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RESEARCH ARTICLE

Covid-19 Effects on Hospitality Industry: Scientific Predictions and Public Perception-A Partial SWOT Analysis for A Global Brand Development

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ABSTRACT

This is an MBA project aiming to provide recommendation to a Principal in the hospitality industry wanting to start a global brand amidst a pandemic, which in certain parts of the world has evolved to become an endemic. Pandemic or not, Covid and its variants are global matters, thus of intimate concerns to a global brand development. The analysis will focus on both the macro (global) picture of the pandemic on the hospitality industry as well as a micro (regional) detail of the starting locality. This MBA project concentrates on the time period of Jan. 15- 31, 2022. The project asks the question: If we were to advise the launching of the brand given this 2-week intensive study of the issues involved, what are the pertinent information for the Principal to consider? *Decision Intelligence* interplayed with a partial SWOT analysis can inform the Principal of making crucial decisions. It is important to identify the Weakness(W) and the Threats (T) for a new brand in order for Strengths (S) and Opportunities (O) to nourish the growing of the brand.

Keywords: Global Branding, Decision Intelligence, Dynamic SWOT

Introduction: Act Local, Think Global

Covid and its variants have been attacking humans for the last 2 years. They don't carry passports. The medical profession initially perceived themselves as virus-busters, i.e., catch by testing and destroying every trace of it if found. This vision has been gradually modified in light of reality. The socio-economic impact of this war needs to be taken into considerations by medical and public health professionals especially when an exponential community spread becomes unmanageable. In the last two years, we have seen local communities all over the world developing their own ways of dealing with the attack, ranging from a zero-tolerance policy to "No Masks-No Lockdowns". Covid has affected human lives for sure, and humans develop their own defense mechanisms, with help from the medical profession. But industries and businesses are nonhuman entities; as such, they have no doctors and nurses attending them except short term reliefs from governments. There are no vaccines for business, certainly no silver bullets; thus, many died, i.e., went out of business. Death rates in the hospitality industry were particularly high during the pandemic. This project evaluates whether a global brand for a hotel business should be launched in this environment. New business is intriguing in this respect in that it is conceptually a new born. Obviously, businesses do not get infected like humans, but they rely on the behaviors of humans, particularly in the starting locality of a global brand if it is to grow. Evaluating the threats and the weaknesses of the starting point of a hospitality brand requires understanding the macro (global) picture, the local community attitude, as well as the local health authority's remediation measures, all interact in a way that a new business must recognize.

Most likely, there were viruses on earth since the creation. Mankind had won in every pandemic. It is difficult to accept that after two years, with modern advances in science and technology, the world is still in the midst of a World War Three with Covid-19 and its variants. In the case of the hospitality industry, the impact of this war has been particularly devastating. Changes in traveling and lifestyle are happening all over the world, with many businesses closing permanently. How should decisions concerning starting a new global brand be made for a business in this industry? Should it be even considered? This report evaluates the decisions that need to be made in such an adverse and uncertain situation as a case study. Like every starting position of an entrepreneurial

adventure, it starts locally, at a specific physical location. Then, it expands simultaneously or sequentially in other locations. Decisions made at its origin as well as future branching necessarily have to concentrate on each location's specific considerations. Thus, as far as the development path is concerned, a twist needs to be made to a familiar dictum of globalization. *Think Global, Act Local*, which is a top to bottom approach for many traditional corporate cross-border expansions. That sentiment of globalization of multinationals had prevailed before geo-politics became a dominant force in recent years. For the hospitality industry which depends much on tourisms and traveling, geo-politics with a pandemic had now generated a double whammy effect on the industry.

Clearly, anyone wishes to start a global business needs a local starting place. MacDonal started as a drive-in in San Bernardino. Amazon started as a garage book store in Seattle. Facebook started at Harvard; and without Disneyland in Anaheim, there would never be a Disney and a Mickey Mouse. A local startup might not necessarily lead to a global brand, but if a startup is not successful at the local level, for sure it will not be successful at a global level. The exercise of starting a global brand, therefore, necessarily have to *Act Local, Think Global*—a reverse of the familiar globalization dictum. This relationship between local and global cannot be more acute under an environment of a Covid pandemic, as a pandemic is both a global and a local problem. We notice very early in the pandemic, virus does not recognize country or geographical boundaries.^{1,2} Yet, there are local unknown specificities everywhere that can alleviate or magnify the global problem. The decision to start something local therefore needs to address to both a broader situation analysis as well as a locally focused regional analysis. A local situation can be better or worse than the broader global situation. It can be more, or less, ambiguous than the macro Covid situation. The design of a local strategy, while *acting local*, cannot ignore the broader picture, *thinking global*.

In this report, because of NDA signed with the hotel, we cannot disclose the name and the starting location of this brand. Our objective is to inform our Principal that decisions made at the local level often being different than the global level, but equal attentions must be paid to both if the intention of the new brand is to go global. Local public health authorities have a much more important task beyond the global fighting of the pandemic, which

has been primarily the responsibility of the World Health Organization (WHO), because it is how residents in a particular locality perceive the seriousness of the situation and take actions with it. It is the local public health authorities' decisions that would have the largest impact on the socio-economic in a particular locality of relevance to a startup. The subject of analysis in this study is in the province of British Columbia, Canada. The predictions, the actions, and the methods of communicating with the public and also the reaction from public reaction are the emphasis of this paper. Other specific information regarding specificities of the Principal the study is suppressed for confidential reasons

Within a small time-window around January 21, 2022, the Provincial health officer of B.C., Canada, mentioned a 30% positivity rate for Omicron, while declaring that contact tracing was ineffective; at the same time, also warning the public that Omicron was not innocuous. Based on various press releases,^{3,4,5,6,7,8,9} the messages conveyed to the public were somewhat mixed. The positivity rate registered was exceedingly high compared to the positivity rate measured during the first wave of Covid in April 2020.¹⁰ Indeed, it could be truly *paradoxical* that a global brand in the hospitality industry is even considered to start under this environment.

The organization of this essay will be as follows: In section I, we review the academic as well as practitioners' frameworks for a branding endeavor. We identify this as a *Decision Intelligence* exercise in a Partial SWOT analysis. Section II reports the macro statistics of Covid affecting the hospitality industry in N. America as well as the world. Section III concentrates on the local public authorities' method of communicating to the public about the situation and the public perception of the seriousness of the situation. Section IV evaluates the underlying trend of the hospitality industry of Canada and specific implications of relevance to the Principal in this study.

SECTION I: Theoretical framework of Branding

Most people think of branding as putting on a dress, how to look good, how to look attractive, how to make people like you. Looking at every sector in the whole economy all over the world, it is obvious that every man, every company, and every industry aim is to have a brand, which is a strategic decision more than just a question of personal preference. From a theoretical perspective, we view branding as an amalgamation of firm,

consumer and society.¹¹ This amalgamation suggests that social and cultural forms can impact individuals in a direct and indirect way through structures, social forces. Furthermore, consumers' perspective on branding is related to mental knowledge and signals. Firms view branding as an asset and liability where the role of branding is assessed through their roles and functionality in both financial and strategic terms. Definitely, branding should be an asset that adds value, thus an investment into a resource created by a firm. A branding exercise can contribute to a firm's effectivity and efficiency in producing a product valuable in the market.¹² Courses in marketing in business school had served to provide a broad framework to guide our thinking.^{13,14}

A branding exercise is by no means trivial, and is likely to be a long journey. The project focuses on what can be and need to be discovered at the initial stage of planning for the opening of a local presence. The approach of a *partial* SWOT approach therefore is adopted by identifying the Threats and the Weaknesses. For the hospitality industry in the last two years, nothing has been more threatening than Covid. Most likely, a company's vision, mission, values, have to change to suit the needs of the market.¹⁵ If the market is Covid averse, the business needs to adjust to that. If the market has grown to live with Covid and indeed transforming itself to a different workstyle/lifestyle, the business can utilize that as an advantage to build its brand. In doing so, it is possible that a liability given by the situation can be turned into an asset. With millions of businesses attempting to make a brand for their business, having a strong brand has become critical for companies to set themselves apart from their competitors. This is the best opportunity and a way to create a distinctive face on what the new business is offering, as contrasted with what the competitors are offering. A name, slogan, logo, symbol, design, voice, colors and other elements all make up a brand.

The component of branding that focuses on the company's personality, as well as the ideals the company wants to communicate to clients, is known as brand identity. A brand is not just the name of a product or business. It is the point of view that creates the products and services carried by the name. Brand identity refers to a company's vision, basic values, and core beliefs. Undoubtedly, it creates rituals.¹⁶ It promotes dynamic brands capable of generating supporters and long-term devotion. Ideally, long after the sales are completed, the product can leave an effect on the

clients. The process of forming such an impression is crucial, and is part of a dynamic SWOT analysis (to be explained) that should ultimately serve. Later in Section IV in this essay, we'll identify some characteristics of a brand identity that is suitable for the hospitality industry in Canada, which is the starting geographical locality of the global brand being studied.

It is worth repeating that a brand identity goes beyond appearance. Marketing guru has written much about the subject. For example, Marty Neumeier has been known for relating branding to the operation part of a business: "Branding is a crucial aspect of business success. It's critical not just for external customer success, but also for encouraging internal stakeholders and establishing a strong team that delivers consistent service and message," <https://www.martyneumeier.com/> . Likewise, Seth Godin's gained his fame from his famous Sunflower theory, which provides a 5-step

approach for branding, aiming for a deep root and not just a quick start. ¹⁷ Godin believes marketing is like growing sunflowers, which have deep and complex root structures. Unless a company can grow deep, the company cannot grow tall.

Marketing a brand is definitely a dynamic process. It is an integral part of the whole scheme of business operation, rather than just a simple decision on colors, logos, taglines and slogans. The substance of what a business is selling is the heart of branding. SWOT analysis has been a common tool used in many business strategic decisions. It can be performed ex-ante or ex-post. Most business school case studies are done ex-post, as an objective way to evaluate the success or the failure of a business. SWOT analysis can be conducted ex-ante, before events happen. We'll call this a dynamic SWOT analysis which will be further explained below.

A dynamic SWOT analysis can be illustrated by the arrows in the diagram below:



Figure 1: Dynamic SWOT analysis. Source: Modified template using Investopedia template on the internet.

A Dynamic SWOT analysis requires first identifying the Weakness (W) and Threats (T) of a SWOT, which are colored RED in Figure 1. The color red alerts a decision maker of items to address. In the context of Decision Intelligence, it is identifying a set of parameters and observations for tracking of a starting (existing) environment. It is the heart of a *situation analysis*. The yellow path is what a dynamic SWOT analysis should aim for. It is yellow because it signifies that the path is not a sure thing. It is a path that needs to be cultivated rather than automatically appearing as a path. Indeed, the paths only point to desired directions. The aim of a complete SWOT is to turn adversities of the reds into the green colors of Strength (S) and Opportunities (O).

The timeframe of this project is 2 weeks. The project asks the question: what information will be of relevance for evaluating the adverse conditions of this start-up branding exercise, and provide information for the Principal of the project to know and to track beyond this 2-week duration. This is practicing *Decision Intelligence* (DI) in its conceptual form.¹⁸ Pratt, 2010, argued that in this age of big data and AI, the key decision is not so much to gather data, but to ask the question *what* data and *what* parameters to track, aiming for end objectives for achieving the missions and visions of an organization.¹⁹ What type of data can be used to formulate strategic decisions is the gist of a Decision Intelligence exercise. In terms of a journey of turning Threats into Strength, and Weakness into Opportunities, definitely, factors like customer personality, marketing budget, competition, culture will play a big role in formulating decisions in this long journey, but this project will not get into that aspect of the analysis. We focus on the reds which, hopefully, can assist the Principal in building the yellow paths to the greens (see dynamic SWOT diagram in Figure 1.).

The year 2020 has been a challenging year for the travel and hospitality industry.

Following a prolonged revenue dry spell, industry leaders feel the need to reexamine the inner workings of their brands. This is a situation where many businesses, particularly the hotel business, feel the need for rebranding.²⁰ Those who can rebrand to capture the emerging trends in the hospitality industry are likely to win the market shares for competing for *high-valued guests*. We shall elaborate more on the characteristics of high-valued guests in Section IV of this essay.

SECTION II: Macro Factors: Covid-19 Conditions affecting Hospitality Industry

In earlier research, coronavirus invasion of humans has been analyzed as a VUCA problem (i.e. Variability, Complexity, Uncertainty, and Ambiguity). Medical professionals as well as ordinary individuals could view the pandemic spread as a virus war against the humans.^{1,2} The strategic blueprint of a human enemy, the virus, was phrased in terms of a 5-pronged attack, which described the spreads in terms of various medium in contact and human physical health conditions. Human conditions were described in terms of red, yellow, and green lights. The green light individuals spread virus without themselves knowing it. This is the characteristic of an exponential spread, of which epidemiologists have traditionally tracked by R-naught. In earlier research, it was pointed out that the most problematic issue in planning a strategy against an exponential spreading of a virus was the asymptomatic individuals, the green lights, as they are not caught or detected in the public health system. The five-pronged attack plan of the virus is reproduced as Figure 2. It was further argued that combating virus requires a *community plan*.¹ In other words, ultimately, the winning of the war will not be just a war between the scientists and the virus, but entailing community as well as individual decisions made at the local ground level.²

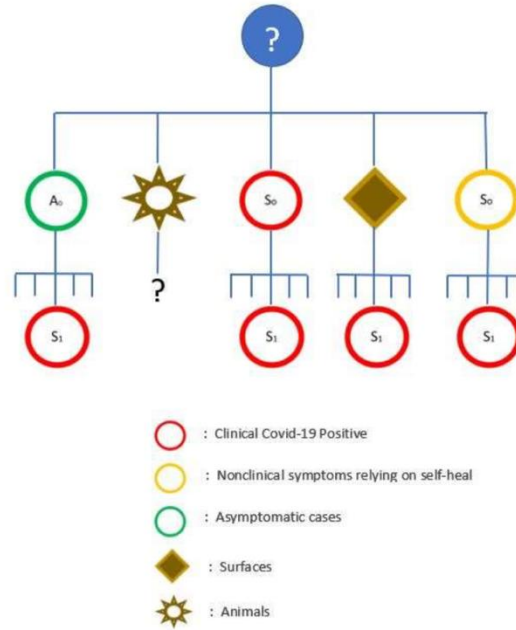


Figure 2: The Five-pronged attack Plan of a Spreading Virus. (Lorne, 2020)

In view of the long battle with the virus and its variants that had sprung up worldwide since 2019, it is not inappropriate to mention the question mark in the chart concerning the origin of the virus, which was a hot political issue in 2000. Now looking back, and when more evidence has been revealed, we are hearing stories that Case Zero in a region may not necessarily be travel related. We've heard cases found in the middle of the Amazon jungle, in zoo in New York, and lately, among deer in Canada⁶. Again, these impressions were from various newspaper reporting rather than from scientific findings, but they were as casual as the impressions used by many policy makers around the world, i.e., in believing that the virus invasion has been necessarily travel related.

We do not know how traffic lights can be set up for virus, but the virus and its variants certainly have their own traffic lights. The asymptomatic cases, which are the main cause of an exponential spread, are the green lights for the virus. They are not detectable and thus unmanageable, leaving community immunity being the only end game for the battle. That said, it does not mean we cannot do anything during the interim in anticipation of an endemic.

Interim strategies are essential for a business planning to launch, we review various macro information in terms how public health authorities and researchers had attempted to fight the war, the scientific predictions, and the public perception on dangers in this section. After WHO

announced Covid-19 as a pandemic on 11 March 2020,²¹ plenty of businesses and industries were affected due to government regulations to control the pandemic, such as social distancing measures. The tourism industry, more generally the hospitality sector, was one of the first and hardest-hit sectors due to social distancing, and the recovery has been harder for them than other industries.²² For the hospitality & tourism industry to recover, it is essential to grasp the situation holistically to make plans for the future.

The world has seen multiple surges in Covid-19 cases from the moment it was declared a pandemic. Covid-19 had many variants, with each having its own transmissibility, virulence and treatments. The World Health Organization declared five variants to be the current variant of concern: Alpha, Beta, Gamma, Delta and Omicron.²¹ Omicron is the most recent variant which caused a huge surge, first documented in November 2021.²¹ This being the most troubling spread confronting the Principal in this study.

Serious scientific predictions have assisted our tracking in this exercise. An opinion piece published in *Lancet* at the time of this study seemed highly relevant.²³ It estimated that the Omicron variant we were experiencing at the time of this study was ten times more infectious than the Delta variant. This opinion, written by a well-known scholar studying deadly viruses for many years, summarized many creditable studies in the past 2 years. It indicated that asymptomatic rates for

Omicron were around 80-90% high. This is an astonishing number, because previous variants were only 40% or lower. As mentioned in previous paragraphs, if most people who get the Omicron are asymptomatic or have mild symptoms, there can be discrepancies between predicted number and the actual number reported. The reported cases only increased six times from November 2021 to January 2022, because the detection rate of the global infection decreased from 20% to 5%.

Another interesting finding about the asymptomatic rates mentioned in the report was about the reports of the Washington Medical Center in USA. Throughout the Covid-19 pandemic, Washington Medical Center was prescreening non-Covid-19 patients. The rates of positive cases have been previously found around 2%, whereas in January 2022, due to the Omicron variant, it was 10%. Even though the severity has been reduced because of vaccinations, the wave of infection and hospital admissions have risen.²³

For most people, the tracking of a peak is the most important signal for whether a pandemic has seen its end. As of January 17, 2022, reports²³

show waves of Omicron variant peaking in 25 countries worldwide, and 19 states in the USA have peaked. Based on model predictions reported in the *Lancet* article, the peak for most countries worldwide is going to be between January 17 till the second week of February 2022, with peaks in Southeast Asia and Eastern Europe coming at a later stage than the western countries. Overall, the prediction is that the Omicron variant will infect a significant percentage of the world population till March 2022.

Because of the nature of this project, we also paid specific attention to the global hospitality industry. In an article from Bloomberg,⁹ we noted drastic reductions in restaurant visits in USA due to the pandemic and the lockdowns. This pattern was seen recovering at mid-year in 2021, almost resumed to the 2019 level. However, it went down sharply when Omicron hit, falling to 30% below the pre-pandemic level. As the article stated, "...restaurant dining in the U.S., almost back to pre-pandemic levels before Thanksgiving, has slowed again since Omicron arrived".

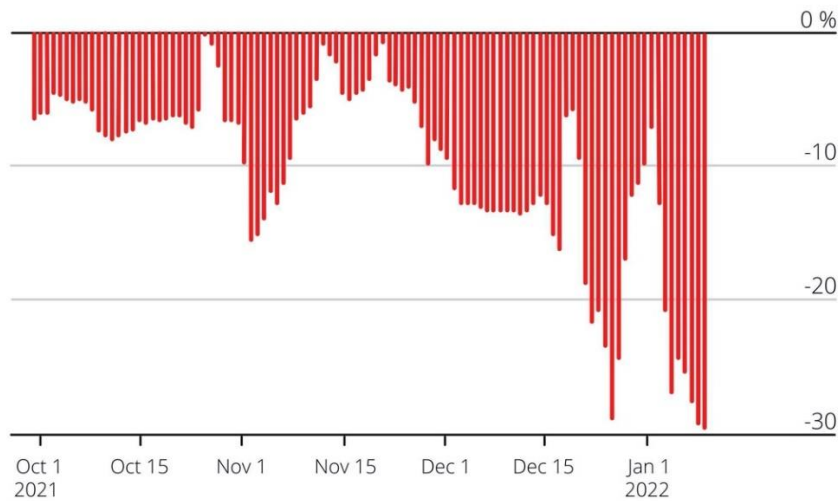


Figure 3: Consumer Dine-Out Reduction compared to pre-pandemic. Source: Bloomberg

Although the data above is for USA only, we expect the effect of that for restaurant visits in the hospitality industry to be universal. The USA reduction due to Omicron was not the result of lockdowns or any other additional regulatory

changes. There were no additional federal or state regulations when Omicron hit. It was largely and purely public announcements for the public to take precautions themselves. Therefore, the showing of the pattern of patronage reduction was a raw

reflection of consumer attitude towards dining out. The public was scared. This should be of particular concern for the Principal of this study, as public appetite towards dining out and socializing is the key deciding factor for the success of a new launch. The Open Table chart in Figure 3, together with the model predictions as reported in the *Lancet* article, all suggest to the Principal of this study that a global brand expansion should be coordinated with the right timing; and in many ways, at the mercy of Covid and its variants.

Section III: Micro-Regional—Public Health Communication and Public Perceptions

Unlike macro global data, there are micro-regional measures that a particular locality could experience too. How the local public health authorities communicate the severity of a spread will affect the consumer attitude towards dining out and utilizing various services offered in the hospitality industry. These micro measures should be monitored by the Principal of the study as well, as most of the patronage of the business is local.

Making the local success for the launching of a global brand, as noted in the introduction of this essay, is extremely important. The regional focus here is for a downtown location someplace in British Columbia, Canada.

We can broadly look at data of crucial importance for the hospitality industry in Canada—tourism. Figure 4 below from *Destination Canada* reports international arrivals to Canada from 2017-2021.³⁰ After Covid-19 was declared a pandemic in March 2020, travels plunged drastically for the remaining months in 2020 until July 2021. Flights coming to Canada were only around 150k a month all year after the pandemic, whereas in previous years, it was over 1 million in winter; and in summer, it would increase to more than 4 million. Early recovery was seen on August 2021, jumping from around 200 thousand flights in July to 600 thousand in August, but far from returning to the traveling pattern in previous years.³⁰ For any hospitality businesses in Canada relying on tourism, this drastic reduction in traveling to Canada is very alarming.

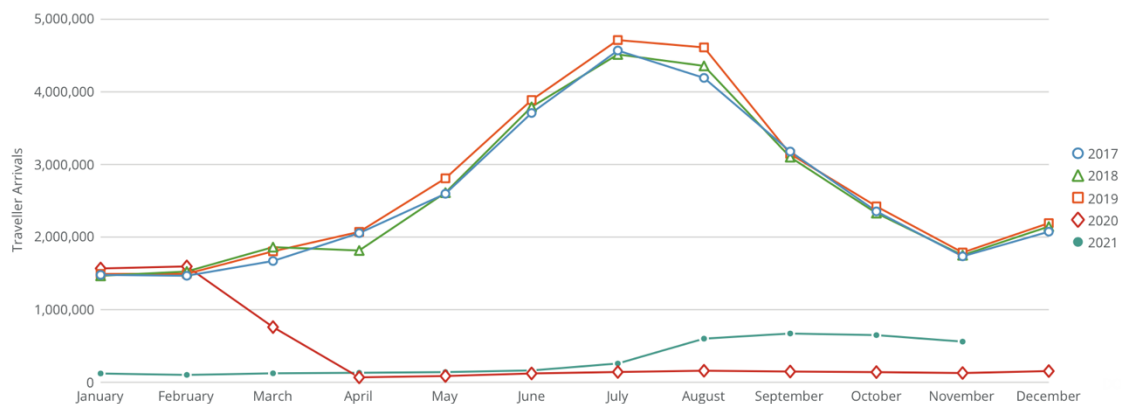


Figure 4: International Arrival to Canada (2017-2021). Source: Destination Canada³⁰

Much of what contributed to the reduction for international arrivals to Canada has to do with the restrictive policies at the border. Canadian government required travelers to show negative tests ranging from 72 hours to 24 hours prior to arrivals, including for their immediate neighbor, USA. The government adopted an equally restrictive policy for land and air, even for travelers who have been vaccinated. Also, points of entry requirements were erratic and sometimes chaotic. All these have added extra inconvenience to travelers and have largely reduce people appetite to travel to Canada. The restrictive practice has no basis for support except a belief that the virus

comes from another country; but as mentioned in earlier paragraphs commenting on the 5-pronged attack plan of the virus, there is no reason to hold on to that belief. Entry restrictions had been the most primitive method of stopping virus spread since the Roman Empire, known as the Antonine Plague. It was done only because it was the easiest policy to implement, adopted as a knee-jerk reaction from the 1st pandemic of in the world. Policy makers in Canada (as well as in many parts of the world), unfortunately, had not revealed themselves to be wiser since the days of the Roman Empire. It is only at the time of submission of this article for publication that the Canadian government

announced the lifting of Covid test requirements for border entry effective April 1, 2022

The BC Health officials have developed their own methodology and models for prediction and management of the virus in the regional area of British Columbia, including the city where the new launch by the Principal in this study would be located. Their model predicted that the peak of Omicron would be sometime in January, 2022. The Health officials paid particular strong attentions to new hospitalizations and new critical cases, because from their perspective, they were most concerned about the pressure on the public health system. Communication with the public was delicate around the time of our study because allegedly the peak of Omicron was happening to this locality right around the time of the study. B.C. Health official was quoted in a newspaper article on the precise prediction of their model: “What we expect from

this modeling, the trajectory that we’re seeing, is that our new admissions to hospital, on a daily basis, are likely to peak between January 15 to 22”.⁷

As of January 14, newspaper reporting showed that hospitalization has not peaked.⁸ The CBC report specifically mentioned a “health-care capacity” concern. If community spread accelerated, the region may indeed run into various bottlenecks in their facilities. This is a signal to the public for being extra careful, as no one would want to enter a health facility for a test if the facility is congested which also can mean the probability being infected is higher just for going in for a test. We checked the prediction of the BC model by tracking the number of hospitalizations, the number of critical cases, and the active reported cases from Jan. 15 to Jan. 31 on the BC CDC dashboard, with results reported in Table 1.

	17- Jan	18- Jan	19- Jan	20- Jan	21- Jan	22- Jan	24- Jan	25- Jan	26- Jan	27- Jan	28- Jan	31- Jan
No. of Hospitalization	646	854	895	895	854	924	987	930	949	977	990	1048
New Hospitalization		208	41	0	-41	70	63	-57	19	28	13	58
No. of Critical care	95	112	115	115	112	130	129	144	136	141	141	138
New Critical care		17	3	0	-3	18	-1	15	-8	5	0	-3
Active cases (in ten thousand)	35	37	35	35	37	33	32	32	30	29	30	27

Table 1: Omicron Health Care Capacity Threat. Source: BC CDC Covid Dashboard (Jan. 17-31, 2022)

BC Health officials apparently handled the crisis of Omicron well. The epidemiology model of BC not only was successful in predicting the peak, it led to many businesses making strategic decisions to return to normal. The school branch at which this study was conducted, after consideration of its local public health official recommendations, decided to return to face-to-face classes beginning Feb. 28. On March 5, the CDC BC Covid dashboard reported 157,380 active cases in the region where the Principal’s launching is located, significantly lowered than the time period when the above crisis period was studied. Hospitalization number has been lowered to 484, and critical cases have been lowered to 69. Indeed, positivity rate for the region as well as the locality of the launch has lowered to less than 10%. These are very good news for our Principal preparing for the launch.

Unquestionably, for the hospitality industry, the Achilles’ heel is consumer preference. Health officials’ communications can make announcement and conduct town hall meetings, but the public may or may not believe the message as conveyed by the officials. Therefore, it is necessary to also check the patronage return rate according to statistics provided in Open Table, which is a good proxy for consumer out-dining activities. Table 2 reports regional differences in Canada compared to global. As shown in the Table, the patronage return rate in British Columbia was only 8.56% below the pre-pandemic level. Canada, as a country, on the other hand, has a slower returning rate of 24.12%, meaning that the hospitality industry in Canada is more seriously affected compared with the global figure of 21.41% in terms of the speed of returning to the pre-pandemic level. The B.C. rate is exceptionally good.

	11/1/21	12/1/21	1/1/22	1/28/22	1/29/22	1/30/22	1/31/22
Global	-11.10%	-13.49%	-40.38%	-15.30%	-15.21%	17.42%	-21.41%
Canada	-21.69%	-19.87%	-65.39%	-60.55%	-59.31%	-52.16%	-24.12%
British Columbia	-20.95%	-20.64%	-52.03%	-17.78%	-19.91%	-13.26%	-8.56%
Vancouver	-33.05%	-28.52%	-53.99%	-28.98%	-30.14%	-27.42%	-15.67%

Table 2: Consumer Dining Out compared to pre-pandemic. Source: Open Table

Statistics in Table 2 are averages in various aggregate categories identified by regions. In order to inform the Principal of this study the situation for the launching location, our study also made site-visits of neighboring hotels in the downtown location during the period of our study. We visited six similar 5-stars hotels in the vicinity of downtown location and estimated that the patronage occupancy rates to be between 50 to 75%. Therefore, it was still risky to launch the opening at the moment of the duration of the study, even though the peak of Omicron seemed to be over for the region.

An interesting note from the site-visits is that even during the Omicron crisis period, there was one operation in the vicinity of the launch where the patronage in the lounge of a hotel was seen to be 100%, with no signs that customers in that location has any fear for the high positivity rate prevailing at the time, which was close to 30%. Loosely interpreted, the 30% rate means that 3 out of 10 people randomly selected in that region were carrying the virus. Yet, public gatherings for certain events and activities were not deterred by such high probability. Perhaps people attending the events had trusted the proof of vaccination (a city requirement at that locality) to be a sufficient protection for socializing. In addition, all customers were required to wear masks in public spaces. The upshot of this is that if the operation is doing something right, consumer will take risks to come out to enjoy whatever that operation has to offer. Therefore, the launching of a new hospitality business, although affected by the community spread of a virus, can still be successful if events, products, and services of the operation as a whole can differentiate themselves from their competitors in the local area where they operate.

Section IV: Effects of Covid on tourism

Hospitality industry can be intimately affected by tourism. Studying the structural changes and threats for the tourism industry therefore is also essential for the branding decision of our Principal, which has the first launch

of the global brand being in Canada, and thus, a Canadian hotel as a starting image for the brand. We believe the starting story of a brand is important for the future success of the brand.

There is no doubt that this is a difficult time to start a new brand. The psychological impacts that covid-19 had on people and the travel anxiety created can be threatening for emerging brands in the tourism industry. The pandemic and all the measures government authorities took to control it, such as lockdowns and social distancing, have changed people's lifestyles dramatically and caused a severe lack of mobility and social interactions as reported in a consumer survey conducted by Numerator in 2022.²⁶ Travelling and tourism activities are supposed to enhance life satisfaction and reduced exhaustion and stress; but with coronavirus, many people would consider travelling a huge risk, causing more anxiety and wanting to avoid it.²⁷ The Numerator survey showed that 45% to 50% of people were uncomfortable with tourism activities such as flying, travelling and staying at hotels.²⁶

In another research conducted by the American Psychological Association (APA) in March 2021, nearly half of Americans, around 48%, even after vaccinations, were anxious and uneasy about returning to in-person activities.²⁸ In an interview with Conde Nest Travel, Bethany Teachman, a psychology professor and member of the Anxiety and Depression Association of America, said that anxiety comes from uncertainties, intolerance, and discomforts of the unknown. Covid-19 and its variants had caused a lot of uncertainty for the future. Teachman believed that Covid-related travel anxiety would be in peoples' lives for a long time.²⁹

The traveling fear and the changing lifestyle have prompted *Destination Canada* to produce several reports advising the hospitality industry in Canada.^{24,31} The reports can provide useful guidance for the Principal of this study. At the outset, the report highlighted five macro trends of particular importance for the tourism industry in Canada looking forward in 2022 and beyond. We note that three of the five trends

were related to Covid and its variants. First and foremost is what is called “Covid-19 uncertainty”. The coronavirus new variants’ surges, changing rules and policies for border restrictions, refunds, etc., all can change many peoples’ minds regarding travelling.

The second macro trend related to Covid-19 is “economic changes.” There were 43% jobs lost in the tourism industry in 2020, and in 2021, tourism employment was under 21% of pre-pandemic employment rates. Despite Canadian government support for tourism and hospitality, businesses recovery is expected to be slow. Although vaccinations have stimulated travel spending in 2021, the demand from consumers and recovery path is still unclear because of inflation and supply issues. Destination Canada and the Tourism Industry Association of Canada (TIAC) both reported that labor shortage can be a perennial challenge.

The third macro trend related to Covid-19 is “accelerated digitization.” After the pandemic, the online world became more important than ever due to remote work and social distancing. This trend can lead to very significant change in consumer preference towards the type of hotels they pick and stay, particularly for business travelling. In terms of institution changes, reduced funding in budgets for Destination Marketing Organizations (DMOs) up to 60% were observed.

Two other macro trends in Canada mentioned by Destination Canada not quite related to Covid-19 but nevertheless of good guidance for the Principal of this study. They are “Climate” and “Social” changes. Climate change is a general change in consumer preference, particularly for young people. They are more inclined towards staying in hotels that share the same value of willingness to address to climate change. Social change, which emphasizes the importance of diversity, inclusion, and indigenous consideration, is what the Canadian Government has promoted as a matter of federal and local policy.

Additionally, in a webcast for the hospitality industry in Canada by Destination Canada on February 1st 2022,³¹ several salient features about Canada highlighted should be brought to the attention for our Principal to consider. It emphasized five big takeaways from structural shifts expected for the tourism industry in Canada in 2022 and beyond, labeled as “More domestic, More leisure, More digital, More

competition and More change”. We found the “More domestic” recommendation to be particularly relevant for our Principal to consider, as it coincided also with our observations that border restrictions due to Covid had punished travelers from overseas. The hotel which is used for the new launch had relied heavily on foreign travels in the past, particularly from China; but according to Destination Canada’s forecast, the China market will be the slowest to return to normal compared with other markets, with full recovery not expected until 2026. More domestic travel full recovery can be expected within province in 2022, and between provinces in 2023.³¹ Clearly, if the launching of the new hotel will be in 2022, a within-Canada, within-province marketing campaign has to be the focus. This suggested to our Principal about the potential markets the new launch should target.

The webcast also brought up the concept of “high value guests”. Because of changes in workstyle and lifestyle, the nature of competition for the hospitality industry in Canada may have to gear towards finding what the report considered to be “high value guests”, which are adults over 18, most earning 100K+, with the majority of them based in Ontario, British Columbia, Quebec, and Alberta. It was estimated that there will be 6.7 million of these domestic high value guest travelers, which consists of 2.7 million *younger families*, 2.5 million *singles & couples*, and 1.5 million *wealthy mature*.³¹ If the Principal of this study is to launch the business in 2022, and given that the intended brand will be a 5-star Canadian hotel, and also, with border restrictions, clearly, it is the 1.5 million wealthy mature that will be the targeted customer for our Principal in 2022 and 2023.

The Principal of this study had wished the new brand to be a luxury lifestyle hotel (as contrasted with “hotel centric” types, such as Sheraton, Marriot, etc.). The concept of “More leisure” as recommended by Destination Canada can also suggest to our Principal the products and services the new launch can provide to differentiate themselves from their competitors. “More Leisure” as recommended by Destination Canada being the high value guest travelers whose choices will be based on “self-enrichment & personal motivation”.³¹ This includes choosing places that can “celebrate the place & people”, “have a strong influence on others”, “responsible travel”, and “staying longer”. The report further revealed that 62% surveyed said they want to

avoid crowded destination, 46% said they consider personal impact to be an important consideration for the choice of a place to stay, 37% said they will travel to places with responsible practices, and 34% says that are willing to pay for sustainable practices.³¹

Travelers to Canada will be looking for *authentic experiences*. Leisure travel looks for “opportunity to relax, unwind and decompress”, while also offers “outdoor experiences”. Based on their survey, Destination Canada defined authentic experiences in Canada to be of three types: *Wild Wilderness, Health & Wellbeing, and Indigenous Connection*.³¹ Examining the facilities of the new hotel that will be launched, our recommendation to the Principal of this study is to focus on the second type—Health & Wellbeing. The hotel location and facilities do not seem to provide advantages on the other two types of authentic experiences.

Recovery from the pandemic, slowly, is on its way. The survey conducted by Destination Canada posted a statement asking for comments: “I miss travel-can’t wait to get out and travel again”. 38% surveyed strongly agreed while 27% somewhat agreed with the sentiment of that statement.³¹ Without questions, there are consumers out there who are willing and able to spend money again on traveling and entertainment. A big success in the launch of the new brand is achievable; and indeed, if the survey reflected a general preference in Canada, 65% of Canadian are prepared to pocket out money to try it, if they see the right product and services.

Conclusion

It is unthinkable that a new global brand in the hospitality industry can be established amidst a world pandemic. But who could have

guessed that the well-known coffee brand of the world, Starbuck, had originated in an unglamorous Pike Place Market in Seattle? Yet, a rainy freezing cold weather is exactly what has given birth to billion cups of coffee around the world. The pandemic of the 21st Century can be an ideal opportunity to launch a global brand, but it depends on how the STRENGTH (S) of this brand can use its WEAKNESS (W) and THREAT(T) to strategize and to open up OPPORTUNITIES (O) for the brand. This article illustrates how Decision Intelligence can help formulate the gathering of relevant information so that well-informed decisions can be made to trek the dangerous landscape of an industry in a very uncertain business environment. Concentrating on a local decision, but with an eye open to thinking globally in terms of what the brand ultimately wants to achieve is the challenge the Principal of this study has to face. The answer with respect to the launching decision that this study provides for the Principal is a conditional yes. While Covid and its variants have invaded the world via an invisible 5-pronged attack, a new born in the hospitality industry can still achieve its success if decisions for a local launch have good timing. The uniqueness of products and services to be offered is extremely important, with awareness on the changing lifestyle of consumer and the market trend suitable for a regional focus. Covid and its variants unquestionably will continue to haunt the industry for a while. In commissioning the tracking of Covid in this study, the Principal indeed has already demonstrated his seriousness of addressing to a social concern. It awaits additional entrepreneurial thinking to convert further liabilities into assets for paving a yellow path towards strength and opportunities for this global brand.

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