

## Alternative Revenue Channels Tapped by Hotel Chains in India during COVID Period and Suggestive Measures for Post-COVID Period

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### Abstract

It's common knowledge that the hospitality industry is one of the worst affected industry due to the pandemic and will be the last to recover.

Hospitality as a business is very capital intensive and has huge fixed and semi-fixed costs in the form of payroll, HLP (heat, light, and power), statutory payments (like property tax), etc to run the day-to-day operations.

Since March 2020 the international commercial travel to and from India coming to a halt, inbound tourism (which is approximately 1.1 Mn annually) is also lost as a consequence which means a significant loss in terms of revenue. On the other hand, domestic tourism remained dull due to the safety concerns among the masses. The businesses are affected across the industries due to the precautionary restrictions. The traditional revenue streams are not generating the required revenue to meet the expenses.

As per the estimates, the overall revenue of the industry is down by 50 %-70 % and as a result, the industry has seen significant layoffs over the last year. The primary reasons for this are that the industry is largely dependent on business and leisure revenue and both remain subdued.

As the traditional revenue streams turning temporarily dry the hotels have tried to create new revenue streams to keep the hotel afloat. For example, the food delivery business was never considered to be the arena of top-end hotel brands until mid-2020 but now we have Taj hotels which have started "Qmin", Marriott started "Marriott on Wheels" as few examples.

In the same way, there are other non-conventional sources of revenue like sanitization services for homes and facilities, using the hotel rooms as COVID care centers, so on and so forth.

This paper tries to outline the innovative approach adopted by hotel chains in India by exploring the alternative non-conventional revenue streams to tide over the onslaught of the pandemic.

The ability to adapt itself to the changing times is the hallmark of resilience and the hospitality industry has proved this with its display of exemplary resilience in these difficult times.

**Keywords:** Inbound tourism, Pandemic, Alternate revenue channels, Domestic tourism.

## Introduction

The current pandemic has evidenced to be fatal for the hotel industry all over the globe. The Indian hotel industry isn't any exception and has been equally impacted like other countries.

Hotel is an extremely capital-intensive business and has immense fixed costs because of debts, it's conjointly massively dependent on human labour thus, the fixed costs to run a hotel is extremely high in the form of loan reimbursement, payroll, HLP (heat, light & power), statutory expenses, etc.

In such a state of affairs, the precautionary restrictions enforced by the government to prevent the spread of the virus have worsened the situation. The Indian hotel industry has taken a hit of over Rs. 1.30 lakh crore in revenue for the fiscal year 2020-21 due to the impact of the COVID-19 pandemic ("Hotel industry says it lost Rs 1.3 trillion revenue in FY21, seeks help", May 2021)

The primary reason is that the hospitality industry is predicated on the disposable income of the individual and was never a fundamental service.

The major revenue-generating areas of the industry being leisure travel & business travel which has MICE and each remains subdued at the moment because of the travel restrictions on international and domestic travel.

As a consequence, we have witnessed significant layoffs within the industry at all levels and across brands. The industry has come to an extent where the very survival of the business may be a question. And also, the situation, by and large, remains the same. Moreover, no one will specifically estimate that for how long the industry can sustain in such dire straits. All this has conjointly evidenced to be a wake-up call for the industry to understand that the traditional revenue streams that were the foundation of the industry are very fragile. The COVID-19 induced pandemic has been a watershed moment within the development of hotel business in a way that will modify the way this industry operates.

Hence, the industry should rethink and shift to more sustainable sources of revenue that are more fundamental to the economy. Since it is a matter of survival for the industry hotel brands displayed exemplary resilience and adapted to the changing scenario very fast.

Primary the industry has explored new non-conventional sources of revenue over their traditional sources of revenue that have been letting the rooms to the tourists and providing food and beverage service within the premises at various outlets which contribute to the major portion of revenue besides another point of sales like SPA.

But currently, with the traditional channels of revenue not yielding the required revenue to sustain the business the hoteliers have explored or created new non-conventional sources of revenue. This also includes the revenue channels which were never considered to be the playing field of hotels.

The doorstep food delivery service started by various hotel brands like Taj hotels which have started “Qmin”, Marriott started “Marriott on Wheels”. Other services like converting the hotel floors into COVID care centres, sanitization services for private facilities being some examples.

The industry has either explored the existing sources of revenue that they were not exploring before or they have tried to create new revenue channels. This paper gives a summary of different measures adopted by the hoteliers and presents some suggestive revenue that the hotels can explore to improve their revenue position.

## **Research Objective**

The research is meant to explain the strained revenue condition of the hotel industry during the COVID pandemic and study the various alternative revenue channels explored by hotels to tide over it.

## **Research Methodology**

It is an exploratory research using combination of primary and secondary methods of data collection.

## **Data Collection**

### **➤ Primary sources of data collection:**

➤ Survey method using structured questionnaire based on convenience sampling. The hoteliers working at different levels and in different organizations were surveyed to understand their perspective.

○ **Sample size:**20

○ **Nationality:** Indian (100%)

### **➤ Secondary sources of data collection**

Data has been collected from various industry reports, websites and blogs available on internet.

## Responses through Questionnaire:

### Q1. What are the non-conventional revenue channels tapped by your organization during current pandemic?

- The purpose of the question was to get the first-hand knowledge of the non-conventional revenue sources adopted by the hoteliers during COVID times.
- **Summary of Responses:** Home delivery of food and beverage (either by partnering with a food aggregator or by starting own delivery app) was the most prominent revenue source for most respondents. Also, the commercial laundry service delivering in a limited radius was a source of revenue for some. Residence & car sanitization service was another source.
- Renting the ideal space as office space and converting a part or entire property into a COVID care centre were another major revenue contributor for hotels.

### Q2. What are the other non-conventional revenue channels that you feel hotel industry in general can explore?

- The purpose of this question was to understand the likely new revenue channels which may be tapped by hoteliers in future.
- **Summary of Responses:** Hoteliers feel that they can Tie-up with hospitals to provide hygienic and nutritious food for staff and patients.
- Hoteliers also feel that hotel space can be used to provide residential training programs by creating a bio-bubble.

## Strategic thinking needed to explore alternative revenue sources

- It is very imperative for the hotels to use all the available resources to their optimum to generate the required revenue.
- Every hotel has its own idiosyncrasies, strengths-based on which they need to think the best possible revenue sources that suit their existing resources. The hotel will have to do their SWOT analysis and find the area which is most appropriate to venture. A brainstorming session with the management and staff members will help to bring out new ideas.
- Primarily, the hotels have to repurpose the existing resources, skills, and capacities to new areas where similar services can be provided using available resources in the form of trained staff, kitchens, spaces, machines, etc. And in some cases, hotels may have to acquire new resources to build the required capacity.

## Various alternative revenue streams explored by hotels

### 1. Laundry Services

Many hotels with in-house laundry have an ideal capacity that can be utilized as commercial laundry. ITC Hotels is one of the examples who in 2020 have started laundry service for the public under the name “Lavanderia”. The customers drop their clothes at the hotel and pick them up within 24 hrs. Similarly, other hotels like Hyatt, Hilton, with in-house laundry have ventured

into this area. Some are also providing doorstep pick up & delivery of laundry within a limited radius.

## **2. Doorstep food delivery and DIY kits**

Food production and service is not something new for hotels but, home delivery of the food is something which is certainly new for them because hotels believe in providing a personalized experience and not just the product. Due to the restrictions as the guests could no more visit the hotels, taking the hotel food to the doorstep of the guests was an obvious alternative chosen by the hotels.

Almost all the brands are providing the facility but some hotels like Taj and Oberoi group have chosen to handle the delivery of the food themselves by taking the orders on their own online platforms like Taj hotels have launched their food delivery app “Qmin” others like Marriott, Hyatt, have collaborated with the food delivery companies like Swiggy and Zomato for home delivery of their restaurant food like “Marriott on wheels” by Marriott.

Of course, this service can be provided only with a limited menu. As some items on the menu are best enjoyed on-premises.

In addition to providing prepared food, hotels are also providing “Do It Yourself meal kits” at the doorstep of the customers. The ingredients along with the directions to make the dish are delivered at home and guests have to do the final preparation themselves. With this, the guests have a reasonable assurance of hygiene by doing it themselves.

## **3. Hotels working as COVID care centres**

With the hospitals falling short of the beds compared to the demand the hotels were the ideal alternative chosen by the authorities to increase the bed capacity because of the high hygiene standards followed by hotels. At the request of municipal authorities, the hotels worked as paid COVID care centres with the room tariff per unit fixed by the authorities. It helped the hotels to generate some revenue when the occupancy from the guests was down to 10% - 20%.

## **4. Cloud kitchen supplying food to the COVID care centres & hospitals**

With the rising demand for beds in the hospitals authorities have created various temporary facilities to accommodate COVID patients. To cater to the rising demand for healthy food in hospitals & COVID care centres for the patients the hospitals need a reliable service provider. Hotels are an appropriate ally with the hospitals and supply packed healthy food to hospitals. For this, the existing banquet kitchen can be used as a cloud kitchen to supply food.

## **5. Gym and health club for the public**

With safety being the primary concern for the customers looking for a safe place to do their daily workout is increasing. And as public gyms don't have the permission to operate in many areas hotels are the ideal alternative to fill the vacuum. During the period of low occupancy, hotels can capitalize on the available resources in the gym like the machines and the trainers by opening it to the general public and give them the subscription with their dedicated timing for each customer to come to avoid overcrowding.

## **6. Renting the empty space as co-working space**

With remote working being a norm after the COVID, hotels see potential in the area of developing co-working spaces. Working from home is comfortable the need of people to be

working with colleagues has become no less. The ideal alternative here without compromising with the safety is hotels where people can work as well as connect with other professionals.

Under the initiative of work@ibis, ibis hotels are offering working spaces for professionals who do not wish to work from home. Hotels have the required infrastructure in the form of high-speed Wi-Fi, meeting rooms, essential work supplies like scanners, printers, to provide the required comfortable work environment. This can be provided as a package along with F & B offering for increased revenue. Gradually many hotels are and will continue to tap this as a source of revenue.

### **7. SPA service for the public**

Wellness is another area in vogue for various reasons and hotels can definitely employ the ideal capacity available with them to provide wellness services in the form of SPA therapies to the general public.

### **8. Sanitization service for homes and other facilities**

The COVID has made hygiene the top priority for everyone. There is a demand for sanitization services from households and various facilities like corporate offices, residential buildings, etc. Hotels carry a reputation of being non-compromising when it comes to hygiene protocols because they have the technical expertise and knowledge about the right chemicals and cleaning procedures for various surfaces. Capitalizing upon this, hotels can prove to be a reliable service provider in this area.

### **9. Chef or bartender at home**

Out of safety concerns those guests who are apprehensive to visit the hotel, the hotels can provide a service where the specialized chef and bartender will visit your home and serve you at your place.

Guests can host intimate gatherings by availing this service and with a certain degree of safety assurance for their patrons.

Park hotels recently launched the “Chef & Bartender at home” service under which the trained staff prepares and serves safe and hygienic food to guests in the safety of their home.

### **10. Enhanced focus on health food**

With healthy living taking precedence over most other things in the current times many hotels have started offering scientifically planned special nutritional menus catering to the rising demand of healthy eating among guests including foods that may enhance immunity.

## **Other suggestive revenue channels**

### **1. Creating Resident Training centres by creating a bio bubble**

As the meeting spaces in the hotel are going unused due to the restrictions on large gatherings. The spaces can be converted into residential training centres by creating a bio bubble to minimize the risk of infection.

### **2. Offering short-term training courses through online or offline or Hybrid mode**

Hoteliers are well trained and proficient in their particular areas and they can make very good trainers in their respective areas. Hence, the trained hotel staff will make a very good trainer in selected areas. The courses can be short term like weekly or fortnightly.

Utilize the ideal space available in banquets and meeting rooms can be utilized for such training programs. The training programs if provided through offline mode then they can be resident programs provided by creating a bio bubble.

Kitchen classes for the public (online or offline)- Hotels have extremely trained chefs that can provide training in the kitchen to the general public or women in specific. The programs can be designed as per the demand of the market. It will be an opportunity for the hotel for social outreach.

In the same way, other training programs can be designed in the areas which are the strengths of the hotel industry like the sales and marketing team is very good at customer service, public relations and soft skills, HR & Training departments can impart training in personality development, right grooming skills.

### **3. Implementing a Versatile Cancellation Policy**

By implementing a versatile cancellation policy, hotels can reassure guests and give them an incentive to book, while combating OTAs that usually make it tough to cancel. Booking.com and Expedia implemented a "force majeure policy" throughout March and are often changing their policies. Having a versatile cancellation policy on the hotel website will be critical in ensuring direct bookings.

Overall, if the hotel brand desires to keep up robust brand loyalty and enforce confidence to rebook, your hotel ought to maintain a versatile, stress-free cancellation policy for a minimum of ensuing six months or until the end of the year.

### **4. Guarantying Direct Bookings and a Healthy Distribution Mix**

As travel demand starts to pick up and hotels that are closed are getting ready to reopen, focusing on shifting the distribution to the direct channel is one of the foremost effective ways to positively impact your bottom line. With 84% of revenue managers saying they decide to shift a lot of distribution to OTAs post-COVID-19, it's no secret that OTAs provide quick visibility for hotels. However, maintaining a healthy distribution mix and proper planning to encourage bookings through the direct website is vital to maximizing profit.

Considerations for book direct strategies:

- Implement a reservation abandonment strategy to recover lost bookings and ensure bookings through the website vs OTAs.
- Consider an instant rewards feature where guests will enter their email to unlock exclusive rates and continue to market to potential guests once the email is captured.

### **5. Prompting Cancelled Reservations to Rebook**

According to a Fuel Travel study, over 50% of respondents have either canceled or rescheduled a visit, with cancellations outpacing rescheduling by 4:1. For reservations that are off, launch an email campaign prompting cancellations to rebook with an added complimentary bonus or perk to incentivize them to purchase.

### **6. Targeting Packages and Offers for the Right Feeder Markets and Booking Window**

As mentioned in travel forecasts, demand from native feeder markets is anticipated to pick up before fly-in, and people are being cautious and booking travel 60-90 days out. In light of this

hotels ought to concentrate on promoting staycations and advanced purchase offers throughout the initial rise in travel demand.

### **7. Considering Loyalty Members a Priority**

Loyalty suggests brand trust, and loyalty members who are accustomed to the brand will most probably book one's brand during times of uncertainty. Be sure to reward the loyal members with customized and exclusive packages and experiences once COVID-19 subsides.

### **8. Making use of emails**

Currently, one can reach out to past guests via emails and keep connected with them. This may unfold the brand's awareness among the guests; and post COVID19, they will be nurtured enough to book at the property if they have to.

And, post the crisis, one can focus on emails like your hotel reopening date, special offers, deals, promotions, and a lot more.

### **9. Developing a Marketing Set up that Ramps up with Travel Demand**

➤ Strategizing a month-to-month promoting setup that increasingly builds with the increase in travel demand over time will permit to fuel the booking funnel and maximize revenue.

#### **➤ Interview Customers and Employees:**

Interview the hotel's customers and/or staff regarding their experiences and knowledge of the hotel's products, services, and culture. In the coming months, these transcripts and videos will be a rich source of insider info for your blog posts, social content, media releases, and more.

#### **➤ Update Hotel's "Google My Business" for Customers:**

If hotel is operating with special hours or are taking special care to avoid the spread of COVID-19, let customers apprehend what has been modified. Update your hours and business description, share Google Posts with updates and offers.

#### **➤ Arrange Webinars or Make a "Frequently Asked Questions" Video:**

Plan a Webinar and share the link of it on social Media wherever the potential guests raise ask the queries and concerns and the hotel can assure them that each of one their concerns will be addressed satisfactorily. Also, make an FAQ video and push it out on LinkedIn, YouTube, and different social/media portals. Or create an FAQ section that can be added to the hotel's website.

#### **➤ Evaluate and Enhance Digital Marketing:**

Digital marketing has the advantage of being quicker, more cost-effective, and more practical than traditional marketing. An email or social media campaign can connect a marketing message to a targeted subset of consumers for a fraction of the cost of a TV ad or print campaign, immediately.

#### **➤ Brand Photoshoot and Video:**

Just like "social videos," this may be the perfect time to induce the brand video and/or photoshoot completed. If one can do so, now can be a very good time to do the project that has been put off year after year, maybe because one always felt it would interrupt business or customers.



## Limitations

Since the research is related to financial decisions taken by the hoteliers, some of them were little unwilling to share the data.

## Future Research

Some of the revenue sources suggested above are yet to be practically tested by hotels for its viability hence, the future researchers can work on the practical implementation of the above discussed revenue channels in detail.

## Conclusion

Health emergency in the form of COVID-19 has been a watershed moment in the history of our industry. With innovation and adaptability being the defining traits for the hoteliers in the post COVID era.

We can say that the hotel industry has gone through a paradigm shift during the lockdown. The struggle for survival has coerced the hotels to adopt various non-conventional sources of revenue that we have discussed extensively above. Flexibility in operation and ability to adapt to the changing environment is key for the survival in the coming times. Many hotel brands have displayed exemplary resilience by moulding themselves to the new normal and have managed to tide over the crisis. For that the hoteliers have

It is important for the industry to understand that the current COVID crisis has ushered a new era for hospitality industry.

The current shift in the revenue sources of the hotels is not a temporary one and is expected to continue even after the traditional revenue streams reach pre COVID levels. Hotels will continue to diversify their revenue sources and will explore new ones.

It is widely accepted that this trend is here to stay and hotels will continue to explore these channels of revenue in order to further diversify it along with the traditional sources.

The pandemic has cut down business for the hotel industry, but the industry has demonstrated its resilience in these difficult times. Many hotels have adapted their operations to function safely, and they can continue to adapt to the new normal by finding innovative ways to generate more revenue.

For thousands of years, human will has overcome obstacles. If there's one thing history has taught us, it's the fact that we will overcome this, sooner or later.

It is critical to have confidence in the future. **A positive attitude, more often than not, leads to the right decisions.** Combined with the right intent, it will help you become an integral part of an evolving and whole-hearted hospitality ecosystem.

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