

CEO interview-Mr. Jingbang Zhang, EVP of Yagao Meihua Hotel Management Co., Ltd and CEO of Madison Brand, Shanghai, China

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Abstract

Purpose – The purpose of this paper is to interview Mr. Jingbang Zhang, EVP of Yagao Meihua Hotel Management Co., Ltd & CEO of Madison Brand based in Shanghai, China, regarding the impact of COVID-19 on China's hotel industry and potential post-COVID-19 trends.

Design/methodology/approach – Interview with hotel group CEO and industry leader in China.

Findings – Several effects of COVID-19 and potential trends are discussed from a hotel CEO's perspective.

Originality/value – Tourism and hospitality stakeholders will acquire a better understanding of the impacts of COVID-19 on China's hotel industry and possible post-COVID-19 adjustments

Keywords COVID-19, China's hotel industry, Hotel CEO, Trends, Post-COVID-19

Paper type Interview

Would you please introduce yourself and the hotel group you currently manage?

I came to Australia in 1988 and studied hotel management and commercial cooking at TAFE College, Sydney. My career in the hospitality industry has roots in Australia. Now, I am the EVP of Yagao Meihua Hotel Management Co., Ltd and the CEO of Madison Brand, which is fully owned by Huazhu Hotels Group Ltd.

Huazhu Hotels Group Ltd, founded in 2005, is a multi-brand hotel group in China. The group includes approximately 5,800 hotels with 500,000 rooms and 110,000 employees. Several of our brands are well-known, such as Blossom Hill Hotels and Orange Hotel. Under the leadership of founder Ji Qi, Huazhu Hotels Group Ltd has become one of the fastest-growing hotel groups in China. In 2010, Huazhu was successfully listed on Nasdaq and deemed the world's second largest hotel company by market value – at \$9bn currently.

Could you talk about the status of China's hotel industry under the COVID-19 outbreak?

The effects of COVID-19 on the country's hotel industry have mainly involved traffic and revenue. First, because the outbreak coincided with the Spring Festival, many customers

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canceled their New Year's Eve reservations. Second, in the winter, tourists are eager to travel to the warm south. Hainan is one of the most popular destinations. But tourism plans were canceled due to the pandemic, and the hotel occupancy rate has declined substantially as a result. Since Wuhan's closure, hotels have received a large number of consumer requests, mostly involving cancellation and refunds of air tickets, rooms and catering. Hotels have responded quickly to the outbreak: 95–98% of cancellations have been processed, and airfare and room reservations have been refunded in full.

The COVID-19 outbreak has been much more severe than SARS. The spread of SARS was localized in Guangzhou, Beijing, Shanxi, Inner Mongolia and other places. The hotel industry's revenue fell by about 60% with SARS, but COVID-19 has brought an 85–90% loss, and the hotel industry is essentially at a standstill. Fortunately, some hotels have been repurposed as isolation points, including one-third of hotels in Wuhan. The government is subsidizing these hotels with 300–350 yuan per room per day for use as temporary hospitals and accommodations for frontline medical practitioners. Now items in these hotel rooms, such as quilts and towels, are disposable and carefully treated after use to prevent cross-infection.

Under the influence of COVID-19, could you talk about the specific challenges facing hotels and how to overcome these difficulties?

The situation may be worse for upper-range and luxury hotels. All lower-end hotels (e.g. budget hotels) use split air conditioning, which can reduce the risk of airflow infections. But luxury hotels use central air conditioning more. Although there is no evidence that central air conditioning promotes viral transmission, customers may feel nervous about circulation and be less willing to book stays at these hotels. Moreover, business guests are luxury hotels' main revenue source. Due to the pandemic, many foreign tourists and business guests have not returned to China. Domestic business travel has been restricted as well. Although luxury hotels are still operating, they are experiencing severe waste and losses.

Has your hotel group taken any measures to help the Chinese hotel industry recover after the outbreak? How do you and your team make decisions?

The market is a balance of supply and demand. Many hotels have adopted a "peace of mind" approach, informing customers in advance of security measures so guests can prepare themselves. In addition, according to government guidelines, hotels will provide masks, take guests' temperature and have guests disinfect their hands when arriving on premises. Apart from hotel measures, the domestic and international situation is critical. People have expressed concerns about a few key points. One is whether there will be a large cluster of disease in the 14 days following the May Day holiday. The second is whether the government will release an encouraging update before June 1, such as by reducing the regional risk assessment level or stating that masks are no longer necessary.

Our group's measures are based primarily on expert advice, government guidance and common sense. We incorporate all information we receive into our practices, including in terms of virus types, transmission periods, social distancing, marketing strategies and the 20-plus disinfection measures our group has instituted. For example, our group developed an instructional manual for disease prevention and control on 23 January 2020. It includes an introduction to COVID-19 along with general protection measures, emergency management information, guest and employee protection strategies, public administration details and general safety guidance.

After this outbreak, health and safety will be major travel concerns. Will you and your team take concrete steps to boost guests' confidence? Examples could be retraining employees (Western Australia's government has taken mandatory measures to ensure that industry employees are trained and qualified to work); improved health and safety facilities, such as having a medical office in the hotel and cooperating closely with medical institutions.

In China, enterprises and people have stricter safety requirements than the government. Our hotels will provide all protective materials guests might need. Each hotel also has its own training course, which is tracked daily. Although four- and five-star hotels in China initially had their own medical spaces, we have no plans to establish a special medical office for COVID-19; all guests testing will be performed in the lobby because confined spaces are more susceptible to aerosol infections. Also, without professional healthcare workers, there is little point in setting up a clinic because we would not be able to treat infections effectively. Hotels should focus more on prevention than treatment.

In your opinion, what are some important factors determining hotel industry trends after the outbreak?

There are three major points to consider based on the hotel industry's performance. The first is profit: if hotel profits continue declining, then investors will be less willing to invest in the long run. The second is operations; hotels will start to pay more attention to cost control and prefer managing mid-range and boutique hotels. The third is assets appraisal: as earnings decrease, hotels will become a non-performing asset, which will come under the bank's asset financing and need to be disposed. Smaller discounts on shrinking assets will also affect commercial assets and residential real estate.

Is there anything you would like to add about the impact of the COVID-19 outbreak on China's hotel industry and prospects for future development?

A major consumption trend will be minimizing public fear. Once people understand that the virus will not simply vanish and its transmission path will change, they will gradually come to accept a "new normal" and try to return to regular life while protecting themselves. Currently, hotels are mainly hosting family-based activities such as wedding banquets. However, as we learn more about the pandemic, related prevention and control measures and a possible vaccine, the entire tourism and hospitality industry will begin to recover. So even if the short-term impact of a new outbreak is significant, the hotel industry should remain solvent as long as we adapt.

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