

Suggestions on the Development of Guangzhou's Hospitality Industry in the Post-epidemic Period

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Keywords: Post-Epidemic Hospitality Recovery, Guangzhou Tourism Development, Hotel Industry Transformation

Abstract: Guangzhou, as one of the cities with the most commercial and trade characteristics and rich cultural heritage since the development of traditional history, has not hatched its own hotel management group or hotel brand. Also, there are some problems in the post-epidemic period, such as serious frustration in the operation of the hospitality industry, lag of industrial ecological construction and brain drain. Therefore, it is suggested to formulate and further improve financial support policies, strengthen the effective policy supply, improve the investment and financing system, and the integrate the industrial chain and the supply chain; To better support the hospitality industry in urban traffic, we will introduce cultural tourism resources and transportation, optimize conference management and control modes, and relax the usage and management rights of "shared" hotel spaces. Furthermore, we will advance the digital and intelligent transformation of the hospitality industry, fostering a deep integration between the digital economy and the real economy. Additionally, we will foster industry-education integration and establish a comprehensive system for cultivating and promoting hotel tourism talents.

1. Significance of the hospitality industry

1.1 Promotion of employment and social stability

The report of the 20th CPC National Congress proposed to strengthen the employment priority policy, improve the employment promotion mechanism and promote high-quality and full employment. China strongly advocates manufacturing industry, Internet technology and other industries to promote the improvement of overall industrial efficiency. However, such enterprises will further reduce their dependence on people and weaken the ability to absorb jobs and create jobs to a certain extent. The hospitality industry, as a pillar industry of the service industry, provides a large number of jobs for the society every year. It is one of the best and most important labor-intensive industries absorbing labor force for employment, and plays an irreplaceable role in solving employment, promoting social stability and driving the development of relevant industries.

1.2 Strong support for urban commercial development

As an international business center, Guangzhou, known as the "Business Hub of a Millennium",

has formed a rich international business service system. On the other hand, as the core engine for the regional development of the Greater Bay Area and an international comprehensive transportation hub, Guangzhou is a hub city with strong gathering and radiation driving effect, bringing a large number of business tourists and accelerating population flow. In July 2021, approved by the State Council, Guangzhou was selected into the list of cultivation and construction of international consumption center cities. The hospitality industry meeting the demand of catering and accommodation can effectively support the settlement of floating personnel, promote the sustainable development of local commerce, trade and tourism, bring development funds for urban economic development, increase the urban gross national product and tax revenue, drive the progress and development of relevant industries and optimize the allocation of resources, while the development and utilization technologies in some new business forms and new modes will also make great progress in this process.

1.3 Creation of the most powerful carrier of city card

Guangzhou, as one of the first historical and cultural cities of China, is the main body of Cantonese Culture and a business hub of a millennium, with strong historical and cultural heritage. Hotel is not only an indispensable part of urban commercial development, but also a powerful carrier of urban space, which can well present the cultural elements of Guangzhou. The hospitality industry plays a role in driving the development of commerce, trade, tourist reception and social employment, and further boosts the spirit of the tourism service industry in the post-epidemic period to create the city card.

2. Problems of the hospitality industry in the post-epidemic period

2.1 Setback and losses in the hospitality industry due to the epidemic

The overall demand for hotels in the post-pandemic period has shrunk rapidly, with both RP (revenue per available room) and OCC (occupancy) falling sharply. Taking branch hotels under a leading hotel group as an example, compared with 2019, in Guangzhou, the total revenue in 2021 fell by 27%, the OCC in 2022 fell by nearly 30%, and the RP fell by more than 40%. From 2019 to 2022, the annual total profit of more and more hotels fell by more than 30% year-on-year, and the total profit of nearly half hotels fell by more than 30% year-on-year in 2022. As show Fig 1-2.

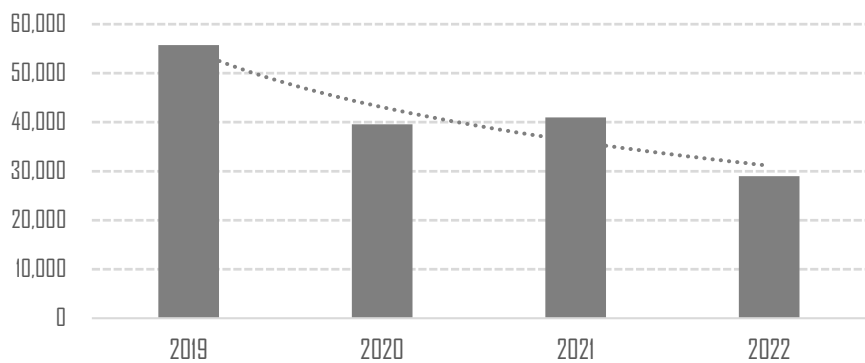


Figure 1: Revenue of Branch Hotels under A Leading Hotel Group in Guangzhou in 2019-2022 (10,000 yuan)

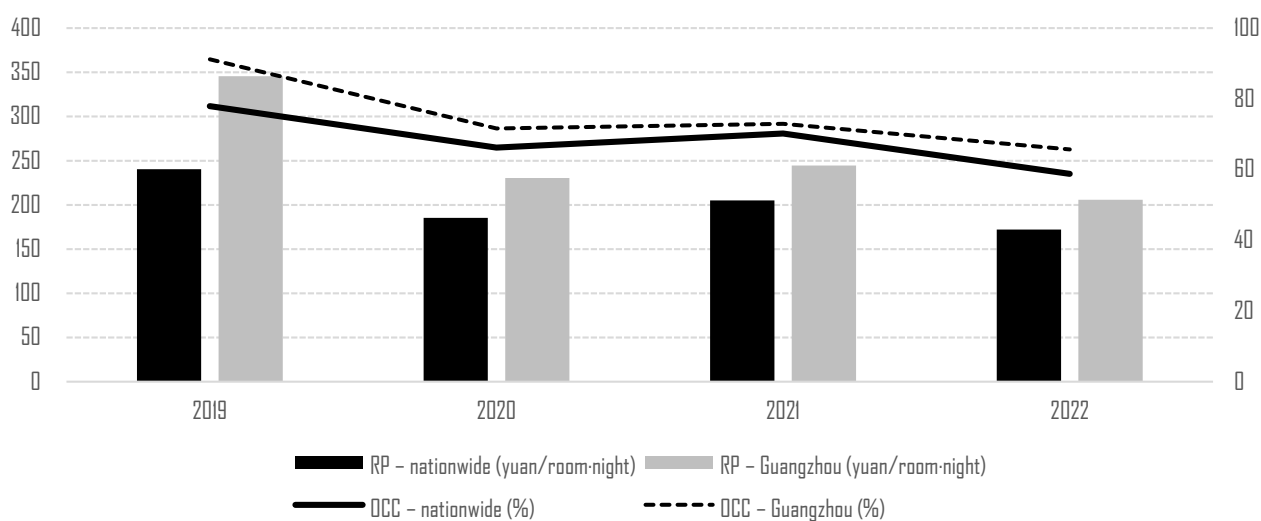


Figure 2: Occupancy and Performance Trend of Branch Hotels under A Leading Hotel Group in 2019-2022

2.1.1 Shrinking overall demand in the hospitality industry due to reduced mobility

The epidemic prevention and control policy restricting the movement of people in the whole country has reduced the consumption opportunities of customers and has a great impact on China's tourism industry. According to data from the Ministry of Culture and Tourism, the total number of domestic tourists in 2021 was 3.246 billion, only 54.0% of that in 2019. According to the "Guangzhou Tourism Trend Report in the first half of 2022" released by Ctrip, the recovery speed of Guangzhou tourism is about 10% higher than the average level of popular tourism cities in China, but the traffic order volume, tourist number and transaction amount to Guangzhou are only restored to 60% compared with that before the epidemic (the same period in 2019), while the hotel booking volume only recovers to 70% compared with that before the epidemic.

2.1.2 Difficult hotel operation due to great pressure of operation cost

According to the public data of the National Bureau of Statistics, the revenue of hotel enterprises in 2020 dropped by about 22.67% compared with that in 2019, while the operating cost only decreased by 11%. The operating cost of hotels in the post-epidemic period is relatively higher than that before the epidemic. Taking branch hotels under a leading hotel group as an example, the percentage of monthly average rent cost, energy consumption cost, labor cost and total operating cost in the total revenue of nearly 50% of the hotels in 2022 increased significantly compared with that in 2019, due to the decline in the total revenue of hotels. As for the rental cost accounting for the largest proportion of the operating cost, nearly 80% of the hotel franchisees said they had not enjoyed the relevant policies of rent relief, and the hotel rescue policy was not properly implemented. Meanwhile, the strict implementation of epidemic prevention measures forced the hotels to increase extensive unconventional work and operating cost, and most of the quarantine hotels had been caught in a situation of broken financial chains, heavy losses and struggling to make ends meet, due to the expropriated money to the account for as long as 3 to 6 months or even longer.

2.1.3 Heavy impact on the convention and exhibition industry, sharp drop in business travel orders

Affected by the COVID-19, most exhibitions around the country were forced to be postponed, canceled or changed to be held online, which greatly impacted the exhibition industry. According to the 2021 China Exhibition Index Report, the total number of off-line exhibitions in 2020 and 2021 were 1,417 and 1,603 respectively, with a decrease of 39% and 31% compared with that in 2019, which indirectly caused a non-negligible negative impact on the service functions of logistics, catering and accommodation-related industries.¹ According to the valid internal data, reduced business travel orders and low occupancy rates in the post-epidemic period are currently the biggest reasons for the impact on hotel operations.

2.2 Lagged industrial ecological construction, lack of relevant policies for hotel brand incubation

East China and the Yangtze River Delta, with developed foreign trade industries and significant regional advantages, have gathered many internationally competitive industrial clusters, and its economic engine, Shanghai, has brought together the headquarters of leading hotel groups such as Huazhu Hotels Group, Marriott, and Jinjiang Hotels (China Region). Guangzhou, as the core business city in South China, has a natural and favorable environment for the development of the hotel industry and had bred the leading hotel management group Plateno. Seven Days Hotel, born in Guangzhou, has now become an economic chain hotel brand giant. However, Jinjiang Hotels acquired 100% of the stake in Plateno in 2021 and relocated its headquarters to Shanghai and Shenzhen. There is a lack of leading enterprises and enterprises above designated size in the hospitality industry in Guangzhou, and the number of hotel and hotel brand does not match the city's position in China in terms of commerce and trade and consumer strength.

The commercial development and internationalization of Guangzhou rank in the forefront in China, with a good business environment. As the pillar industry of Guangzhou, the FMCG industry is leading in China. However, it has not formed the advantages of the hotel supply chain and industry aggregation of the city, resulting in poor resource integration effect and lagged ecological construction of the hospitality industry. Besides, Guangzhou lacks relevant supporting policies for hotel brand incubation and industrial chain construction, and the supporting funds for tourism development focus on supporting scenic spots rather than the hotel industry. The existing supporting policies are incomprehensive and not properly implemented, which not only makes it difficult for enterprises to master the policy conditions, but also fails to give full play to the use effect of policy funds.

2.3 Brain drain

According to the report, Ranking of Urban Talent Attraction in China: 2021, in recent years, Guangzhou ranks among the top four in China in terms of brain gain, but 52% of the floating talents are distributed in IT Internet, real estate and manufacturing, and a large number of high-end talents flow to other industries and developed cities such as Shenzhen and Shanghai. In addition, due to the unclear orientation of the training of students majoring in hospitality in higher vocational colleges, lack of professional skills and comprehensive quality training, and limited career growth space, the employment matching rate of students of relevant majors is only 20-30%, and the turnover rate of middle and low-end talents are generally high.

3. Countermeasures and suggestions on promoting the development of the hospitality industry

3.1 Policy support

3.1.1 Formulation and further improvement of financial support policies

We will implement the spirit of the Several Policies on Promoting the Recovery and Development of Difficult Industries in the Service Industry issued by 14 authorities including National Development and Reform Commission, and implement substantial and feasible supporting measures for hotels, accommodation, catering, tourism, exhibition and other industries:

① The government should support hotel owners, particularly those who are private enterprise owners, from policies such as rent relief and holdover to the greatest extent possible, in order to help them alleviate the pressure of loan repayment;

② The government should promote the owners to waive rent and reduce rent for hotel franchisees to ease rent pressure; and guide banks and other financial institutions to set up fast financing "Green Channel" for hotel franchisees and owners who provide rent relief and other assistance measures, in order to solve practical problems like financing difficulties as soon as possible. The government should also increase credit support and provide financial support such as interest subsidy, low interest rate and deposit waiver, striving to reduce the comprehensive cost of financing for the tourism hotel enterprises. Furthermore, the government should promote banks and other financial institutions to implement the policy of periodic delayed repayment of principals and interests, relieve the liquidity difficulties of tourism hotel enterprises that are greatly affected by the epidemic and have good prospects, so as to better implement the support policies for the tourism industry.

③ Governments at all levels and relevant authorities shall formulate and implement tax relief, return, social security exemption, extension and other support policies for hotel owners and franchisees respectively;

④ The government should shorten the settlement period of the expropriated money of quarantine hotels, guide the relevant entities of the local government to carry out periodic settlement, and alleviate the cash flow disruption of the hospitality industry in this city.

3.1.2 Promotion of the integrated development of industrial chain and supply chain

We will give full play to the advantages of industrial clusters such as FMCG and enterprise resource aggregation, take the lead of the government or relevant entities to promote the construction, integration and development of the industrial chain and industrial cluster of the hospitality industry in the city, formulate financial support policies for core enterprises and upstream and downstream enterprises, and build a national FMCG supply chain center and industrial cluster in the hospitality industry with Guangzhou as the core^[1].

3.2 Urban traffic support

3.2.1 Integrating culture and tourism resources and creating urban IP to empower the hospitality industry

We will integrate the culture and tourism resources of the city, build the urban IP of Guangzhou and put it in the hotels, provide the bearing space for the traditional culture, add local cultural features and Internet traffic for the hotels, and empower the hotel space and industry development; support the cultural tourism traffic platform enterprises with network-wide traffic in the city, guide

and encourage such platforms to carry out creative works with cultural themes dominated by urban publicity, and provide broadcasting channels for the tourism hotel enterprises in the city or incorporate them into the publicity materials; and establish a promotion mechanism integrating the government, industry media, enterprises and the public. Taking the Deluxe Hotel at Dongshankou, Guangzhou as an example, the Hotel and Guangzhou Haizhu District Culture and Sports Bureau have jointly presented and integrated “Guangzhou Zhijin Color Porcelain” and “Jasminum Grandiflorum” and other intangible cultural heritage in the hotel space, to promote the intangible cultural heritage of Guangzhou to enter life, renew vitality, and enhance the recognition and reputation of the public to the traditional culture of the city and the advantages of the hospitality industry in brand and quality^[2].

3.2.2 Optimizing the conference management and control mode to promote the orderly recovery and development of the convention and exhibition industry

On the premise of complying with relevant prevention and control policies and measures, we will decentralize our control authority for venues and related parties undertaking conference services, formulate codes and standards, improve the conference management system, promote the marketization of conference management and control, allow commercial organizations to conduct reasonable self-regulation and conduct business within the guidance of the government, and give full play to the dominant role of subordinate departments, grass-roots organizations and enterprises in the process of policy implementation. These measures can effectively prevent the “one-size-fits-all” implementation of the conference monitoring policy, with the actual difficulties of the implementation objects taken into account, to promote the scientization, democratization and legalization of the implementation of the conference management and control policy of the city. Also, they can effectively promote the construction of small and medium-sized conference management system, reduce the risk of conference management and control, and ensure the conference participation and the mobility of business travel customers.

3.2.3 Opening up access to and management of shared space in hotels and carrying out pilot demonstration projects

In the post-epidemic period, the hospitality industry launches online classrooms, e-sports and movie hotels for income generation and self-rescue. The hospitality industry in the city shall be encouraged to innovate the business model, and the restrictions on the use of hotel space and the restriction on the nature of business subjects shall be relaxed, to promote the use of shared hotel space, improve the area effectiveness, and maximize the utilization of hotel space resources. We will implement project pilot demonstration, strengthen supervision and management, and guide social forces to actively participate in the innovation and development of the shared space of the city's hospitality industry^[3].

3.3 Industry support

3.3.1 Continuous promotion of supply-side structural reform of commercial real estate to optimize commercial forms

For the regional adjustment and supply plan that there is obviously too large commercial real estate inventory and the sales cycle of commercial housing does not reach the reasonable range, the hotel capital will be introduced to effectively reduce the real estate inventory, and the policy support such as rent and tax relief and low-interest loan will be provided. The better integration of commercial real estate with catering accommodation, tourism and leisure will be promoted, so as to

adapt to the market to meet different types of consumption demands, fully tap the economic strength of the commercial plot and buildings, and maximize the benefit of real estate inventory reduction.

3.3.2 Strengthening the supply of "effective policy + financial supply chain" to provide the power source for industrial development

We will improve the financial and capital support policies for the hospitality industry in Guangzhou, set up special funds for the development of the hospitality industry, and strengthen the support for local brand incubation, business model innovation, industrial cluster construction and key enterprises; The government encourages all districts in Guangzhou to study and formulate policy documents such as guidelines for the development of the hospitality industry, development planning of the hospitality industry, incubation and cultivation of local hotel brands, etc.

3.3.3 Promoting the integration of industry and education and building training bases for skilled talents

We will further advance talent recruitment programs by integrating premium hotel brands, enterprises, and pertinent organizational resources from the city. We will also optimize key universities and vocational colleges specializing in the hospitality industry, refining their curricula of related disciplines. By fostering stronger partnerships between leading hospitality enterprises and educational institutions, we aim to jointly establish industry-education integration platforms. This will enhance the development pathway for young talents, elevate the quality standards of employees within the local hospitality sector, and continually upgrade the scale, structure, and quality of professional talent in this field. Furthermore, we aspire to assist in addressing the employment challenges confronted by vocational colleges and the job vacancies existing within the hospitality industry[4].

3.3.4 Promoting the digital and intelligent transformation of the hospitality industry, and integrating digital technology and real economy

In order to deeply implement the strategic goal of “accelerating the construction of an innovative country” proposed by the 19th National Congress, we will promote the deep integration of digital technology and real economy, put intelligent products into the hotel experience space of the city, and promote the grafting and mutual empowerment of industrial resources. By means of intelligent product use data, digital marketing, digital operation management and other means, we will further promote the digital and intelligent transformation of the whole chain of the hospitality industry in the city, so as to provide continuous driving force for the digital and intelligent transformation and economic development of the hospitality industry in the city.

4. Conclusion

To address the challenges and capitalize on the opportunities for the hospitality industry in Guangzhou post-epidemic, a comprehensive and multi-dimensional strategy is proposed:

4.1 Integrated Financial and Policy Framework

4.1.1 Develop a Multi-Tiered Financial Support System

The government should establish a dedicated financial support fund to provide targeted assistance to hospitality businesses that have been affected by the pandemic.

This fund should offer low-interest loans, rent relief, and subsidies for operational costs, tailored to the needs of small, medium, and large enterprises. The framework should also include streamlined procedures for accessing these financial aids, ensuring timely and effective support.

4.1.2 Implement Flexible Taxation Policies

The government should introduce temporary tax relief measures, including reduced VAT rates and extended tax payment deadlines, in order to ease the financial burden on hospitality businesses. Furthermore, they should also develop a comprehensive system for periodic tax reviews, allowing for adjustments to policies based on the ever-evolving economic conditions of the hospitality industry.

4.2 Strengthening Industry Ecosystem and Digital Integration

4.2.1 Promote Industry Clustering and Supply Chain Integration

The government should facilitate the creation of industry clusters by incentivizing collaboration among hotels, restaurants, and tourism operators. It should also establish industry partnerships to integrate supply chains, enhance resource sharing, and improve operational efficiencies in the tourism sector.

This could involve forming a Hospitality Industry Development Council to coordinate efforts and oversee implementation.

4.2.2 Accelerate Digital and Technological Transformation

The organization supports the adoption of digital technologies through grants and technical assistance programs. It encourages the development of smart hospitality solutions, including AI-driven customer service, digital booking platforms, and advanced data analytics to enhance operational efficiency and customer experience.

4.3 Enhancing Urban Tourism and Cultural Integration

4.3.1 Develop a Comprehensive Urban Tourism Strategy

Hotels and tourism providers should integrate cultural, historical, and tourism resources into their hospitality offerings. They should create themed tourism packages that highlight Guangzhou's unique cultural heritage, leveraging local festivals, historical sites, and cultural institutions to attract both domestic and international tourists.

4.3.2 Optimize Conference and Event Management

The management team should revise conference and event management regulations to allow for more flexible and adaptive approaches. They should implement a tiered regulatory framework that adjusts requirements based on the scale and type of events, and provide support for hybrid and virtual event formats to diversify revenue streams.

4.4 Talent Development and Industry Education

4.4.1 Strengthen Industry-Education Partnerships

Hospitality businesses should develop partnerships with educational institutions to align

curriculum with industry needs. By establishing internships, apprenticeships, and training programs, these businesses can enhance the practical skills and career prospects of students and professionals in the hospitality sector.

4.4.2 Create a Talent Retention and Development Program

The company should implement initiatives to attract and retain top talent in the hospitality industry. This could include offering competitive compensation packages, career development opportunities, and targeted recruitment campaigns to address the brain drain and skill gaps identified in the sector.

4.5 Policy Innovation and Implementation

4.5.1 Design a Strategic Policy Framework

The government should develop a strategic policy framework to address the long-term growth and sustainability of the hospitality industry.

This framework should include mechanisms for continuous policy review and adaptation based on industry feedback and economic trends.

4.5.2 Facilitate Stakeholder Engagement and Collaboration

We should promote collaboration among government agencies, industry associations, and private sector stakeholders to ensure the effective implementation of policies.

Regular stakeholder consultations and feedback loops should be established to refine and adjust strategies as needed.

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