

Industry Analysis

New Challenges and Opportunities Reshaping the Hospitality, Travel, and Tourism Industries in the Post COVID-19 Era

Anderson Ngelambong¹ and Nur'Hidayah Che Ahmat² and Adib Mohd³

^{1,2}*Faculty of Hotel and Tourism Management, Universiti Teknologi MARA Cawangan Pulau Pinang, Malaysia*

³*Department of Sales and Marketing, Felda Residence Hot Springs, Malaysia*

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Introduction

Worldwide, countries have started to embrace COVID-19 by gradually opening their borders for international travel. In Southeast Asia, countries such as Malaysia, Thailand, Singapore, and Indonesia have begun introducing vaccinated travel lanes for travelers who tested negative for COVID-19. As travel restrictions ease, it is anticipated that international travel will steadily grow in the second half of 2022. Though the hospitality, travel, and tourism industry are on the road to recovery, the COVID-19 pandemic has caused significant disruptive effects on the industry's ecosystem. This article discusses the latest challenges and opportunities that affect the hospitality, travel, and tourism industries due to COVID-19. Specifically, this article provides valuable insight on issues related to robots, artificial intelligence, and service automation, new innovative business model, the labor market, and government policy. Several suggestions are put forward to guide industry players to face the challenges and opportunities during the post-COVID-19 era.

One of the significant developments in the hospitality, travel, and tourism industries attributed to COVID-19 is the rise of robots, artificial intelligence, and service automation applications. Arguably, the popularity of robots and service automation is led by consumers' anxiety about the risk of being infected by COVID-19 caused by interpersonal physical interactions. Adopting robots, artificial intelligence, and service automation would mean fewer interpersonal physical contacts, which might lessen the risk of virus transmission. Kim *et al.* (2021) stated that consumers are more likely to have a stronger inclination for service robots in hotels because of safety

Correspondence: Anderson Ngelambong; Email: anderson@uitm.edu.my

and health anxieties. Interaction with service robots are perceived as less risky, contributing to a good dining experience, revisit intention, and positive word-of-mouth. Although robots, artificial intelligence, and service automation applications are gaining traction in the hospitality, travel, and tourism industries, some drawbacks exist. As the implementation of service robots is still in its infancy, they lack interpersonal skills and emotion, which are critical in personal consumer interaction. In addition, consumers from diverse backgrounds such as culture (eastern versus western) and age groups (young versus old generations) might perceive, respond, and react differently to service robots. For example, the younger generation might be more receptive to service robots than the older generation due to their favorable attitude towards technology. Thus, industry players should remain cautious when introducing new technology to their customers. As the global demand for service robots, artificial intelligence, and service automation is expected to rise, a thorough cost and benefit analysis are warranted to justify the massive investment in such new technology. Amid standard health and hygiene business operating procedures such as wearing masks and social distancing are expected to remain, touchless service delivery technologies could be viewed as a game-changer in the industries. A competitive advantage strategy needs to be introduced to instill consumers' confidence and foster consumers' innovative service experience during the post-COVID-19.

The COVID-19 pandemic has contributed to the emergence of new innovative business models. This includes food delivery and take-out orders businesses which increased exponentially during the pandemic propelled by consumers' safety and hygiene concerns. Consumers' preference for off-site dining has caused the rapid development of the Ghost Kitchen business model, which promises higher revenue and profit, fast expansion, and productivity as it focuses on food production and delivery. Also known as Cloud Kitchen, Shared Kitchen, and Dark Kitchen, Ghost kitchen refers to a food preparation operation that solely focuses on food delivery and take-out orders. The entire business concept is built upon an intangible premise that minimizes the use of labor and zero customer contact. During the pandemic, this business approach is beneficial as restaurant operators can safely cater to their customers and, at the same time, save costs. Besides Ghost Kitchen, mobile app food delivery was also popular during the pandemic. For example, Grab Food and Food Panda have recorded significant growth in their revenue due to increased market demand.

While the virtual business model seems like a better alternative to the conventional business model, several shortcomings should be addressed. There will be some food quality and safety issues if local health authorities do not regulate the business operation. Also, it could be challenging to promote food products as there is no physical and visible premise to attract potential customers. Moreover, business technologies are often inaccessible for small and medium companies as they are expensive to obtain and maintain. Employees' digital literacy should also be considered since virtual business model operation requires specific knowledge and skill, and they might face a lack of expertise or qualified employees to manage multiple operation channels. The virtual business ecosystem is also more complex, demanding data analyst specialists to analyze, visualize, and interpret a vast amount of customers' data. To successfully adopt a virtual business model, companies should maximize consumers' online journey experience from searching, booking to purchasing. Most high-tech companies solve this problem by hiring more young adults who are more knowledgeable, interested, and receptive to technology applications in the workplace.

The opening of the economy has created a new problem in terms of labor shortage resulting from the massive retrenchment of the workforce during the pandemic period (Karim *et al.*, 2020). Though employee retrenchment might seem like a good plan during the pandemic, the challenge now is to attract them back into the industry. Arguably, many employees are still passionate about working in the hospitality, travel, and tourism industries and are willing to be called back by their employers once the economy recovers. However, some might have developed a negative perception of the industry due to job insecurity which indirectly could affect their intention to stay in the industry in the long term. Since the outbreak started, the Ministry of Human Resources Malaysia has taken several measures to assist affected employers and employees through financial and non-financial assistance. For example, the Central Bank of Malaysia funded billions to support small, medium, and enterprises to sustain their businesses (Central Bank of Malaysia, 2020). The Ministry of Human Resources offered a wage subsidy program to protect companies and employees (Krishnan, 2021). According to the recent statistics by the Department of Statistics Malaysia, the unemployment rate has slowly decreased to 4.2 in January 2022 (DOSM, 2022), compared to 4.9% in January 2021 (DOSM, 2021). The workforce situation is expected to improve in the endemic phase when the government reopens international borders on April 1 2022. The recent announcement by the Prime

Minister, Dato' Sri Ismail Sabri, regarding the new monthly minimum wage increase to RM1,500 starting May 1st, 2022, reflects the commitment of the government to improve the overall quality of life of Malaysians. The announcement has caused a mixed reaction from employers, including hospitality operators. To employees, the revised minimum wage could attract the workforce, increase the employment rate, and improve the living standard of most Malaysians. To employers, the labor cost increase will affect their business, thus creating a domino effect on employment and the price of goods and services. Companies may freeze new hires to avoid high labor costs. The financial situation of most businesses, mainly small, medium, and enterprises, might not fully recover.

Since the beginning of the COVID-19 pandemic, various restrictions and preventive measures have been implemented by governments worldwide. In Malaysia, a series of movement control orders (e.g., complete movement control order, conditional movement control order, recovery movement control order) was implemented from March 2020 to December 2021. Such strategies have an adverse impact on the hospitality, travel, and tourism industry in terms of financial loss, unemployment, public safety, and health concerns (Che Ahmat *et al.*, 2021). As of this writing, many states are still in phase four with more relaxed restrictions (e.g., social activities, dine-in, and interstate travels are allowed). As the country welcome its international traveler on April 1st, 2022, the government is focusing more effort on preparing the country to transition from the pandemic to the endemic phase. The government has ensured that nearly 80% of the Malaysian population are fully vaccinated to provide a safe tourism destination. The Ministry of Health has actively promoted nationwide vaccination campaigns using social media platforms through hashtags, such as #PenangFightCOVID19, #ComingBackStronger, and #KeluargaMalaysia. Besides that, the Malaysian Association of Hotels developed and offered "Clean and Safe Malaysia" certification guidelines for hotel providers, hoping to restore confidence among travelers while promoting Malaysia as a safe travel destination. In September 2021, the Ministry of Tourism, Arts, and Culture Malaysia (MOTAC) announced the international travel bubble pilot project in Langkawi to commence on November 15th, 2021, for three months. The project period was extended until the national borders were reopened (MOTAC, 2022). The latest Vaccination Travel Lane (VTL) announcement will ease the inbound travelers when fully vaccinated travelers are not required to quarantine upon entry to Malaysia. Now, only travelers from Singapore that meet the VTL requirements can enjoy the benefits. Indeed, Malaysia is looking forward to adding more countries to the VTL listing. The key industry players (i.e., Malaysian Association of Hotels, Malaysian Association of Tour and Travel Agents, Malaysia Aviation Group, Malaysian Association of Convention and Exhibition Organizers and Suppliers) are working together to reopen the country for the international business and leisure market (MAH, 2021).

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