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Hospitality sentiment survey (COVID-19)

**Re-opening and arriving at the new normal
August 2020**

Foreword

The outbreak of COVID-19 in Wuhan in December 2019 rapidly escalated into a global pandemic and has since impacted every sphere of life. As on 25 August 2020, the pandemic has spread to 213 countries, infected more than 23 million people and claimed more than 814,000 lives. During its initial onslaught, economists thought that COVID-19 could be contained, hence impacting the first quarter of 2020 only. However, the shift of the epicentre of the virus from China in Asia to other continents presage the prospects of bigger negative economic shocks. As countries gear up to contain the virus, national lockdown became the most effective response to break the chain of propagation in March 2020.

Prior to the lockdown, the Mauritian economy had started showing signs of the adverse effects of the pandemic on the hospitality sector. Indeed, not only did the virus dampen the mood for travelling worldwide, but it had forced a number of hotels to close in the wake of low occupancy rates. The lockdown in Mauritius, which lasted between mid-March till end of June, worsened the situation and has resulted in an unprecedented socio-economic crisis.

Indeed, the hospitality sector is facing the brunt of a severe slow-down owing to numerous factors. A sizeable amount of tourism spending has been curtailed. In addition, inability to promote Mauritius as a COVID-free destination on the international front, uncertainty around the timing of opening of Mauritius borders to tourists and cash flow constraints are significant challenges surrounding the hospitality sector.

Nevertheless, in the combat of this pandemic, many hotels had provided their premises as quarantine centres as a sign of solidarity. Food service teams and chefs had mobilised to prepare free meals for medical staff and poor families.

As the country re-opens, the hospitality sector will have to adapt to new emerging trends. The first step in overcoming the crisis is regaining customer confidence. The trust building of the consumer will have a positive impact on the brand. In addition, strict sanitary and hygiene measures will need to be applied.

Whilst the way forward is subject to a high level of uncertainty, early growth signals create room for optimism. In the long run, many fundamentals behind that optimism, such as global middle-class formation and strong demand for travel experiences, will further stimulate recovery of the sector. The rebound of the sector is contingent on the ability of the travel providers to respond correctly to the health and financial uncertainty ahead.

The hospitality sector is gearing up to regain its normal momentum by aligning itself to the new normal and emerging trends, and by taking certain measures to respond, recover and thrive in the coming times.



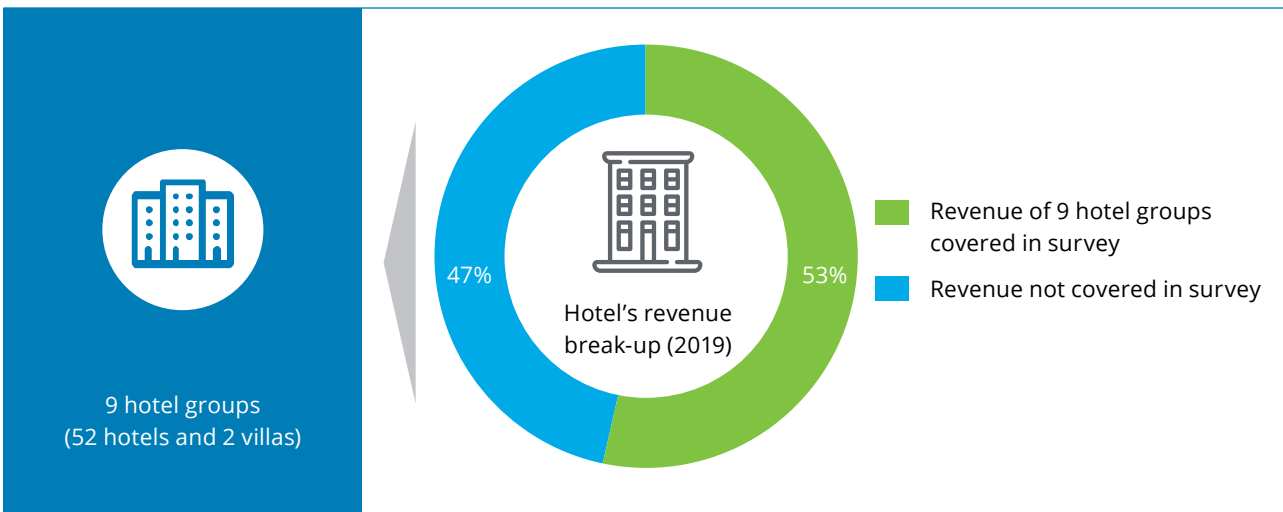
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About the survey

We surveyed the leaders from the **major hotels, resorts, villas, and business hotels in Mauritius** to understand their market sentiment on the budgetary measures, the current challenges, key focus areas, and the way forward for hospitality industry in the current and post-COVID times. The survey respondents are from 9 major hotel groups in Mauritius, further details are given below:



These executives represent more than **50 percent of hospitality footprint** (covering fair share of global and local brands) in the country and has diverse set up experience ranging from **leadership, hotel and cluster operation, finance, project and development, sales and marketing, Corporate Social Responsibility (CSR), food and beverage, and quality assurance.**

Executive Summary

The COVID-19 outbreak brought the world to a standstill, and the hospitality sector is one of the hardest hit economic sectors, mainly due to the introduction of travel restrictions. In Mauritius, the hospitality sector represents a fair share of the economy and one of many forecasts made about the impacts of the pandemic is a contraction of 20 percent, which will span over the next three to five years.

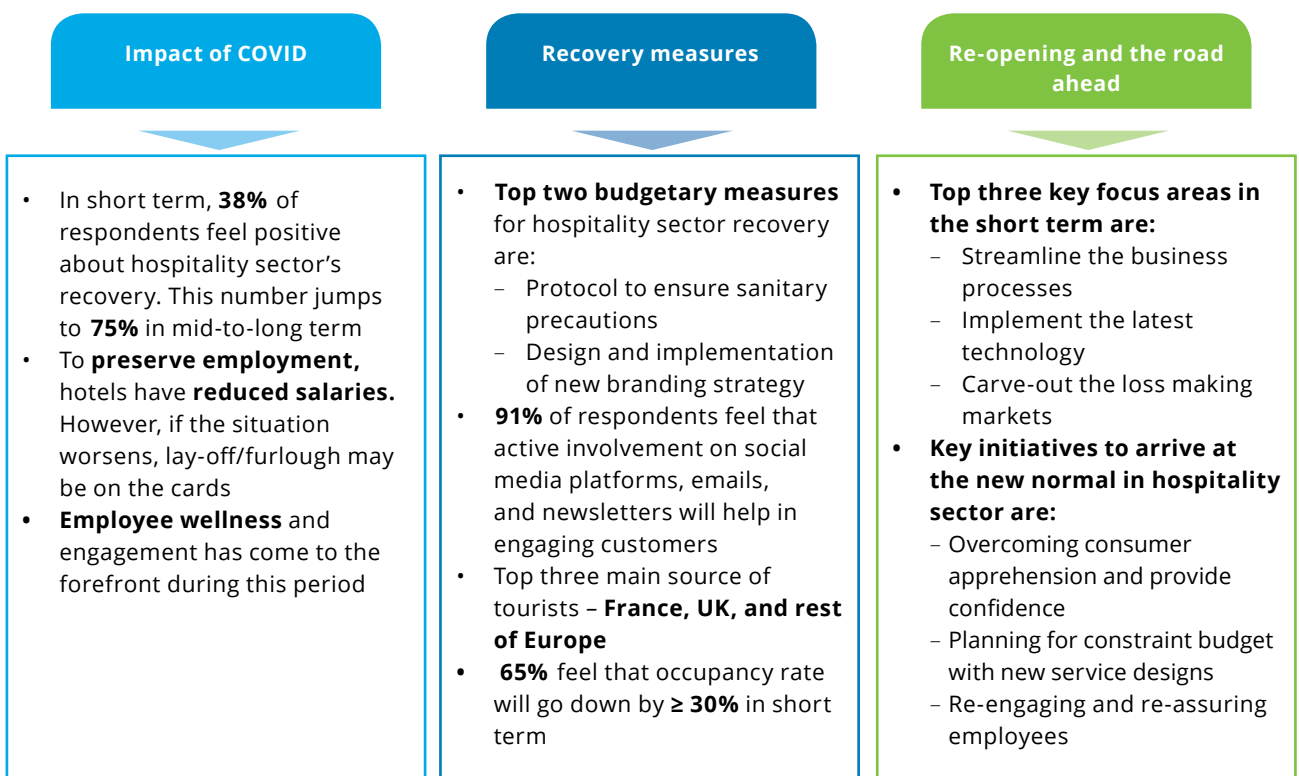
The sanitary crisis has also other unquantifiable impacts on the tourism sector including the loss of livelihoods of locals, loan repayment commitment of impacted businesses, low to no occupancy rates of hotels that may lead to temporary or permanent closure, and cash flow issues.

In the face of these hardships, the Government has come forward with supporting measures such as the extended Wage Assistance Scheme for tourism sector, prolonged loan moratoriums and low interest rates,

the waiver of the rental payment of state lands for the upcoming financial year to tide over the liquidity issues. The Mauritius Investment Corporation (MIC) has also been set up to propose investments in eligible companies through different investment tools including both equity and quasi-equity instruments.

Sentiment expressed during the Deloitte Hospitality Survey points to the start of recovery of international demand mostly in 2021. Unfortunately, our domestic tourism is limited to compensate for the drop in international tourism demand. Considerable challenges remain ahead, starting with the unknown duration of the pandemic and travel restrictions. The tourism sector may take longer than two years to recover from COVID-19 impact. Whilst this report conveys what people shared during the survey, it also provides the Deloitte POV, based on our global and industry expertise.

Key findings from the survey



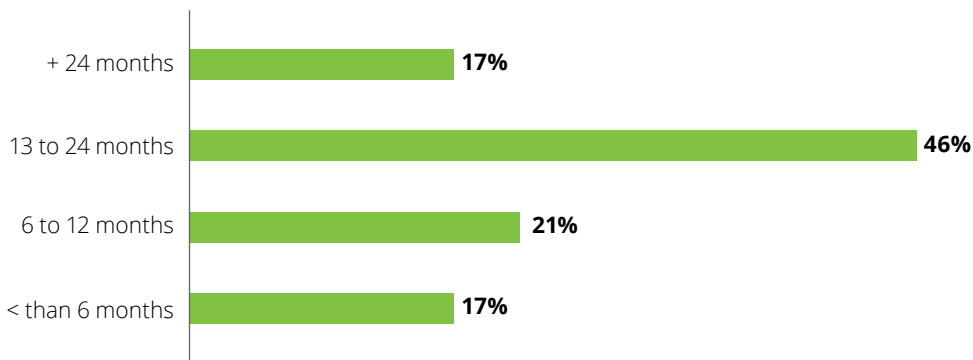


Impact of COVID-19

How much longer do you expect disruption to last and how do you feel about the future of hospitality sector?

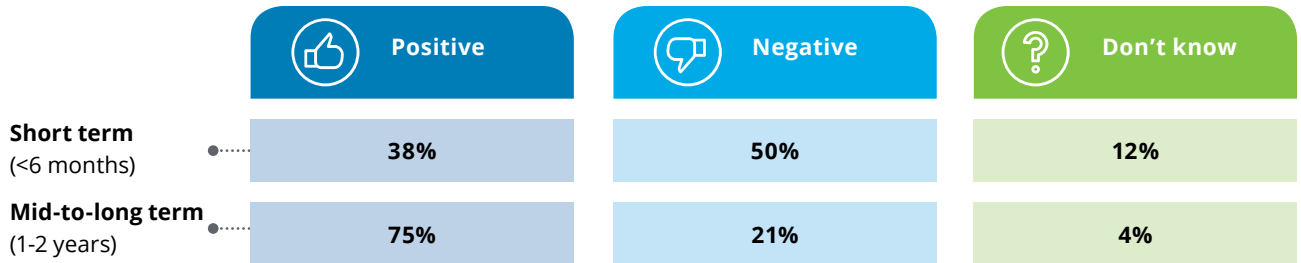
The COVID-19 outbreak was declared a pandemic by the World Health Organisation on 11 March 2020. How much longer do you expect disruption to the hospitality sector to last?

% of respondents



- Due to COVID-19, 63% respondents expect that disruption will last more than a year.
- 17% of the respondents feel that hospitality sector will recover in the short term largely due to the budgetary measures and initiatives taken by the sector.

Mauritius is now a COVID-free destination. How do you feel about the future of the hospitality sector in the short term and mid-to-long term?

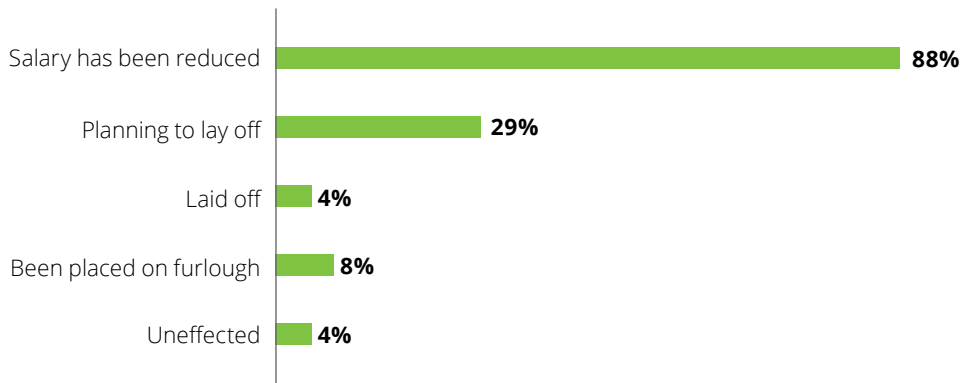


- Although Mauritius is a COVID-free destination, the respondents don't feel positive about the hospitality sector in the short term but are more hopeful in the mid-to-long term.
- According to the biweekly **Deloitte Global Consumers survey (July'20 edition)**, there are early signs of recovery in the anxiety levels of developed economies (such as Germany, Netherlands, Belgium, France, etc.), however, emerging economies are still showing higher anxiety levels (such as India, Chile, China, etc.).

How has COVID-19 affected employment? Is it important to preserve employment in Mauritius?

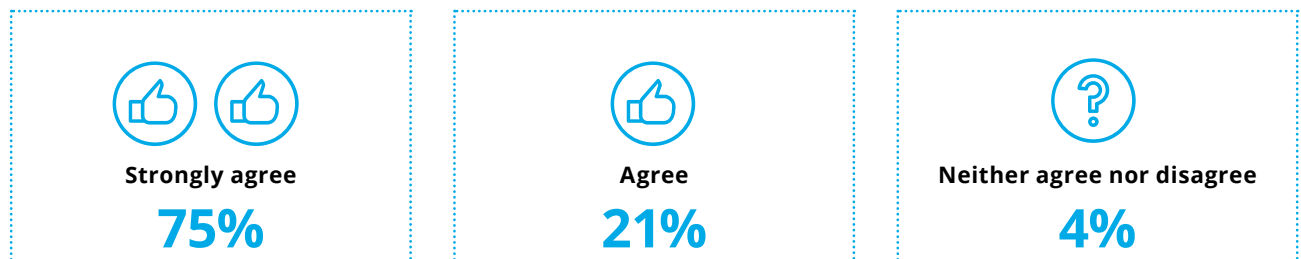
How has COVID-19 affected employment at your organisation?

% of respondents selected one or more applicable responses



- In view to preserve employment, 88% respondents have had their salaries reduced at their organisation.
- The government is supporting the preservation of employment through the extension of the **Wage Assistance Scheme** until July 2020. The employers are not allowed to lay-off employees who have benefited from this scheme.

Hospitality is providing more than 50,000 people direct employment in Mauritius. Is the preservation of employment important?



- 96% respondents believe that the preservation of employment is important.
- Employee wellness and engagement has come to the forefront during this period. In reciprocation, workforce has rallied behind the organisation in their respective roles.



Recovery measures

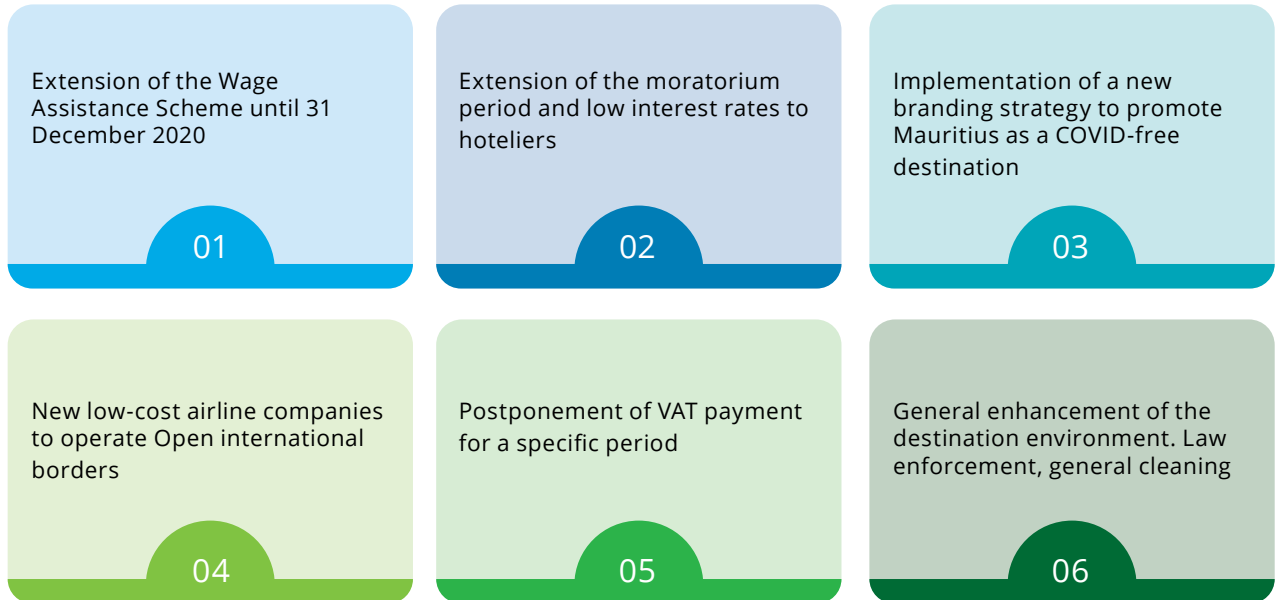
What are your views on fiscal and budgetary measures announced for the economic recovery of the hospitality sector?

Which budgetary measures will help the hospitality sector to recover most?

Respondents selection in order of priority

79%	46%	46%	42%
Establishment of a protocol to ensure sanitary precautions from arrival to departure	Design and implementation of a new branding strategy supported by the MTPA and the EDB	Provision of support to the national carrier	Waiving of the rental payment of state lands for hotels for the upcoming financial year
33%	21%	8%	4%
Exemption from the payment of license fee for the holders of Tourism Authority and Beach Authority license for a period of two years	Provision of support to the national carrier	Introduction of the Aparthotels Scheme enabling existing hotels to convert part of their accommodation units into serviced apartments	Allowing companies operating under the Deferred Duty and Tax Scheme and the Mauritius Duty Free Paradise to sell their goods locally up to 31 December 2021

What are the other measures that the government could provide to support the hospitality sector?



How do you ensure continuous customer engagement and build the trust?

While travel is on hold, how do you stay connected with past and future guests to maintain the brand value?

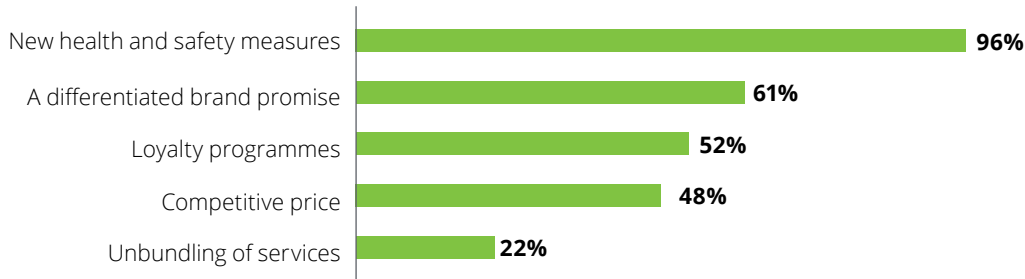
Respondents selection in order of priority



- The survey responses demonstrate that most hoteliers stayed in touch with their community through technology. Social media platforms are the most preferred ones followed by emails, newsletters, and, editorial contents.
- Historic data and research have proven that companies that actively invested in marketing during a crisis generated higher revenue than those companies that remained inactive.

What would you do to build the trust of your future guests?

Respondents selection in order of priority

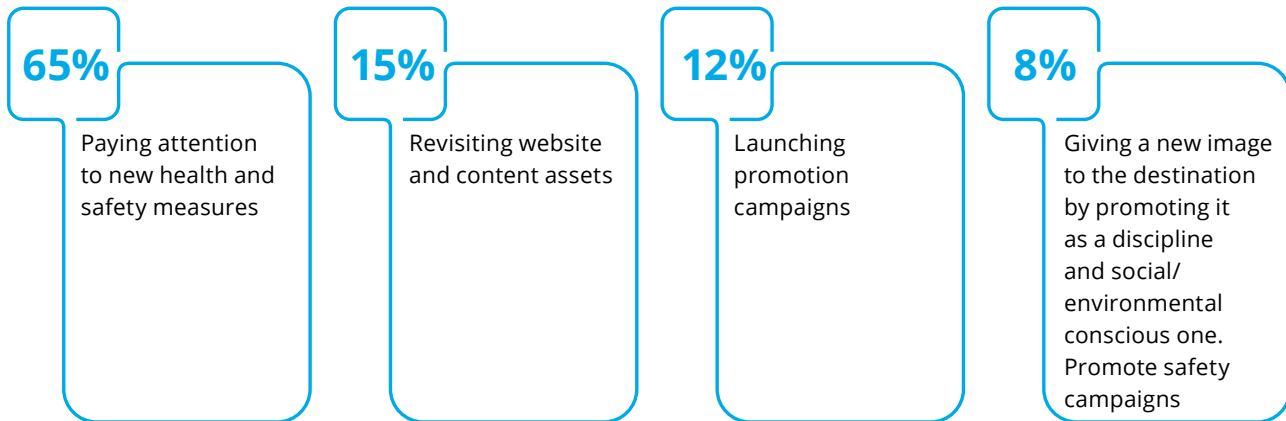


- The hospitality industry has an enormous responsibility in mitigating COVID-19 from spreading further. 96% of survey respondents feel the most significant step to win the confidence of guest is a greater focus on health and safety measures.
- Hoteliers would appoint **health and safety managers**, offer loyalty programmes at competitive price to build and win the trust of the future guests.

How do you improve brand perception and in the short term which countries will be the main source of tourists?

What are your marketing initiatives to improve brand perception and loyalty?

Respondents selection in order of priority



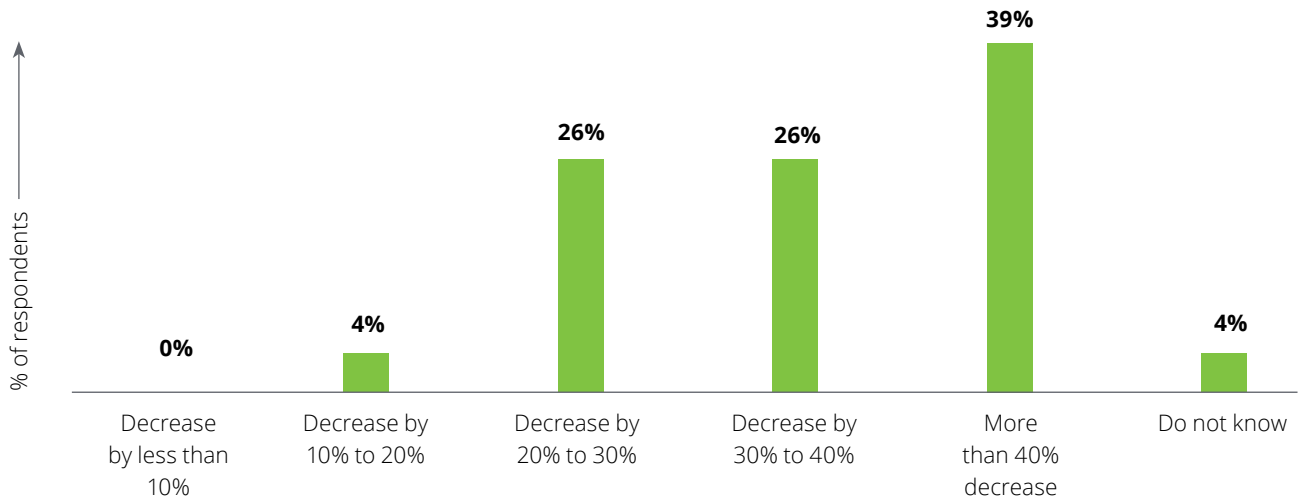
In the short term, which country will be the main source of tourists?



- The above ranking suggests that the demographics of tourism have not changed since COVID-19. Mauritius was and 'will' be the preferred destination of French and the European market.
- The COVID-19 crisis has adversely impacted the economic situation of many European countries, which could have a change in the tourism mix. It might be that China or other Asian countries lead the tourism arrivals board.
- According to the biweekly **Deloitte Global Consumers survey (July'20 edition)**: France, UK, and rest of Europe are showing early signs of recovery in terms of consumer sentiment to travel.

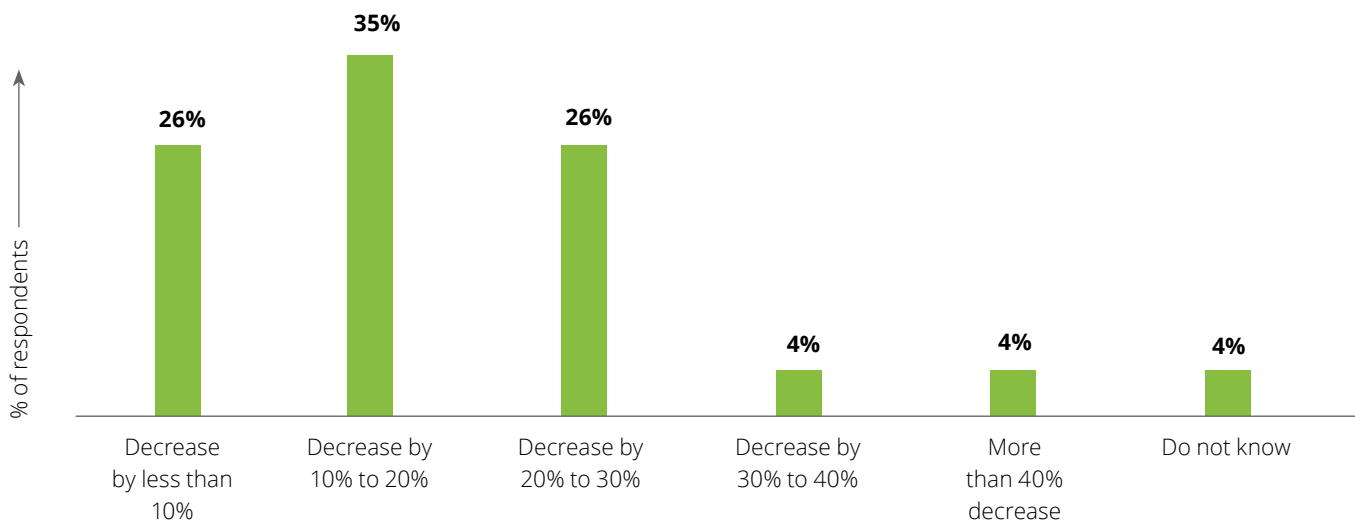
What do you believe is the impact on occupancy rate and pricing in the next 12 months?

What do you believe is the impact on occupancy rate in the short term?



- Since the COVID-19 outbreak, Mauritius’ travel industry has experienced a massive blow, with closure of borders, mass cancellations of flights, and hotel bookings. Most of the respondents (>90%) believe that the occupancy rate will fall by double digits.

What do you believe is the impact on pricing in the mid-to-long term?

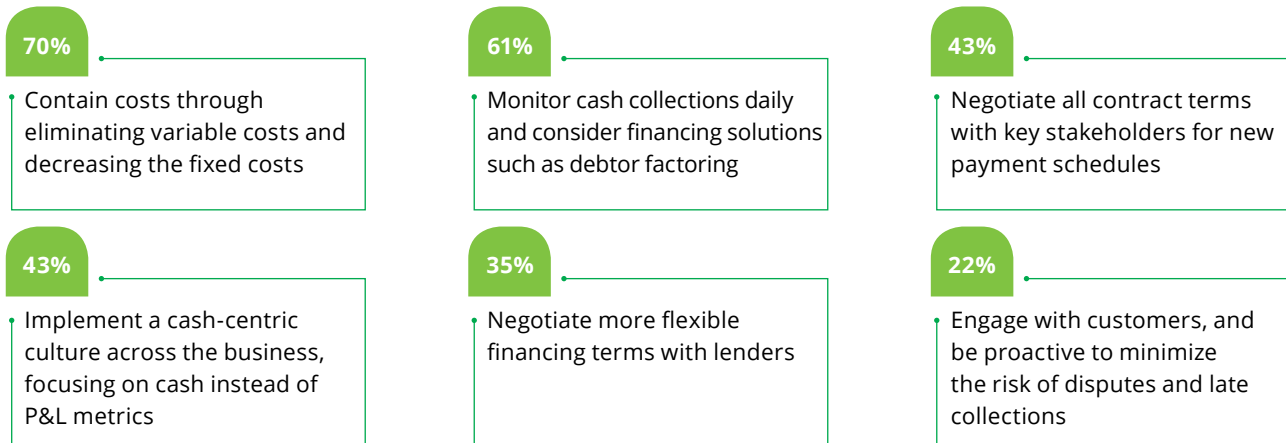


- More than 25% of the respondents are giving up to 10% discount in the sales price. Approximately, 61% of the respondents view the drop in the room rates to be between 10% and 30%.
- Due to the big hit in the occupancy rates, many hoteliers are not decreasing their prices as they have huge operating costs to cover.

How will you manage the cash flows of your organisation? What are the key considerations for financing and investing?

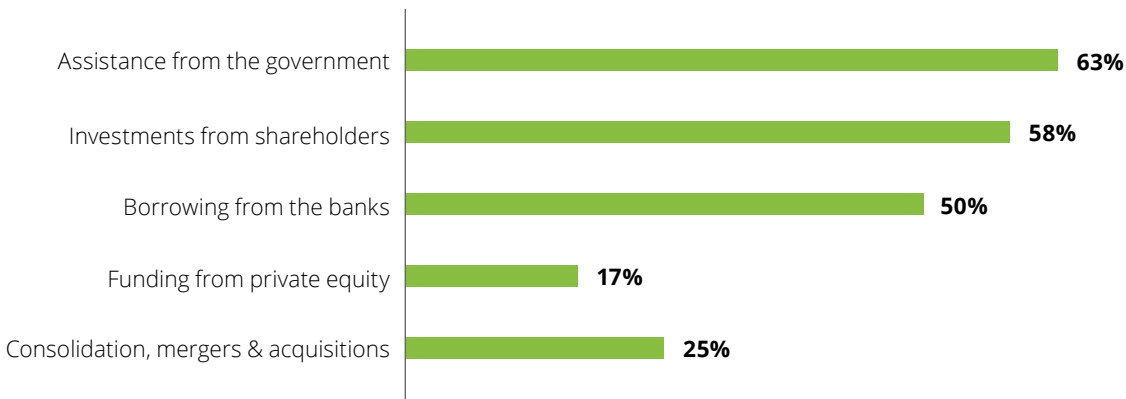
What do you believe are the right initiatives to ensure cash flows of your organisation?

Respondents selection in order of priority



What do you believe are the right measures for financing and investment?

Respondents selection in order of priority



- As part of their continuity plan, hoteliers have developed their treasury plan for cash management. More than 63% of the respondents are seeking financial assistance from the government. In addition, more than 50% of them are either looking for additional borrowing from financial institution or from the shareholders.
- Consolidation and mergers and acquisitions is another option that hoteliers are considering to streamline the business.
- In Mauritius, the funding from private equity is not common and henceforth, only 17% responded positively to this measure.

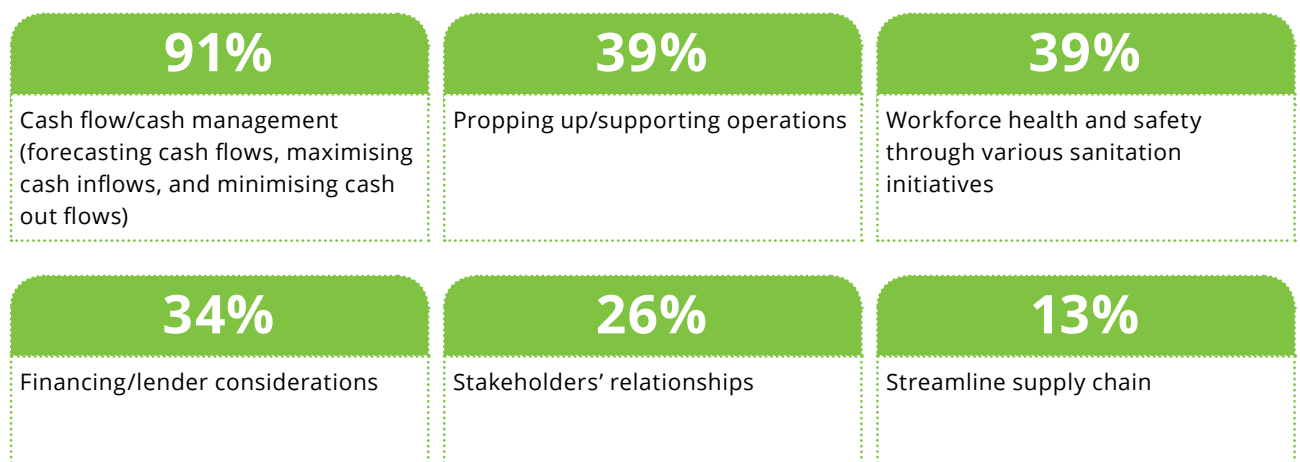


Re-opening and the road ahead

What will be your key priorities and focus areas in the short term?

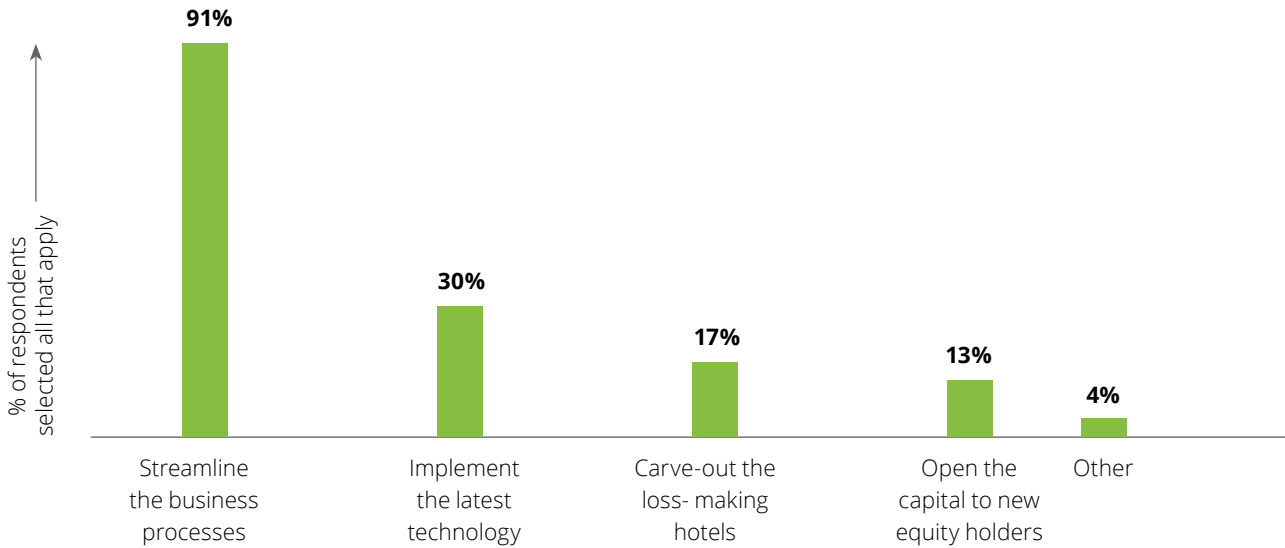
What will be your key priorities in the short term?

Respondents selection in order of priority



- More than 90% of the responses relate to cash flow management. It is an integral element for risk assessment and action planning in the near future.
- While managing the treasury of the company, hoteliers are open to streamline operations and consider financing options. In addition, the health and safety of their workforce plays an important role.

What are your key focus areas in the short term?

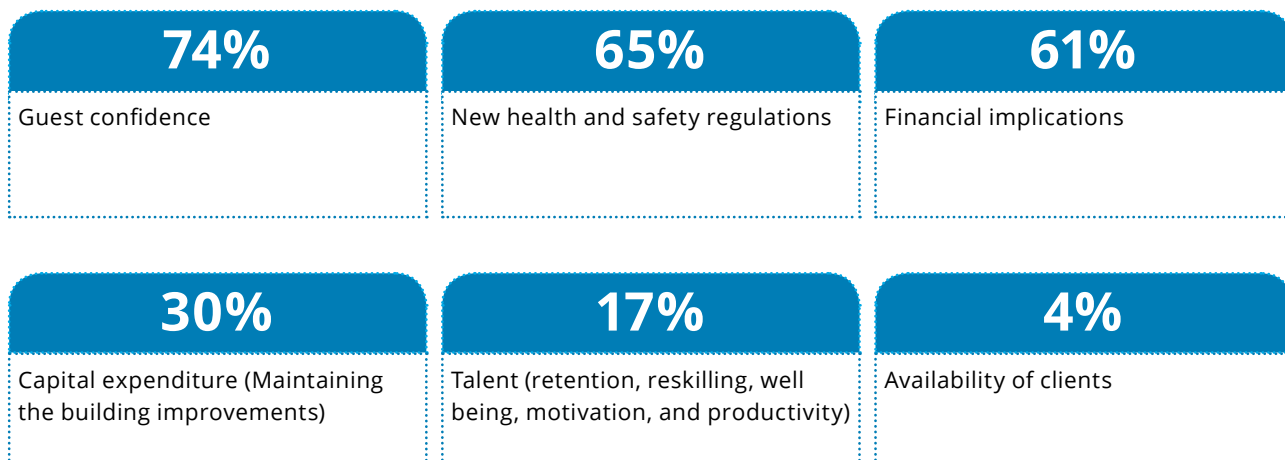


- Most of the respondents are agreeable to streamline the business processes in view of containing costs.
- In addition to this, 30% are opting to implement the latest technology (e.g., touchless doors) and 17% are carving-out loss-making hotels within the group.

What will be the most critical challenges facing hotel re-openings and what are your plans to arrive at the new normal?

What will be the most critical challenges facing hotel re-openings?

Respondents selection in order of priority



What will be your plans to arrive at the next normal of hospitality sector?

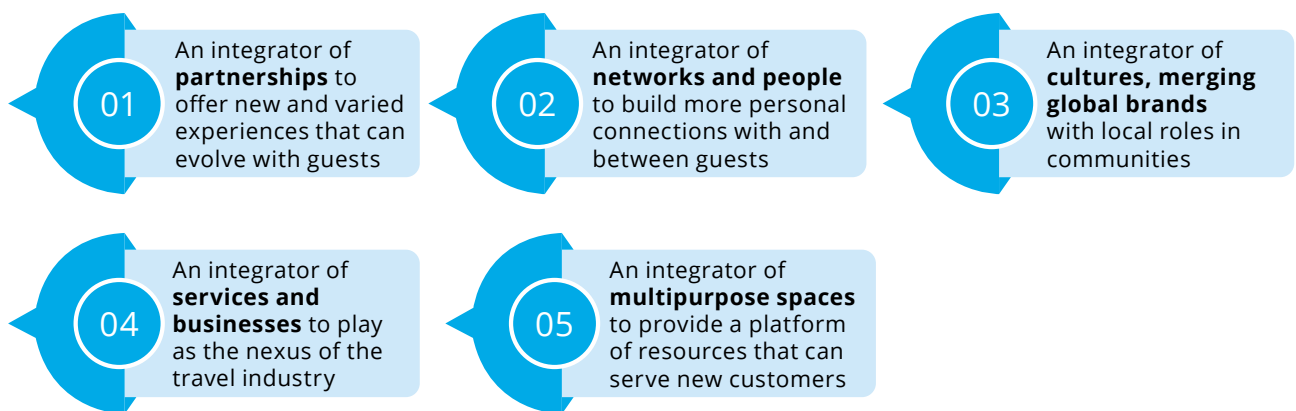
Respondents selection in order of priority



- 74% are overcoming consumer apprehension by promoting new health and safety measures to win the guest confidence again. In addition, more than 60% of the hoteliers are containing costs due to the fall in tourist arrivals and are re-engaging and re-assuring the employees.
- The measures that are less preferred are adjustment to a disrupted ecosystem and innovation with technology partners.

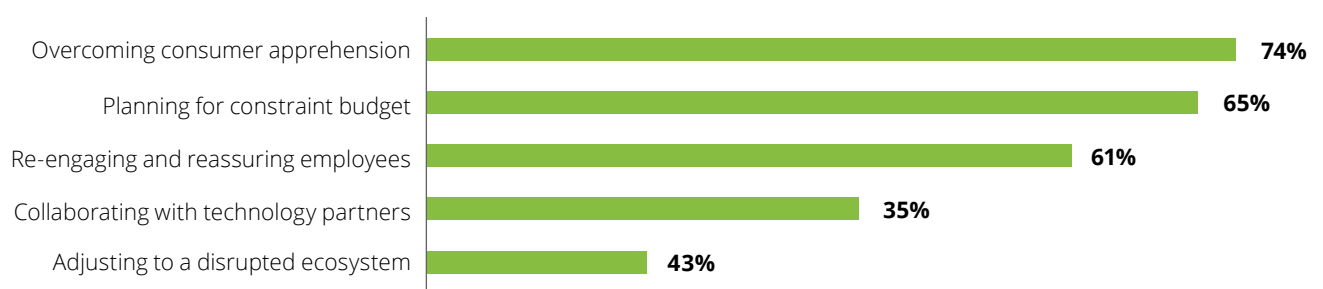
How do you envision the hotel of the future and how will hospitality service change?

How do you envision the hotel of the future?



How will hospitality service change? How do you intend to improve the personalised service?

Respondents selection in order of priority



- The responses obtained are mostly geared towards the sanitary protocols and personalised service at the hotels to prevent the spread of the COVID-19.



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