COVID-19 Pandemic and Economic Sustainability of Tourism and Hospitality: The Impacts on SMEs in the Czech Republic

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Abstract:

Purpose: COVID-19 pandemic has brought a lot of changes in socio-economic environment as well as the business environment. The hospitality and tourism industry suffers enormously from the COVID-19 pandemic and government restrictions in all countries. The behaviour of the whole tourism system in post-COVID-19 period is still unclear and the economic sustainability of the tourism sector is put at risk, not only due to the outflow of human resources from the industry. The tourism and hospitality service providers face to the biggest crisis of the industry in last decades. This paper focuses the impacts of the pandemic on small and medium enterprises (SMEs) and compare their crisis behaviour in several segments, such as accommodation services, catering services, and tour operators (TO) / travel agents (TA) in the Czech Republic.

Design/methodology/approach: A quantitative survey was carried out from May to September 2020 and the sample consists of 208 valid responses, especially from SMEs owners and managers.

Findings: The results show how the enterprises in different segments reacted on the crisis, which measures they implemented in the first six months of the pandemic and what they planned to do in marketing, HR, and financial management.

Research limitations: Results are focused only on the hospitality businesses and tour operators and travel agents. There are only limited research sample covered in our research. Results are not general for all businesses in tourism industry.

Key words: COVID-19, Tourism, Hospitality, SME, Czech Republic

Introduction

The COVID-19 pandemic influenced economics of all countries in the world. It also affected many industries of world economics. From the first information about COVID-19, there were many articles and scientific work published. Many of them were focused on the tourism field. COVID-19 pandemic was a new international problem on which we were not prepared. Zenker & Kock (2020) describe six different crisis and they recommend reaching the best practice from crisis. This crisis is connected not only with healthy issues, but there are many more thinks to handle for business and people in affected economies. This paper focuses the impacts of the pandemic on small and medium enterprises (SMEs) and compare their crisis behaviour in several segments, such as accommodation services, catering services, and tour operators (TO) / travel agents (TA) in the Czech Republic. The results show

how the enterprises in different segments reacted on the crisis, which help they expected and what they planned to do in marketing in the first six months of the.

Literature review

COVID-19 pandemic affected many fields of economy. Donthu and Gustafsson (2020) discussed a global problem of COVID-19 pandemic on a society and also on a tourism industry. Loose of incomes for businesses and employees, reduction of jobs, movement restrictions – all these have to be handled by businesses in a very short time. Governments flexibly reacted and brought many funds and actions for support of national economic activity. Williams and Kayaoglu (2020) monitored the support connected to help against covid crisis focused on differences between businesses included and excluded in these programmes.

COVID-19 pandemic changes also customer behaviour. Fear about health and life changed shopping behaviour and decision-making process (Eger et al., 2020). Customer behaviour and its changes on Korean tourism market was the main research topic of Sung et al. (2021). Consumer behaviour on Slovak market was discussed, for instanece, by Csikosová et al. (2019).

Pappas and Glyptou (2021) describe situation with customer behaviour in hotel industry in Greece. Their study generates four possible solutions in the field of health, safety, and quality. The results are based on the customer perception in hotel industry. Similar topic is researched by Ming and Mai (2021) or Pavlatos et al. (2021). Strategies of tourism providers were also changed as customers' preferences. According to study of Heredia-Colaco and Rodrigues (2021), there is more attention paid to safety and hygiene. Their study was conducted from May to June 2020 in hotels around the world. More respondents believe in recovery of tourism in 2021 – in the same proportion of income as income of 2019. One of the most important topics in tourism research in this era is the motivation of customer to travel. Some researchers deal with hygiene and disinfection of hotel space as a tool for motivation to book hotel and stimulate the feeling of safety (Jimenez-Barreto et al., 2021; Pillai et al., 2021). Pillai et al. (2021) researched impacts of previous global crisis and response rate of accommodation and catering providers. Smart et al. (2021) bring one specific case focused on reaction of two hotels on COVID-19 pandemic. Some hotels decided to provide accommodation for paramedics for free as a CSR activity. However, Sin et al. (2021) verified the negative impact of free accommodation for paramedics on market value of hotels. They discussed that those activities belong to corporate social responsibility (CSR) but it impacts negatively on shopping customer behaviour. It relates to perceived safety risks. Navrátilová et al. (2020) deal with safety and customer behaviour in segment of Czech tourists aged 19 - 29. They analysed data about preferences in decision-making process in destination choice. Decision-making process in accommodation in Visegrad region evaluate Bacík et al. (2020). They used web page TripAdvisor and 22 400 reviews to analyse. Khan (2021) analysed the impact of restrictions on one hotel. This hotel was very flexible in reaction to the situation and it had very positive impact on its prosperity. It used contactless payments, contactless check-in/out and entrance to hotel room from

parking without go through hotel lobby and reception. Generally, digitalization of services in tourism represents a trend and a possible way for future travelling, as well as changes in behaviour of digital tourist (Duffus and Briley, 2021).

Based on the literature review and the current status of the tourism industry in the Czech Republic, we postulated following hypotheses:

H01: Statistically significant difference between marketing activities of TO&TA and other subjects of tourism DOESN´T EXIST.

Ha1: Statistically significant difference between marketing activities of TO&TA and other subjects of tourism DOES EXIST.

H02: Statistically significant difference between expected help of TO&TA and other subjects of tourism DOESN´T EXIST

Ha2: Statistically significant difference between expected help of TO&TA and other subjects of tourism DOES EXIST.

Methodology

The main method of this research was a quantitative survey. For this purpose, we developed questionnaire with standardized tool. Data collection period was from May 2020 till October 2020. Potential respondents were addressing by e-mail from Albertina Database (accommodation and catering facilities, guides, tour operators/travel agents, culture facilities, tourist attractions, transport). In total, we addressed 23 683 businesses per e-mail. Sample of our research is 208 valid responses (response rate: 0,9 %). For purpose of this paper there have been chosen only the accommodation services, catering services and tour operators/travel agencies (184 responses), which fulfil the criteria of SMEs. We also worked with a combination of these categories, e.g. accommodation + catering, travel agent + accommodation etc. To analyse the data, we used ANOVA test and Post-hoc test (Tuckey-Kramer test).

We focused only of few questions from the survey in this paper. First one is about planned marketing activities connected with covid-19 pandemic. Second question is which help businesses expected. Both questions were semi-closed with the option of own answer. But respondents used prepared answers. We used five point Likert scale of agreement for first question and dichotomy answers yes/no for the second question.

Results

To evaluate the hypotheses, we focused on marketing activities and expected help of tourism businesses (accommodation facilities, catering facilities, tour operators and travel agents) with the aim to specify the differences in needs and reactions between accommodation and catering services, on one hand, and tour operators/travel agents, on the other hand.

Expected help

Tourism businesses expected most reduction of taxes and other liabilities, direct financial assistance from state institutions, and co-financing of employees' wages. Only 6,73 % of businesses do not need any help. Figure 1 summarizes the proportions of expected help for the SMEs.
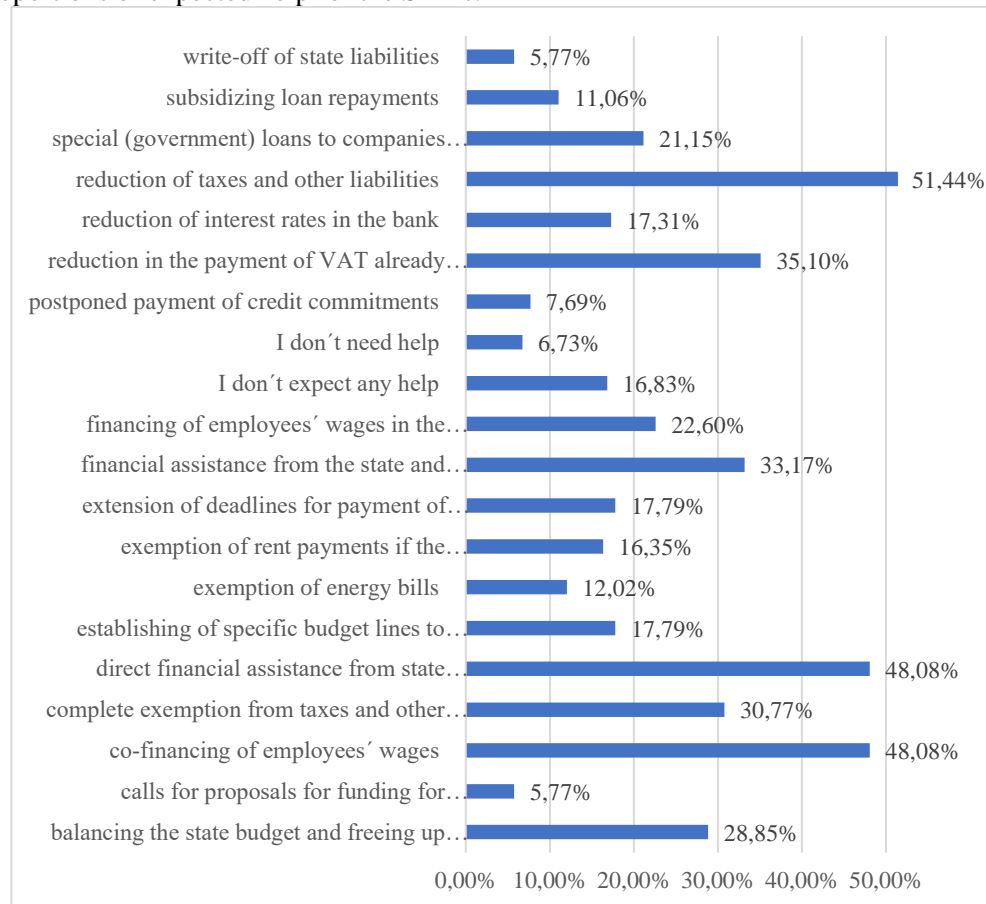

Figure 1. Expected help

Source: Own elaboration, 2021

We conducted ANOVA test and Post-hoc test to find differences between the groups of businesses. The results of the analysis is resented in Table 1. We can identify the differences between travel agency/tour operators and other businesses. The impact of COVID-19 pandemic on travel agencies/tour operators was enormous and the travel restrictions were fatal to many SMEs in this segment. Therefore, it can be the reason why we identified differences in expected help between travel agencies /touroperators and accommodation and catering businesses because they had a chance to substitute partially common guests with other operations (take-a-ways, business trips etc.).

Table 1. Results of Post-hoc test for expectation help

		Difference	n(gr1)	n(gr2)	SE	q	criterium	
ACM	ACM/CAT	5,052632	19	19	1,688572568	2,99225	3,947	non
ACM/CAT	CAT	1,052632	19	19	1,688572568	0,623385	3,947	non
CAT	TO	16,36842	19	19	1,688572568	9,693644	3,947	difference
TO	TO/ACM	20,42105	19	19	1,688572568	12,09368	3,947	difference
TO/ACM	ACM	10,15789	19	19	1,688572568	6,01567	3,947	difference
ACM	CAT	6,105263	19	19	1,688572568	3,615636	3,947	non
ACM/CAT	TO	15,31579	19	19	1,688572568	9,070258	3,947	difference
CAT	TO/ACM	4,052632	19	19	1,688572568	2,400034	3,947	non
TO	ACM	10,26316	19	19	1,688572568	6,078008	3,947	difference
TO/ACM	ACM/CAT	5,105263	19	19	1,688572568	3,023419	3,947	non

Note: ACM – accommodation, ACM/CAT – accommodation + catering, CAT – catering,
TO – Travel operators, TO/ACM – Travel operator + accommodation
Source: Own elaboration, 2021

Figure 2 shows the results in box-plot diagrams. There is a statistically significant difference between tour operator/travel agency and the other business groups. Travel operators in combination with accommodation answer also different then accommodation and catering businesses, as provided in Figure 2.
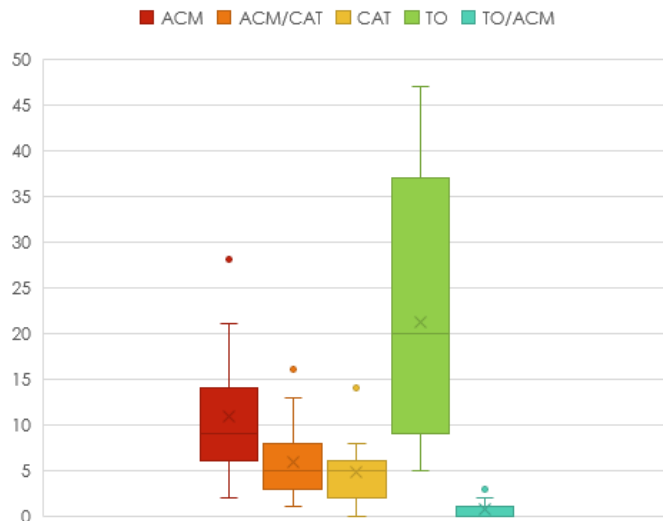
Figure 2. Differences between groups – expected help

Source: Own elaboration, 2021

Marketing activities

We also identified planned marketing activities. The respondents expressed their agreement or disagreement on the Likert scale with following statements:

1) We will provide and support special offers and price reductions for our products and services.
2) We will intensify marketing and advertising campaigns.
3) We will increase the marketing budget.
4) We want to keep up with the competition and take advantage of every opportunity that arises.
5) We will focus on current (pre-crisis) guest segments, their preferences and expectations.
6) We will target new marketing segments (e.g. domestic clients).
7) We will use electronic marketing and distribution channels (reservation portals, etc.).
8) Compared to the competition, we will define ourselves with an original solution, a unique offer.
9) We will focus on loyal customers during the crisis.
10) We will switch to new technologies, especially in the area of communication with the client.
11) We will increase the quality of our products or services.

To test differences between the defined groups of SMEs, we used ANOVA and Post-hoc test of simple average of responses. Based on Table 2, we can argue that there are statistical differences among the groups of businesses. Only businesses

providing pure accommodation on one hand and the combination accommodation and catering services on the other hand, answered similarly. Analogously, businesses providing catering services on one hand, and the combination of accommodation and catering services on the other hand, answered similarly as well.

Table 2. Result of post-hoc test – marketing activities of businesses

		Difference	n(gr1)	n(gr2)	SE	q	criterium	
ACM	ACM/CAT	5,15	11	11	0,2659	19,36817	4,777	non
ACM/CAT	CAT	0,475758	11	11	0,2659	1,789235	4,777	non
CAT	TO	9,798485	11	11	0,2659	36,85026	4,777	difference
TO	TO/ACM	12,61212	11	11	0,2659	47,43182	4,777	difference
TO/ACM	ACM	8,439394	11	11	0,2659	31,73898	4,777	difference
ACM	CAT	5,625758	11	11	0,2659	21,15742	4,777	difference
ACM/CAT	TO	9,322727	11	11	0,2659	35,06103	4,777	difference
CAT	TO/ACM	2,813636	11	11	0,2659	10,58156	4,777	difference
TO	ACM	4,172727	11	11	0,2659	15,69284	4,777	difference
TO/ACM	ACM/CAT	3,289394	11	11	0,2659	12,37079	4,777	difference

Source: Own elaboration, 2021

Figure 3 shows the box-plot diagrams for four groups of businesses we analysed. This diagram was developed with the input of simple average of responses. We found differences between almost all groups.
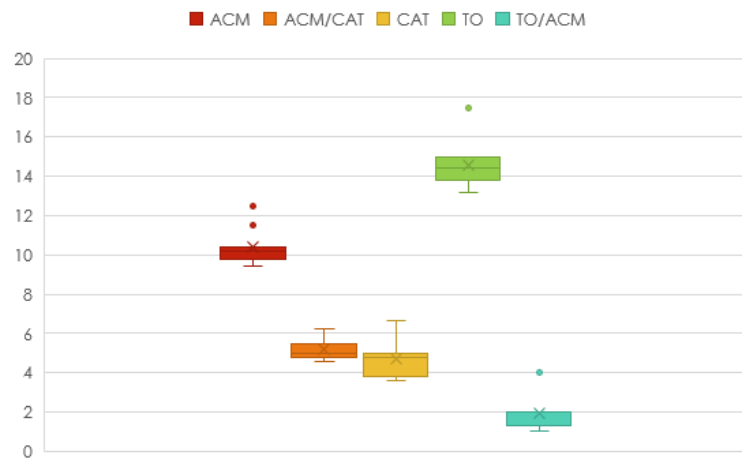
Figure 3.   Differences between groups – marketing activities

Source: Own elaboration, 2021

More detailed results are shown in Figure 4. Businesses wanted to keep up with the competition and to take advantage of every opportunity that arises. The loyal customer was the key factor of success. Most businesses do not increase their marketing budget and special offer and price reductions for product or services was not so preferred marketing activity. Overall results are shown in Table 4.
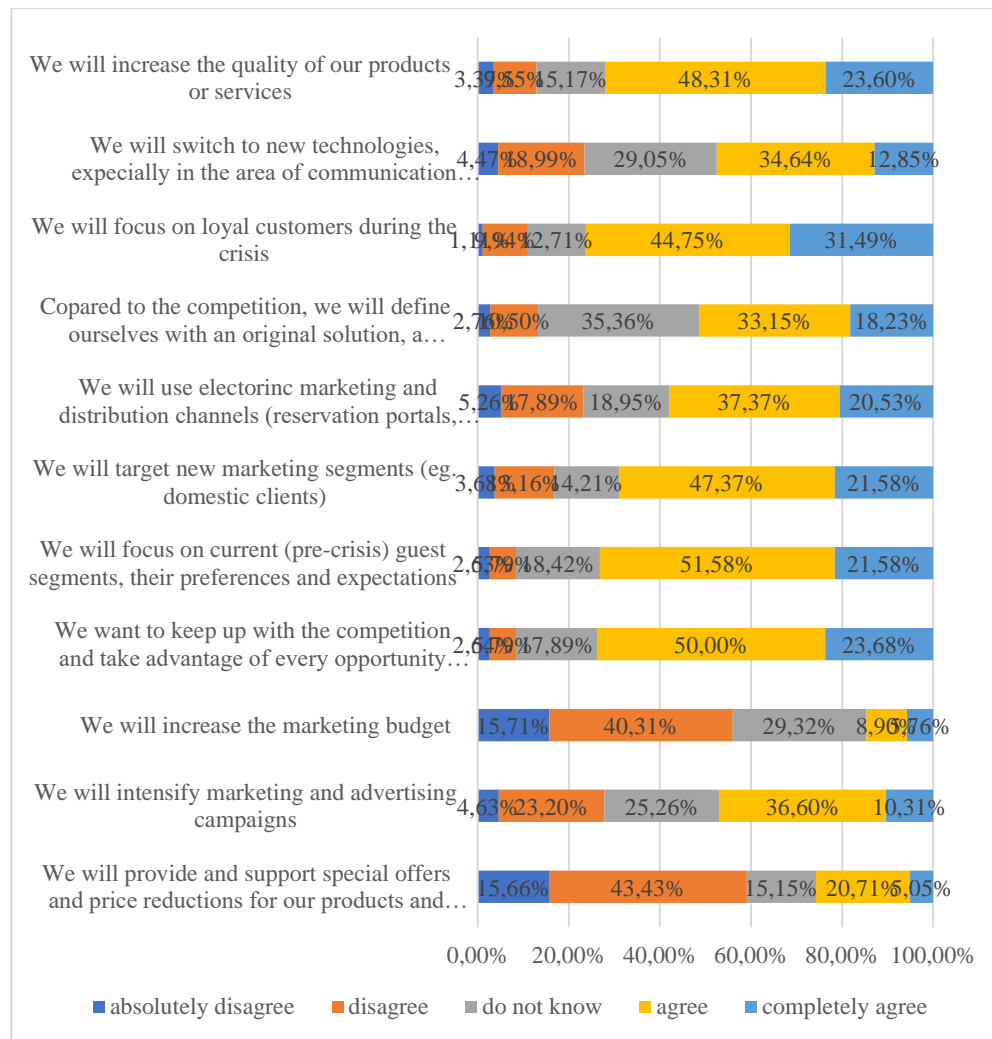
Figure 4. Marketing

Source: Own elaboration, 2021

Conclusion

This paper focused the impacts of the pandemic on SMEs and compare their crisis behaviour in several segments, such as accommodation services, catering services, and tour operators/travel agents in the Czech Republic. The results show that in expected help there are not so big differences between catering and accommodation businesses. They could provide limited services during the lockdowns. However, we can find significantly significant differences between tour operators/travel agents and accommodation/catering service providers. They were very limited during the pandemic, therefore, they required much more help than the others. We can confirm

the first alternative hypothesis that the statistically significant difference between expected help of tour operators/travel agents and other tourism SMEs exist. Moreover, we can confirm the second alternative hypothesis that there is the statistically significant difference between marketing activities of tour operators/travel agents and other tourism SMEs.

Indisputably, a critically reduced number of international tourists had positive impacts on the environment. However, the economic and social pillars of tourism sustainability suffer from the COVID-19 pandemic and other restrictions can burn the travel and tourism industry to the ashes. The international travelling should be re-opened and stimulated quickly to achieve balance of the triple bottom line of tourism sustainability.

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