

IMPACT OF NOVEL CORONAVIRUS ON DEMAND AND STOCK PRICES OF HOTEL, RESORT AND RESTAURANTS INDUSTRY

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ABSTRACT

This research paper aimed to know the impact of the novel coronavirus also known as COVID-19 on the hotel, resort, and restaurants industry. Also, the study predicted the future trend of the companies listed under this industry and to find out the reasons for such trends. As the lockdown was introduced in the nation, all industries took a big hit as they all had to shut down. It was found from the study that the stock prices of these hotels took a big hit and went down around mid-March 2020. This was the time when early signs of COVID-19 were seen and approximately around 300-400 cases were confirmed in India and this change in the market is not momentary and would pass soon, but this change would continue for a long time until a vaccine for the virus is produced. It was also found that the months from November 2019 till April 2020 were the worst for the hotel, resort, and restaurants industry. Moreover, it can also be predicted that it is going to take some time for the Industry to stabilize and work under smooth conditions once again. The trend of social distancing would remain in the world and will affect lifestyles in some manner or another. The food industry is coming up with new ways to treat the situation and to assure the consumer about the safety of the food.

Keywords: *Coronavirus, Hotel and Restaurant Industry, India, Lockdown, Stock Prices*

INTRODUCTION

In December 2019, a few cases surfaced in China, where people suffered from a new illness, soon it was known that this disease was intact a viral infection and the virus was seen for the first time. The virus had certain unique characteristics such as having spikes on its outer surface made of fat. This surface gave protection to the inner RNA material which was the pathogenic part of the virus. The city of Wuhan was the first to be affected by this novel virus and soon the virus spread to different parts of China and ultimately it affected the majority parts of the world. As this is a viral disease there is no medicine to treat the disease, there is the only symptomatic treatment for this disease. Soon the disease took a pulmonary turn and started affecting the lungs of the victim. This was very dangerous as it usually ended in the respiratory arrest of the victim. When WHO announced that this was indeed a very critical situation as the virus is very infectious. Soon countries started to go into a state of lockdown thus affecting the industries operating in the nation.

The only cure for the disease is to make some life changes and avoid contact with anyone sick or not. The term 'Social Distancing' was tossed around and it

advised people to stay at their homes and not leave their homes for any un-essential reasons. To assure that everyone followed the lockdown the police were also stationed at certain locations and patrols took place. Now at this time the hospitality industry took the biggest hit as the process of hospitality involves human contact up to a certain level. Thus, eating out at restaurants was also stopped by many and these restaurants were closed by the government. Not only these many other non-essential businesses were shut down like salons, but also malls, shopping complexes, etc. Experts say that this stage is just the tip of the iceberg and more devastating things are yet to come. This suggests that the social distancing trend would continue in the future and the hotel industries need to come up with certain plans to counter this situation. Certainly, the times ahead do not look good for these industries.

LITERATURE REVIEW

Glass *et al.*, (2006) targeted towards social separating to alleviate pandemic flu through the reproduction of flu's spread inside nearby network social contact organizes and exhibited this plan for an adapted network illustrative of a humble community in the United States. For flu as irresistible as 1957-58 Asian

influenza ($\approx 50\%$ tainted), shutting schools and keeping youngsters and adolescents at home diminished the assault rate by $>90\%$. It was clear that the only way to fight this virus is to stay at home and avoid going out for unnecessary reasons. The virus is particularly more virulent in the case of children and the old generation i.e. people above the age of 60 years as the immune system is weak for both.

Dandagi & Byahatti (2011) said that H1N1 was also a viral disease like coronavirus and had similar effects as the novel virus and found that the food and hotel industry were affected by this as the main agent through which H1N1 was spread was pork products.

Nsoesie *et al.*, (2014) suggested that this assumption was true and indeed there was an increase in the number of available tables at restaurants. The result stated that contrasts in eatery use were seen across inspecting times and areas and similitudes in time arrangement drift between information on flu movement and café use. In certain settings, critical relationships more noteworthy than 70% were noted between information on eatery use and ILI patterns.

Fernandes (2020) observed that administration arranged economies will be especially adversely influenced and have more employments in danger. Nations like Greece, Portugal, and Spain that are progressively dependent on the travel industry (over 15% of GDP) will be increasingly influenced by this emergency. This present emergency is producing overflow impacts all through gracefully chains. In this way, nations exceptionally subject to remote exchange are even more adversely influenced. The outcomes recommend that all things considered, each extra month of emergency costs 2.5-3% of worldwide GDP.

Hoque *et al.*, (2020) showed that the event of Coronavirus in China has critically affected over the globe. Because of this infection danger, outside individuals dread to stir up with the Chinese populace. The worldwide vacationers have dropped their projects to visit China and the Chinese visitors are restricted to visit abroad countries. The quick spread of the Corona infection in China has halted the typical existence of the individuals in China. This dread has affected the travel industry of the nation locally and globally. The aircraft have dropped all trips as of late from and to China, so the infection is not conveyed to different nations. This has influenced the economy of the nation to a huge degree. The strengthening of the Coronavirus is being thought to cause a drawn-out

effect on the travel industry of the nation China.

Jain (2020) stated that the main Industry that may not do well in the post COVID situation will be the neighborliness Industry. Regardless of whether tomorrow, crown vanished, individuals would even now abstain from requesting food or eating out for quite a while to come. A little survey on twitter that was responded to by 10346 respondents indicated the greater part (53%) individuals disapproving of requesting food while 13 % said that they may arrange and the rest 34% said they will keep on requesting food. This was before the Pizza delivery boy news came. The equivalent goes for any assistance industry like film lobbies/shopping centers. This makes it very clear that people are scared to order food from outside or dine out as a matter of fact.

Koren & Pető (2020) stated that social removing mediations can be powerful against scourges yet are possibly unfavorable for the economy. Organizations that depend intensely on vis-à-vis correspondence or close physical closeness while creating an item or offering an assistance are especially helpless. As there is no vaccine developed for the novel coronavirus, experts said that the only way, for now, is the way of prevention thus the term social distancing was tossed around, social distancing means to stay at home and not meet people or gather around in large groups without any important cause. So, it was assumed that the food and hotel industry would take a direct hit from this way of prevention.

Maital & Barzani (2020) believed that the initial primary impact of COVID-19 was on the supply side. The research concluded that the Factory closures worldwide led to a contraction in the macroeconomic supply of goods and services and a demand-side response to the contraction of lower interest rates will aggravate inflation.

Shahidi (2020) concluded that there was a significant threat from food products when it came to the transmission of the coronavirus but still there was a lot of concern when it came to consuming food that was made by someone else, consumers preferred to eat the food that was prepared by someone trusted and not by someone who could be infected with the virus. Not only that even the delivery person could be infected or as a matter of fact when it came to ordering food from any restaurant the food was handled by a lot of different people thus increasing the chance of getting infected.

RESEARCH METHODOLOGY

1. To study the effect of novel coronavirus (nCOVID-19) on the hotel, resort, and restaurants industry.
2. To predict the future trend of the companies listed under this industry and to find out the reasons for such trends.

Materials and Methods

Data was collected via secondary sources like information present on the internet for this quantitative research. Ample data on both companies were present in the newspapers and on the internet. Top 10 Indian hotels were chosen based on market capitalization using systematic sampling technique and the stock prices of the same were studied and compared. The observation span was from November 2019 to April 2020. Figures for the same were also obtained and analyzed. Trend lines were used for analysis and interpretation. The main source for data was online stockbroking sites.

RESULTS & DISCUSSION

The analysis of data and its interpretation for all the ten companies are given as under:

Indian Hotels Company

Figure 1: Showing Time Series Analysis of Indian Hotels



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 3rd March 2020, after that a downward trend started and continued till mid-April 2020. The lowest stock value reported was Rs. 71.731 as of the 7th of April 2020. The highest stock value reported was Rs. 140.128 as of the 27th of February 2020. The downward trend continues till the 8th of April 2020 and an upward trend is seen after that. The figure represents the downward trend line with 3 points of contact (refer to figure 1).

Westlife Development

Figure 2: Showing Time Series Analysis of Westlife Development



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 6th March 2020, after that a downward trend started and continued till mid-April 2020. The lowest stock value reported was Rs. 274.505 as of 24th April 2020. The highest stock value reported was Rs. 505.064 as of 5th February 2020. The downward trend continues till 24th April 2020 and an upward trend is seen after that. The figure represents the downward trend line with 3 points of contact (refer to figure 2).

EIH

Figure 3: Showing time series analysis of EIH



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 12th March 2020, after that a downward trend started and continues till now. The lowest stock value reported was Rs. 53.492 as of 30th March 2020. The highest stock value reported was Rs. 164.706 as of 8th November 2019. The downward trend continues, and no upward trend is seen after that. The figure represents the downward trend line with 4 points of contact (refer to figure 3).

Chalet Hotels

Figure 4: Showing time series analysis of Chalet Hotels



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 6th March 2020, after that a downward trend started and continued till mid-April 2020. The lowest stock value reported was Rs. 124.96 as of 27th April May 2020. The highest stock value reported was Rs. 390.195 as of 1st January 2020. The downward trend continues till 24th March 2020 and no upward trend is seen after that. The figure represents the downward trend line with 3 points of contact (refer to figure 4).

Mahindra Holidays Resorts India

Figure 5: Showing time series analysis of Mahindra Holidays Resorts India



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 9th March 2020, after that a downward trend started. The lowest stock value reported was Rs. 130.406 as of 23rd March 2020. The highest stock value reported was Rs. 247.511 as of 15th November 2019. The downward trend continues till 28th March 2020 and an upward trend is seen after that. The figure represents the downward trend line with 3 points of contact (refer to figure 5).

India Tourism Development Corporation

Figure 6: Showing time series analysis of India Tourism Development Corporation



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 28th February 2020, after that a downward trend started and continued till mid-April 2020. The lowest stock value reported was Rs. 104.219 as of 24th March 2020. The highest stock value reported was Rs. 409.673 as of 26th November 2019. The downward trend continues till 24th March 2020 and an upward trend is seen after that. The figure represents the downward trend line with 4 points of contact (refer to figure 6).

Lemon Tree Hotels Ltd

Figure 7: Showing time series analysis of Lemon Tree Hotels Ltd



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 25th February 2020, after that a downward trend started and continues. The lowest stock value reported was Rs. 16.846 as on 16th April 2020. The highest stock value reported was Rs. 64.887 as of 31st December 2019. The downward trend continues, and no upward trend is seen after that. The figure represents the downward trend line with 4 points of contact (refer to figure 7).

Taj GVK Hotels

Figure 8: Showing time series analysis of Taj GVK Hotels



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 3rd March 2020, after that a downward trend started and continued till 24th March 2020. The lowest stock value reported was Rs. 84.383 as of 24th March 2020. The highest stock value reported was Rs. 174.596 as of 18th February 2020. The downward trend continues till 24th March 2020 and an upward trend is seen after that. The figure represents the downward trend line with 4 points of contact (refer to figure 8).

EIH Associated Hotels

Figure 9: Showing time series analysis of EIH Associated Hotels



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 13th March 2020, after that a downward trend started and continued till the 26th of March. As compared to other EIH Assoc. Hotels did not take a big hit and recovered soon. The lowest stock value reported was 176.857 on 23rd March 2020. The highest stock value reported was 297.794 on 19th Feb 2020. The downward trend continues till 26th March 2020 and an upward trend is seen after that. The figure represents the downward trend line with 3 points of contact (refer to figure 9).

Coffee Day Enterprises

Figure 10: Showing time series analysis of Coffee Day Enterprises



Source: Money Control Website

Here we can see that there is a sudden drop in the figure on 28th February 2020, after that a downward trend started and continued till mid-April 2020. The lowest stock value reported was Rs. 17.926 as of 4th May 2020. The highest stock value reported was Rs. 48.699 as of 6th December 2019. The downward trend continues till 24th March 2020 and an upward trend is seen after that. The figure represents the downward trend line with 3 points of contact (refer to figure 10).

Findings of the Study

From this data it was found that the stock prices of these hotels took a big hit and went down around mid-March 2020. This was the time when early signs of COVID-19 were seen and approximately around 300-400 cases were confirmed in India.

1. Also, this change in the market is not momentary and would pass soon, but this change would continue for a long time until a vaccine for the virus is produced.
2. The trend of social distancing would be continued for a long time and would be made a part of life now, it is also said by experts that this virus is not going away soon so, for now, precaution is only the way.
3. The transmission of the virus is droplet transmission meaning that the viral particles are present in the body fluids of the victim. Whenever an infected person would sneeze, spit, or lick any surface, some viral particles would be expelled from the infected person. Thus, the hospitality industry is in for a big hit in the coming future.

Suggestions

1. The Government should try to reduce the time of the active lockdown and take all the necessary precautions to avoid further infections and to revive the economy of the country.

2. The management of these restaurants should ensure the hygiene level in these hotels is maintained at the highest level. Not only this but some visual cues should be provided to the customer that the sanitation and hygiene levels are appropriate. Employee and customer screening should be done regularly and the people who are diagnosed with any such symptom should be denied entry.

3. Until and unless the vaccine is produced, tested, and approved, the public should practice social distancing to the fullest.

CONCLUSION

It can be easily concluded that the months from November 2019 till April 2020 were the worst for the hotel, resort, and restaurants industry. Moreover, it can also be predicted that it is going to take some time for the Industry to stabilize and work under smooth conditions once again. The trend of social distancing would remain in the world and will affect lifestyles in some manner or another. The food industry is coming up with new ways to treat the situation and to assure the consumer about the safety of the food.

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