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# IMPACT OF PANDEMIC ON THE HOTEL BUSINESS IN IMERETI (GEORGIA)

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## ABSTRACT

The coronavirus (Covid-19) pandemic is the global health crisis of our time. Every day people lose their jobs and income. The World Health Organization estimates that 25 million jobs could be lost. The pandemic has caused serious damage to the tourism industry. International traffic statistics decreased by 74%.

One of the businesses that has been severely affected by the pandemic is the hotel business. More than 75% of which suffered significant revenue cuts and 46% of hotels and restaurants had to lay off staff in full.

There are 262 accommodation facilities in Imereti, where 1179 people are employed. Studies have shown that the number of employees in all hotels has been significantly reduced, while 10% of small hotels have closed altogether. Overall, from the first wave of the pandemic to the survey period, 65.8% of hotel staff were laid off (free leave was granted): small hotels reduced service staff by 71%, medium-sized hotels by an average of 65%.

Hotel revenue for the first 10 months of 2020 decreased significantly compared to the same period in 2019 (reduced by 75%).

It was found that due to delays caused by the coronavirus, additional financial resources were needed to save the business and 34% of the hotels applied to financial institutions.

The state is trying to support small and medium-sized businesses with measures such as deferral of rent, subsidies, deferral of taxes.

Quarantine zones and covered hotels were opened in a number of hotels, which helped maintain employment and income for sector representatives and people employed in the sector.

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**Introduction.** The coronavirus (Covid-19) pandemic is the global health crisis of our time. Since its appearance late last year, the virus has spread to all continents except Antarctica. The incidence of the disease is increasing daily in Africa and South America, and Europe has become the epicenter of the virus. Every day people lose their jobs and income. They do not know when the world will return to normal life. The World Health Organization estimates that 25 million jobs could be lost.

According to the World Tourism Organization, 2020 was the worst year in the history of tourism: the international tourism industry suffered an estimated loss of \$ 1.3 trillion, with 1 billion fewer visitors to various destinations around the world than in 2019, with international traffic down 74%. The crisis has put between 100 and 120 million direct tourism jobs at risk, most of them in small and medium-sized enterprises. (UNWTO World Tourism Barometer, 2021).

Tourism has a significant impact on the Georgian economy and social life. Revenues from tourism in 2019 amounted to 3527 million GEL, including accommodation enterprises - 1314 million GEL, which is 37% of revenues (National Statistics Office of Georgia, 2021). This figure will be reduced by almost 90% in 2020.

One of the businesses that has been severely affected by the pandemic is the hotel business. After Georgia closed its borders, hotel owners relied on domestic tourism, but after declaring self-isolation, it became more difficult for them. One part of the hotels could not withstand the conditions and closed; others continued to struggle. "Most affected were hotels and restaurants, more than 75% of which suffered significant revenue cuts" and "46% of hotels and restaurants had to be completely (100%) laid off" (1, Georgian companies facing Covid-19 pandemic, 2020).

As long as Georgia's borders are closed and the country's population is in self-isolation, hotel owners are looking for ways to support their business. So far, no data are available on the maintenance of hotels during the pandemic.

There are hotels that are open to receive doctors, volunteers, business travelers. Some hotels are used as quarantine zones, others as a coveted hotel since the onset of the second wave of the pandemic, to receive individuals who have a mild form of coveted infection.

The research is due to the lack of information about what damage the pandemic has caused to the hotel business in Imereti and what its development prospects are.

The survey was conducted in December 2020 using the online survey method.

**Hotel Business and Employment.** Imereti has a total of 262 accommodation facilities (3181 rooms and 7716 beds), of which the largest share - 42.4% with the number of rooms with five or less and the smallest - 12.6% with 21 or more rooms. These are mainly family hotels, which are created on the basis of existing residential houses (especially in Kutaisi) and have become a source of good income. Imereti has the largest share of this type of accommodation in Georgia (see Table 1).

Table 1. Accommodation facilities by number of rooms

Region	Five and less	6-10 rooms	11-20 rooms	21 and more
<b>Georgia</b>	980	704	543	480
<b>Imereti</b>	111	70	48	33

Source: Georgian National Statistics Office (2020)

According to the National Statistics Office of Georgia, more than 3.5% of the total number of employees in the country come from hotels and restaurants, and on average 44.2% of employees in accommodation and catering enterprises come from hotels (Georgian National Statistics Office 2020).

The number of employees in the enterprises engaged in providing accommodation in Imereti in 2019 was 1179 people, which is 8.2% more than the previous year, and in 2020 these data decreased sharply to about 700 people or decreased by 40.3% (Georgian National Statistics Office 2020).

The dynamics of employees in enterprises engaged in the provision of accommodation and food delivery activities in 2017-2019 are given in the table (see Table 2). According to these data, 1.6% of employees in Imereti are employed in hotels and restaurants (hotel - 0.7%), the number of employees in Imereti (157,204 thousand people) is 12% of employees in Georgia (1286.9 thousand people).

Table 2. Number of employees in enterprises engaged in the provision of accommodation and food delivery activities in 2017-2019

	2017	2018	2019	Average	2020 1st quarter	2020 2nd quarter
1	2	3	4	5	6	7
Total employees in Georgia	1,286.9	1,296.2	1,295.9	1293		
Number of employees in enterprises engaged in the provision of accommodation and food delivery activities, total person	42154	45,663	48634	45484	38661	30215
Including the provision of accommodation,	17507	20293	22632	20144	15484	12149
Total employed, in Imereti, person	157204	164824	156548	159525		

Continuation of table 2.

Among them, the number of employees in the enterprises engaged in the provision of accommodation and food delivery activities, in total	2,730	2,451	2,536	2572	2045	2045
Employed in accommodation enterprises, person	1134	1089	1180	1134		
Percentage of employees in accommodation enterprises from the number of people engaged in accommodation and food delivery activities	41.53	44.44	46.54	44.1		

Source: Data from the National Statistics Office of Georgia, 2020

**Research Results.**

Thirteen hotels (5% selectively) participated in the study. If the study was representative, 8 guest rooms with a range of 5 to 10 were surveyed, 2-2 hotels with a number of rooms of 11-20 and 21 and more, respectively (see Figure 1).

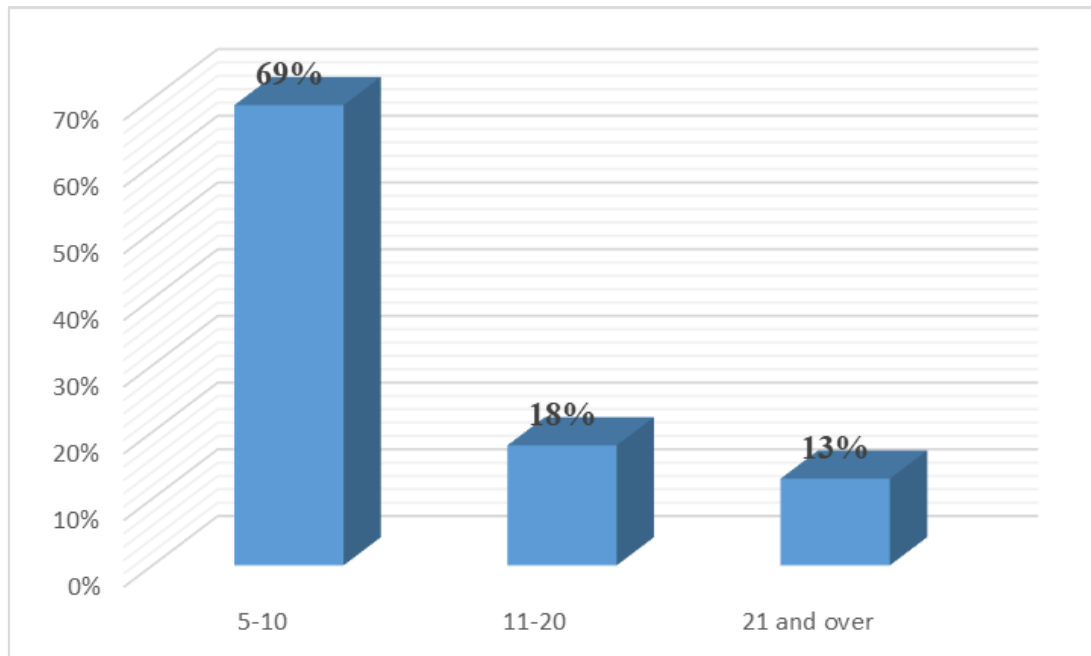


Fig. 1. Hotels participating in the study by number of rooms

Studies have shown that the number of employees in all hotels has been significantly reduced, while 10% of small hotels have closed altogether. Overall, from the first wave of the pandemic to the survey period, 65.8% of hotel staff were laid off (free leave was granted): small hotels reduced service staff by 71%, medium-sized hotels by an average of 65%.

The average hotel occupancy before the pandemic was 85.8%, 17% of hotels failed to resume operations after the first wave of the pandemic, and 33% of hotels closed after the second wave, with small hotel occupations ranging from 10% to 20% and medium hotels 20-30%.

Therefore, the revenue of hotels for the first 10 months of 2020 has significantly decreased compared to the same period of 2019 (reduced by 75%).

It was found that due to the delays caused by the coronavirus, additional financial resources were needed to save the business and 34% of the hotels applied to the financial institutions, 17% refused and 16.6% did not need it, the rest have not applied yet, but they intend to.

Although staff salaries were reduced in some hotels, the majority of respondents indicated that they needed additional funding to pay their salaries, as they said that the revenues could not cover (reimburse) the payroll as well as other existing obligations (see Figure 2).

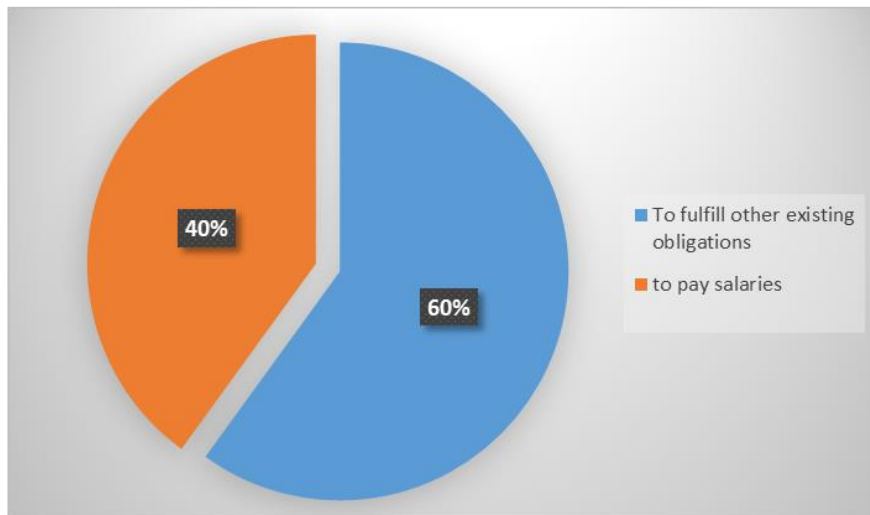


Fig. 2. The need for additional funding

It is noteworthy that after the first wave of the pandemic, the hotels that underwent inspections in compliance with mandatory safety recommendations, compliance with international norms and WHO standards, gradually resumed operation throughout the country.

After the lifting of the pandemic restrictions in Imereti, as mentioned above, 83% of the hotels were opened and thanks to the activation of domestic tourism and business people in the region, the average occupancy of these hotels was up to 40% before the second wave of the pandemic. Their average workload for the study period is 20% and this is mainly at the expense of people on a business trip to Imereti.

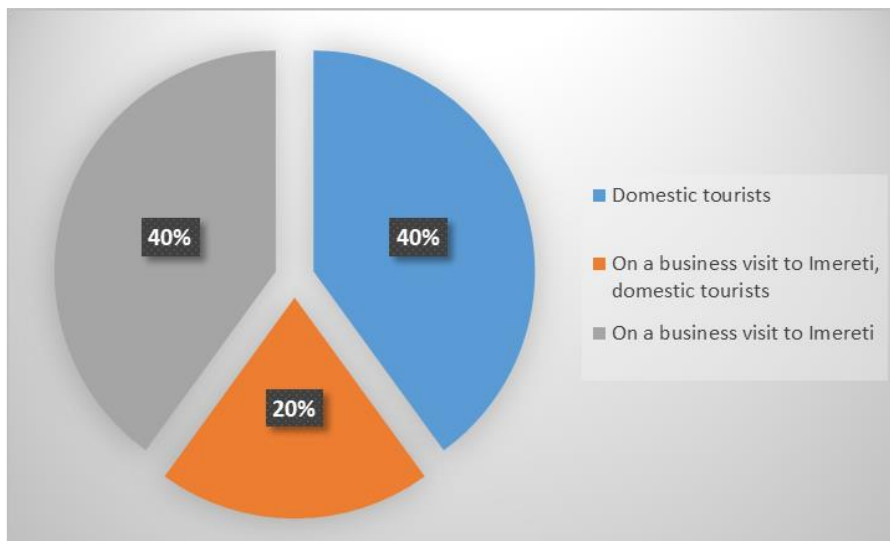


Fig. 3. Hotel guests

Respondents noted that before the pandemic, the geography of visitors was quite wide: Russia, Ukraine, Israel, Azerbaijan, Turkey, Armenia, Kazakhstan, Belarus, Saudi Arabia, Latvia, Lithuania, Poland, Germany, Czech Republic, Netherlands, Sweden, France, Italy. Japan.

And now the majority of visitors are domestic tourists: families, friends, co-workers who have been trying to get out of town on weekends to places with open spaces, views, good cuisine and recreation areas (Khasaia, 2020).

Since the beginning of the second wave of the pandemic, the state has rented a total of 33 hotels and arranged cove hotels there, a total of 6 cove hotels in Imereti (Kutaisi and Tskaltubo) (<https://www.moh.gov.ge/>), including one survey participant.

**Covid Hotels and other steps to save business.**

The state is trying to support small and medium-sized businesses with measures such as deferral of rent, subsidies, deferral of taxes.

"In order to reduce the risks to the health of the population and the spread of infection, the government has begun to establish quarantine areas, which to date provide temporary isolation of persons belonging to risk groups" (Report of the Government of Georgia against Kovid-19).

When selecting hotels for quarantine zones, priority was given to airports close to airports and border checkpoints, as well as accommodation facilities away from densely populated areas in the capital and different regions of the country. As well as the necessary infrastructure and services (including three meals a day).

The government provided transportation of citizens from the borders to the hotel. In the case of long distances, food delivery was ensured in transport. Also, the hotel staff was provided with special medical equipment and other necessary activities were carried out. 200 hotels participated in the project, including 56% small, 33% medium and 11% large (Georgian National Tourism Administration, 2020).

An average of 69-77% of the rooms were constantly occupied. A single tariff was set for all hotels - 59 GEL (including VAT), of which 25 GEL for three meals a day. This has helped to maintain jobs and incomes for sector representatives as well as people employed in the sector.

The existence of quarantine zones contributed also to the financial support of the representatives of such fields as: transport service, catering and food distribution, production of local agricultural products, etc. The state budget spent for quarantine zones is 32.5 million GEL (Report of the Government of Georgia against Kovid-19, 2020, p. 34).

Analysis of current events in the world has clearly shown that even the health systems of developed countries in the face of a pandemic face the greatest challenge. Accordingly, the preparation of the Georgian healthcare system and the prevention of possible collapse caused by its reset was identified as a critical priority of the government at an early stage. To achieve this, it was necessary to move the healthcare system to a pandemic regime.

Almost a month after the first case of the new coronavirus was confirmed in Georgia, the country faced a new challenge. Along with the cluster spread of intense infection, a new threat has emerged - the threat of uncontrolled internal spread of the virus, during which it is impossible to trace the primary source of infection and therefore take the necessary preventive measures to isolate, maximize and track existing and potential contacts.

Therefore, the Ministry of Health of Georgia has developed a detailed treatment plan for the mildly infected. According to the plan, severe cases are treated in a hospital, relatively mild cases (asymptomatic) - the so-called. In "Covid-hotels" and treatment of light cases - in a place of residence where there are appropriate conditions. Where there are no proper conditions, "Kovid-hotels" are used.

The medical component has been strengthened in coveted hotels, in the process of managing light patients who continue treatment at home, family doctors from insurance companies have also been involved. "There is also a" Central Online Clinic "which systematically monitors the homes of patients and those in contact with those in self-isolation, and in case of aggravation of the situation, appropriate response" (Covid-Hotels. Bisness Media Georgia, 2020).

Thus, in so-called cove hotels, this is a somewhat intermediate stage between hospital and home treatment. A patient who is in a mild clinical condition, in the age group of 19 to 65 years, does not have any chronic comorbid disease that could complicate the coronavirus and worsen his condition, will be transferred to the so-called. Covid Hotel, where he will continue medical supervision, since in practice, in such a case, the patient does not even need active medical intervention. He needs isolation, calm. These conditions are created in Covid hotels.

Other business support measures include subsidizing the loan interest used by 2,200 hotels, as well as property tax exemptions by 2021, deferring income taxes by 6 months, and so on (Murusidze, 2020).

It is also noteworthy that the Ministry of Economy and Sustainable Development, the National Tourism Administration, has launched a new project - "Hotel Support Program 2020" to support the small and medium tourism private sector. Within the framework of the project, the owners of small and medium-sized accommodation (maximum 20 rooms) in Imereti or Guria regions had the opportunity to master the skills of managing an online sales platform, "Knowledge Development Services, better formation and promotion of tourism offer - one of the largest tourist destinations in the world. Using the booking.com website platform" (Georgian National Tourism Administration, 2020). There are 229 such accommodation facilities in Imereti.

**Conclusions.** Despite the pessimistic forecasts, hotel owners are trying to see the positive in the created situation. Many believe that after the crisis, new opportunities will open up and it will be easier / cheaper to open new facilities. While part of the hotels are waiting for help from the state, the other part is trying to act independently and try to save the business by reducing costs and staff. Some managed to get a payday loan with zero interest.

In the long run, the demand for travel will increase, as if we look at the trends of the last ten years, tourism has become an integral part of our lives. Many believe that the main obstacle is closed air traffic. We can talk about sorting out the situation only after removing the self-isolation and fully opening the boundaries.

People will start traveling when all restrictions are lifted and infrastructure is fully restored (including museums, cultural parks, theaters, galleries, attractions, etc.).

Georgia will resume domestic and international tourism in compliance with mandatory safety recommendations, in line with international norms and WHO standards. Implementing the relevant recommendations and protocol standards created for the tourism industry (hotels, restaurants, transport, travel companies and guides) ensures the safety of both international visitors and locals.

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