affected by the SARS outbreak (Wong, 2003). These business decisions, inevitably, lead to massive forced

pay cuts and definite or indefinite no-pay leave. As a whole, hoteliers still do not know where they will be heading if the SARS crisis continues. While the Hong Kong Government is working on setting up control policies and preparing for recovery plans, hoteliers in Hong Kong, and probably hoteliers in general, should be aware of and well prepared for preventing a SARS outbreak in their hotels.

4. What should hotels do?

The ways to minimize the possibility of having hotel employees and guests being infected by the atypical pneumonia disease, and to contain the potential spread of viruses in the hotel property, are of the utmost importance to hoteliers. To cope with this, hotel staff, guests, and suppliers should pay attention to the health advice offered by the Government (DH, 2003b). In addition, hotel management should set up contingency arrangements with a detailed process of implementation.

To begin with a contingency plan, a task force should be set up which has membership of every functional unit from front desk to back office in the hotel. If possible, government officials and hotel guests should also be invited to join the team. The task force should regularly meet to listen to different information and concerns. It is necessary to emphasize that the meetings are not intended to serve as a forum to accommodate special interests and favours. Instead, the meetings serve as an opportunity for different units to express how their functions are affected by the SARS outbreak, and how to alleviate the related problems. Preferably chaired by the General Manager or Resident Manager, the task force should meet regularly to receive updated information, evaluate the crisis, assess remedial measures, and then to make a decision for the entire hotel property. Specifically, the task force can consider the following functions to be carried out by individual departments:

- cancellation of bookings;
- enforcing environmental hygiene and personal health;
- cleaning and disinfecting of guest rooms and public areas;
- acquisition of protective equipment and controlling of preventive measures; and
- media handling.

Details of the preventive measures must be clearly listed, and make available to hotel staff and guests. These measures should include, but not limited to, screening of suspected patients, provision of surgical masks, additional cleaning of air outlets and ventilation ducts, and keep contracted areas in quarantine. In addition, hotel staff should be frequently advised to take necessary precautions to reduce any chance of being infected. Building up a good immune system, and wearing masks at work would help achieving such a goal. If a hotel staff member has any symptoms of suspected infection, the staff member ought to refrain from work, and job substitution should be arranged accordingly. At the same time, hotel staffs have to report any suspected cases from customers.

To minimize the short-term effect of SARS, hoteliers must carefully consider the necessity to maintain certain kinds of basic services such as offering of food in a buffet restaurant. While there does not seem to have an immediate medical solution to handle the mysterious SARS viruses, hoteliers should set up internal policies to keep their properties a safe place for guests and staff. Examples of these policies include the consideration of whether customers are required to wear masks in the hotel or whether the hotel should accept bookings from travellers who are from the badly infected areas.

5. Concluding comments

Different from natural disasters such as earthquakes or floods that have a short-term and predictable effect, the SARS crisis may have an ongoing impact on the image of a travel destination and therefore its hotel industry for years to come until a vaccine will have been found. The adverse influence of SARS on the economy of tourism-based Hong Kong is much larger than the manufacturing-based regions such as Singapore and Mainland China.

In Hong Kong, the Travel Industry Council (TIC) has pushed the Government to introduce economic aids to relieve the financial difficulties that are being faced by hotels and other tourism businesses (BBC News, 2003c). If hotels do not receive assistance from the Government, the survival of the entire industry could be largely threatened, with a possibility of a massive business closure. It is, therefore, suggested that the Government should assist hotels financially. Moreover, hoteliers should work together with the Government to undertake the necessary strategies to restore travellers' confidence and to attract them to return when the SARS outbreak is under control. An example of these confidence-restoring strategies could be the offering of attractive packages that include reduced hotel room rates.

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