How will COVID-19 affect hospitality, education and other sectors?

The COVID-19 epidemic has had a big impact on many industries, particularly those in catering, tourism and other service sectors. At the forefront of epidemic prevention and control, the healthcare and property management sectors have also come under tremendous pressure. In contrast, other sectors, like e-commerce and online education, are facing a sudden surge in demand. How are these sectors coping with the challenges posed by the epidemic? And how resilient and adaptive are they?
The catering sector is indeed facing severe challenges because of the epidemic. Jia Guolong, Chairman of Xibei Catering, caused widespread concern when he remarked that his business may go bankrupt in three months if the situation continues. To some extent, the situation described by Mr. Jia reflects the prevailing situation in the industry. To reduce physical interaction with customers and protect our employees, multiple brands under Dahui Group have chosen to suspend business activities.

Looking back at 2003, the catering market experienced a boom after the SARS epidemic. Although revenue declined in the first half of that year, the overall impact on our business throughout the year was less significant. Nevertheless, we are not optimistic about the impact of the current epidemic on the catering sector.

With the transformation and upgrading of China’s economy continuing in 2020, the growth rate of the entire catering sector may slow further. At the same time, pork price increases starting at the end of last year have in turn led to price increases for other products, further squeezing profit margins in our sector. Due to near-term supply shortages, the current epidemic may push prices of raw materials to new heights. Although some firms are trying to shift to a home delivery model, consumers remain wary of such door-to-door services due to the risk of infection. Under these circumstances, catering companies may have to prepare for a prolonged difficult period.

On the other hand, the epidemic is also driving changes across the sector. China’s catering industry has benefited greatly from the country’s reform and opening up over the past four decades, and these changes have led to greater diversification of the industry.

With China accelerating the transformation of its economy, many catering sector participants now realise that they should learn how to perform well in both good times and bad times.
This Chinese Lunar New Year should have served as an “Indian summer” in the tourism industry. The industry expected to greet more than 450 million customers, but the COVID-19 outbreak caused tourism consumption to suffer instead.

Tourism is an environmentally sensitive industry, characterised by its susceptibility to shocks from domestic and foreign incidents, which can result in downturn leading to crisis. Compared with other dangerous incidents, the outbreak of infectious epidemics pose the most severe, extensive threat to the industry.

According to the impact on the number of travellers, the development of a crisis incident can be divided into five phases – incubation, generation, outbreak, decline and disappearance. In the case of SARS, the peak period lasted from March to June 2003, but business suffered the entire year.

The COVID-19 outbreak’s impact on the tourism industry may also continue for roughly a year. The main reason is that after the epidemic, even if restrictions on inbound and outbound travel are lifted, people still have concerns about travel.

“Crisis” and “opportunities” often go together, however, and each major incident has bred business opportunities. Despite the impact of the outbreak, it could actually accelerate improvements in the industry in a number of ways:

1. By driving the reshuffle of traditional tourism and the refreshing of new tourism models. The industry should focus on customer needs, customising its products, optimising product expressions and refining operations, as well as adhering to establishing long-term relationships with users. Service providers also need to stay in touch with customers, thereby securing customer loyalty and maintaining a keen sense of their needs.

2. By advancing the digitalisation of the tourism industry. Online short video marketing has received a lot of attention during the epidemic, and offline tourism operators could now consider reaching users through short video interactive projects.

3. By encouraging the use of hotels, resorts or other similar tourism venues as lockdown facilities to quarantine large numbers of people during periods of crisis.
The epidemic has inflicted a great toll on the tourism industry, especially the hotel sector. For example, the occupancy rate at Atour decreased 85% during this year’s Lunar New Year holiday compared with that of last year. In addition, many hotels have suspended operations, suffering big losses, especially those in scenic spots in the hardest hit areas such as Wuhan and Hubei province. Currently, Atour has nearly 500 hotels around the country with about 15,000 employees. Every hotel will face tough times if the epidemic lasts more than a few months.

Since the outbreak, hoteliers have exhibited great courage and responsibility. For example, at Atour, we promptly set up an emergency response team, daily reporting for the prevention and control of the disease, and have emphasised staff protection and hotel disinfection. For clients, we not only launched a refund protection policy, but also extended the validity of their memberships. For franchisees, we have offered expense reductions or exemptions in order to help them ride out the current situation.

The epidemic will stifle the hotel industry and fuel consolidation. Some players will shutter. In the meantime, the whole industry will pay more attention to making hotels smarter and more diversified developments. Specifically, I believe the outbreak will lead to the following changes in the hotel industry:

First, a number of hotels will fail to survive – express and economy hotels will struggle and will leave prime areas in first- and second-tier cities.

Second, the outbreak will accelerate the digital transformation of the hotel industry, making hotels smarter. Contactless security services in hotels are expected to be rolled out on a large scale. In the future, services such as unmanned reception, face swipe check-in, guest voice control and smart service robots will replace some human interaction.

Third, the outbreak will also speed up the growth of online business and the diversification of the hotel industry. At Atour, for example, we are evolving from a night-sale hotel to a lifestyle platform, with the non-hotel segment of the business growing rapidly.

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The outbreak may profoundly affect the pharmaceutical industry.

The epidemic will drive the proliferation of new technologies and models in the pharmaceutical industry.

In the short term, the majority of pharmaceutical companies will be slightly affected as demand is exploding for treatment drugs, protective gear and test reagents related to the epidemic. In the long run, however, the outbreak may profoundly affect the pharmaceutical industry.

First, it will accelerate innovation and the upgrading of the industry. For example, we have seen fast-track clinical trial approvals for a new drug Remdesivir which has attracted tremendous public attention.

Second, the outbreak will also spur the development of medical digitalisation and information sharing, driving improvements in remote diagnosis, online consultation and e-pharmacy.

As a company focused on medical big data and AI, LinkDoc is making full use of our competitive expertise to help fight the epidemic. For instance, our research into AI-assisted diagnosis systems for coronavirus pneumonia can help clinical experts to complete diagnoses more quickly.

We also use real-world research methods to help experts explore effective drug therapies and treatments for the disease. We believe that, after the epidemic, data-driven innovative technologies and concepts can continue to be applied in clinics.

The epidemic has generated huge demand for online diagnoses and treatment, which is forcing internet medical platforms to scale up. Therefore, after the epidemic, internet-based healthcare may reach new heights.

Digital pharmaceutical marketing platforms, data-driven doctor-patient management platforms and other models will become the go-to resources for drug makers. New technologies and models such as telemedicine, medical robots and telepharmacy will become popular, owing to the fact that they minimise the risk of cross-infection.
As the epidemic continues and the public remain largely confined to their homes, many courses have moved to online platforms, which has unexpectedly driven the development of online education. At present, many training institutions, including TAL and New Oriental, have shifted offline courses to online platforms. At the same time, almost all online education platforms have launched free courses. The number of online education users has suddenly exploded.

Online education today is similar to e-commerce during the SARS outbreak. The epidemic has forced many people to try online education, and they have seen its value.

Compared with offline education, the advantages of online education lie in convenience and digitalisation. First of all, parents no longer need to spend their time transporting their children. Secondly, with reference to students’ concentration in class and knowledge mastery, online education uses personalised data to teach students according to their ability.

But education itself is not only the learning of knowledge, but also the overall development of students’ morals and values. At present, online education can help children learn more efficiently, but it can’t be said that online education will replace offline education and the two can be complementary to each other.

Although the epidemic has accelerated the development of the online education industry, in the long run, education in general is slow to change. Whether it develops further depends on whether it can bring real improvements to students. It takes time to assess the effectiveness of education, which is different from e-commerce in this regard. Although students are filling online classrooms and online education’s popularity has also increased, the challenge of how to retain students and maintain service capacity remains.

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Property management is at the forefront in the prevention and control of the virus in many communities and the property management industry faces many challenges because of this epidemic. First, as a human resource intensive industry, the epidemic coincided with the Chinese Spring Festival, resulting in staff allocation issues. Secondly, the development of the epidemic is testing the ability of property management companies to respond to major public health events. Finally, the lack of protection and disinfection materials is creating resource management challenges for firms in our sector.

However, the epidemic will provide the opportunity to reshape China’s property management industry, which is expected to see increased capacity.

First, it will strengthen the management and anti-risk capabilities of property management firms. It can be predicted that the epidemic will further improve and harmonize best practices in the industry.

Second, property management firms’ responses to public health and other major events will improve. The epidemic has sounded a wake-up call for property managers and we must further establish and strengthen plans and drills for public emergencies in order to enhance our response capabilities.

Third, it will prompt property management companies to attach greater importance to digital transformation. The use of artificial intelligence, cloud platforms and other technologies could not only help front-line employees reduce the pressures of management and service provision, but also make data traceable and analysable, so that enterprises can more calmly respond to public emergencies.

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