

## How can Hospitality, Travel, and Tourism bounce back stronger after COVID-19

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**Deeshraf Elias:** As the impacts of COVID-19 continue to spread across the globe, the hospitality, travel and tourism industries, being the first one to experience the harsh weather conditions, are moving with agility and remain focused on understanding and quantifying their operational and financial impacts while still putting their people first.

Decisions to shut down hotels, restaurants and cut down flights, are disrupting the entire travel ecosystem and worldwide tourism. Welcome to Deloitte Voices, my name is Deeshraf Elias, and join us as we uncover the ways to thrive in volatile times.

On today's episode, I'm joined by a team of industry experts to discuss how hospitality,

tourism and travel can bounce back stronger. I would like to first welcome Tiffany Misrahi, Vice President of Policy at the World Travel & Tourism Council, Ian Wilson, a Hospitality expert, Cornell alumni, and Emeritus Senior Vice President of Non-Gaming operations at Singapore's Marina Bay Sands, and finally, James Walton, our Deloitte Southeast Asia's Transportation, Hospitality and Services sector leader. Hi everyone, thank you for joining me today!

I would like to first start with the big picture. Could each of you tell us briefly what is your outlook within your respective areas? Perhaps we can start with you Tiffany?



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**Tiffany Misrahi:** Maybe before I just give the context, in terms of where we see the outlook, where we stand today, in terms of the outbreak, as of this morning, there's been over 1.3 million reported cases and the fatality rate on the basis of the reported cases, is 5.5%. What's interesting is that over 76% of cases are in eight countries alone. In the U.S., Spain, Italy, Germany, France, China, Iran and the U.K. And according to the WHO (World Health Organization), the pandemic is accelerating. It took 76 days from the first reported case to reach one hundred thousand, 12 days for the second hundred thousand, 4 days for the third hundred thousand and just 2 days for the fourth hundred thousand. So, when it comes to the travel and tourism sector, we're very much in uncharted territory and our sector is uniquely exposed in its fight for survival. We did some research recently which estimates that up to 75 million jobs are at immediate risk in the travel and tourism sector. The research reveals that the potential travel and tourism GDP loss could be up to 2.1 trillion dollars in 2020 and we're estimating that a staggering 1 million jobs are being lost every day in travel and tourism, as a result of the coronavirus pandemic.

Since we're talking from an Asia Pacific perspective, I thought I would share that what we calculated at the WTTC (World Travel & Tourism Council) is that the Asia Pacific region is expected to be the most heavily impacted region with up to 49 million jobs at risk throughout the region. Which would represent a loss of nearly 800 billion dollars in travel and tourism GDP. I know this is focused specifically on travel and tourism, but just to give you a sense of the scale, when we compare the impact to previous crises, we actually estimated the global economic impact of COVID-19 could be more than five times the impact of the 2008 Global Financial Crisis.



**Ian Wilson:** I mean I would agree with the comment that we're definitely in uncharted waters. I think the real wildcard is, how long does it take for things to restore. The challenge is what I call the "rolling nature" of this virus. We may be seeing certain regions starting to recover, looking more optimistic, but it gains momentum differently from place to place. Consequently, that continues to ensure that there will be restrictions on travel because while your area may be okay, you will not be very keen on welcoming people into your country, who may have been in other places. So international travel, in my opinion, is going to be impacted for a considerable amount of time.

The opportunity lies probably more in domestic travel, as people are comfortable operating within the confines of their country. So if you live in a large country, there's probably more optimism, in small countries it is more difficult. Of course, you still have to overcome the psyche of the traveler.

It's been interesting looking at how China has recovered. While commuting, may have for instance, returned to similar numbers, if you

look at things like cinemas, the traffic is still essentially flat lining and very few people are actually choosing to go there even though they have the opportunity to. So restoring that confidence in the consumer will take some time. The other thing I will say is, based on my experience with SARS, I lived through that in Toronto when it struck there, is that these things aren't really kind of a U or a V, but tend to be more like a heartbeat. So you feel like you're recovering, then you get a little flare up and you have a number of cases emerge and it takes you back to square 0 and that confidence tends to get eroded once again. So sadly, I think it's a difficult road ahead.

**James Walton:** I agree fully with all the points. There are definitely some concerns. We saw it in Singapore, for example, just for a moment, it seemed like everything was under control locally, then we saw a large number of imported cases, then the imported cases started to then build up with locally transmitted cases again. And there are countries out there where it's fairly clear that they don't have the situation under control and where given the nature of their population and nature of their living

environments, there could be a second wave and that really is the worst case scenario.

We've been doing some projections and modeling based on SARS and also based on economic crises of recent years, and the optimistic scenario is that within a matter of three quarters or so, so probably around the end of the calendar year, we may start to see some upturn. But the pessimistic scenario, if you go to the extreme end, is that a second wave could mean that the economies do not rebound all the way up until 2023.

As much as we say, "eventually consumption will pick up again", "travel will pick up again", at the end of the day, most people go on a holiday once a year, twice a year and two years from now, when all this is over, you're not going to say "well, because we didn't have a holiday two years ago, we'll go twice now". So there will definitely be lost sales and lost market opportunities and there will be cost incurred with no return. So really, there will be a lasting effect many years to come, we just don't know how long that will be.

**Deeshraf Elias:** While the world as we know it seems to be at a halt, for example in Singapore, the government recently announced a "Circuit Breaker", how can companies keep their cash flow going and focus on liquidity and how can governments help these badly affected sectors? Tiffany, in terms of governments and policies, do you have any thoughts on this?

**Tiffany Misrahi:** Maybe just to give people the sense of the importance and the size of travel and tourism, it currently accounts for 10.3% of global GDP. We're talking about 330 million jobs or one tenth of jobs on the planet for major economies. So for the U.S., it's about 8.5% of the economy, which is about 1.8 trillion dollars, 10.7% of total employment for China, we're

talking about 11.3% of the total economy and 10.3% of total employment. We're very much a sector for the people by the people and we're a labour-intensive sector.

I think the two biggest concerns are from private sector perspective and also from a governmental perspective, are the people, the workforce, and how do we ensure business continuity. That very much requires policies that focus on workforce protections, that focus on liquidity and focus on providing fiscal incentives. I think that while the travel and tourism sector has proven its resilience over time, whether it's from 9/11, to SARS, to H1N1, I think this is very much an unprecedented threat. It's going to really require governments to take immediate action to ensure the survival of this critical sector, which supports the livelihoods of millions of people and their families.

One thing that's also important to know about our sector, is that 80% of travel and tourism companies are SMEs (Small and Medium-Sized Enterprise) and so, in that sense, what we're looking at within WTTTC, in terms of policies that we're pushing for governments to implement, and many have and continue to reframe, to add, to build on our policies, one that focuses on financial help to protect the incomes of the millions of workers in severe difficulties. The second, being that governments must extend vital unlimited interest-free loans to global travel and tourism companies, as well as the millions of small and medium-sized businesses, as a stimulus to prevent them from collapse. And third, it's really important for all government dues and financial demands on the travel and tourism sector, to be waived with immediate effect for the next twelve months. I think once we see the light at the end of the tunnel, we're going to be talking about different kinds of policies around recovery and what that



looks like. But I think at the moment it's really important to focus on these three buckets.

While we're seeing different types of stimulus packages coming from different countries, I have to tell you that none of them are perfect. But most of them do focus on these issues and countries are learning from each other, looking to each other to see what's working and what's not working to hopefully, really support, both directly and indirectly, to the travel and tourism sector.

**Deeshraf Elias:** Now James, in terms of cash flow and liquidity, how do you think companies can navigate through this?

**James Walton:** As Tiffany mentioned, the nature of organisations in the sector, the vast majority are SMEs and they really work from a cash flow point of view, and in many cases, on a day-to-day, week-to-week basis. So a severe disruption in the cash flow can have huge consequences. On the other end of the scale, you have the airlines, and you have IATA (International Air Transport Association)

saying that they believe that most airlines only have two to three months of liquidity to survive in any kind of crisis. Now, of course the governments can help the airlines, if need be, by really targeting that one organisation, whereas no matter what the policies are that governments comes up with, there will always be smaller SMEs missed. So, it is a time to check your credit lines.

If there are any unnecessary spending, make sure you're managing your receivables, your payables and your inventories. We're seeing organisations asking staff to use up their leave, just as a way of trying to reduce some of the potential salary costs. If there are government incentives, make sure you get your share of those and consider pricing and promotion strategies. Again, it depends exactly what you're doing and how you can attract people.

Ian alluded earlier to domestic tourism in some places and in a place like Australia, that could make sense, in Singapore, there was a push a few weeks ago, around staycations. But sometimes, even that, is not going to help you through. Then, you may need to start looking at debt and how you structure your loans, structure your security packages, and even consider some divestment M&As if the situation gets drastic.

**Deeshraf Elias:** Building on top of what you just said, I want to expand that further. How are the Covid-19 impacts on the hospitality and food and beverage sectors similar, or are they different from those on the travel and aviation sectors, is one in more trouble than the other?

**James Walton:** The two are very heavily linked. It was interesting, there was a study released by Moody's just a few days ago talking about the impact in North America on different sectors and they identified seven sectors that were

most at risk, most highly exposed. In amongst the seven, you had gaming, lodging and leisure, passenger airlines and transportation and services as four of the seven. So, it's clear it really does hit across the board. There's an interlinkage here.

Tourism relies not only on flights to bring the person there and the hotel room they stay in, but it's also a boost into the local economy. Everything from luxury goods, retail, to the average food and beverage player as well. So, trouble is across the board.

As I said, the aviation industry, the airlines, it is a little bit easier to pick on one airline and work with them and look at the subsidies. But then, what do you do about all the people that work at the airport? What do you do about all the catering companies? What do you do about all the hotels that support those tourists? So, it really does trickle down the line and countries will not let their airlines go bust, if there's anything they can do about it. However, unfortunately, a lot of smaller companies, no matter what the support is, will be affected.

**Deeshraf Elias:** What are your thoughts on this? Are there any difference or similarities between the two?

**Tiffany Misrahi:** I think that the impact across the travel and tourism sector, including hospitality, travel and aviation, is similar in that, the travel and tourism industry has come to a standstill. The whole sector is struggling and certain industries that have the highest fixed cost are likely to be most heavily impacted. But we've seen industries like cruises, which are virtually no longer operating. I saw recent data from Eurocontrol, which focuses on European air traffic, which showed that on March 31st there were 25,948 fewer flights or a drop of 86.1% to the equivalent day in 2019.

Like James, I think that certain industries within travel and tourism are likely, and have, so far been granted packages, such as aviation. But I think it's really important to also focus on the other sectors or the other industries within travel and tourism. Whether we're talking about OTAs (Online Travel Agencies), GDSs (Global Distribution Systems), that are very much linked to airlines, hospitality, car rental, cruise lines etc. As well as the 80% of SMEs because many of these will face serious, and are facing, serious cash liquidity issues and are very much at risk.

**Ian Wilson:** As I look at airlines and hotels, they are probably somewhat linked to that, certainly, cruise ships are, I fear, in the worst shape. They're all linked but I don't think they're all going to be equally impacted. As for food and beverage, people still need to eat but they have a fear about going out. So, you have to pivot your model and I think there's never been a better time for businesses to innovate and try new things. To partner with other players, whether that be entertainment, or perhaps, you may not be transporting passengers but maybe you should be transporting food or logistics or other things to get to people's places. You have grocery companies that are drowning, but you have underutilized taxis so there's opportunities here to utilize underutilized capacity. And there's great fear that with the drop in airline passengers or airline traffic, cargos are now being underserved. So, how can they pivot somewhat, as well.

Hotels are in a bit of a tougher place than food and beverage, but once again, you have big meeting spaces. Can you be building virtual offices, especially for the domestic businesses? Can you look at some portion of the businesses being long-term stay, an alternative to apartments? And other things for people, where you provide them with food and other things. That might be another way. I think it

really is a time where people are going to have to experiment and try new things.

My advice to anybody is just don't sit there and wait for the government to bail you out. Because their pockets can only be so deep, while the void is big, deep, and wide. You need to work with those who you can owe money to, to your suppliers, in order to manage your cash flow and then you need to be constantly testing new things and figuring out who you can partner with, to provide consumers with new value in this environment. Not every business is down, businesses are booming in this period of time too. So who's benefitting and how do you partner with them and how do you add value for them.

As it relates to OTAs, could they pivot their distribution models to distribute different things? You have how many restaurants, you have a bit of an oligopoly to as it relates to food delivery could you pivot some of these things to enter that space as well, and give greater distribution opportunities and partner with taxis and other things to be able to do that. These are all questions and they're all areas of opportunities to explore, I would say.

**Deeshraf Elias:** Ian, building on what you just said as well, how can organisations then manage people's expectations, nurture relationships and create trust so that customers can feel comfortable again, to get on a plane, stay at a hotel or even to go to restaurants?

**Ian Wilson:** First and foremost, complete transparency. We're in a difficult situation so you can't over communicate and talk about the things you do. I think it all starts with your staff and taking care of them through these difficult times and not misleading them in any way. Then you've got to change the way you do business.

How do you "tangibilize" perhaps, the cleaning or the other work that has gone into things and to think along those lines in order to be able to restore the faith of the consumer and to get them to venture forward? That may mean that you do business in a way that is completely different than you had to do in the past, but that may be the new normal as you move forward. So I think I would try and ponder it in those terms.



**Deeshraf Elias:**

In addition to that, your industries are also highly dependent on human capital. So, to what extent is COVID-19 affecting employees' morale and confidence in their employers?

**Tiffany Misrahi:** This crisis has shaken everyone. Regardless of which sector they work in and we'll need to rebuild confidence and capabilities within the industries' workforce. I think it's going to be really important for companies to turn their workforce into travel ambassadors and advocates. Encouraging them also, once things get a bit better, to share

things on social media. But I also think there's going to be a need, once we move to a new normal and to recovery, to provide additional training, because I think that the world will integrate digital in a very different way moving forward.

**Ian Wilson:** I would agree. I think it's an opportunity. Every crisis is also an opportunity. While you have staff that may be underutilized,

and perhaps it's only voluntary, if you aren't able to employ them, how do you still maintain training? How do you still maintain upscaling your workforce? Because the world and all the macroeconomic forces, which I've said many times, that I think the hospitality business will change more in the next twenty years than it has in the last two thousand. Most businesses that I see, are really not ready for that transition.

How do you start them down that path and get people thinking and working differently, so as you emerge, you have a much more agile organisation? As I have mentioned, maybe

some of this is voluntary to begin with, but at least you're still engaged with your staff. And I think it gives them a sense of purpose and meaning in what they're doing and they will be much more committed to the organisation as it emerges.

**Deeshraf Elias:** James, I want to expand on that question, based on what our guests just shared. What are the best practice examples of how leaders can proactively manage their stakeholders?

**James Walton:** We've done a few studies and we've been talking to a lot of C-suite executives around the world, around how they are engaging with their stakeholders. Not only their employees, but their customers, their vendors and their suppliers. A few clear patterns emerge. Firstly, it really comes from the heart and that's exactly what Ian was just talking about. It's around how you treat the people, how you align the staff and the other stakeholders to the purpose of the organisation as well as the obligations that your organisation has to society. So for example, we're seeing hotels serving as hospitals, food and beverage companies donating to the needy or to health workers. All of which, are things that align with that. It's also important to really own your own narrative. Paint that picture of what the future looks like, what is the path forward, and make it compelling. What is the long view? How will we emerge from this? What will we learn in the journey?

I think, one of the real learning points for a lot of C-suite executives, has been that at this time, a lot of the time, it's about speed over elegance. That it's about being decisive. Being courageous in what you do, is perhaps more important than getting it perfect. Especially when you have news breaking and all kinds of leaks happening around. Again, Ian talked about transparency

and trust, building that relationship with your stakeholders, making sure your communication is clear, it's unified, it's frequent and the tone is really right.

**Deeshraf Elias:** Speaking of embracing the long view, and to wrap things up, how can organisations use this downtime as an opportunity to develop a competitive advantage down the line on their path to recovery, post-COVID-19?

**Ian Wilson:** Where do I start? See, a crisis like this is an opportunity to change everything and to rethink your business. So first and foremost, how are the forces or automation, analytics, data and artificial intelligence going to change the tourism business and what does it look like in ten years? Nobody has a real, perfect view. But you need to have an opinion on that. How do you get your organisation moving in that direction? How do you start laying the plans now and start building the momentum so that your companies are already moving strongly in that way? Because we will never go back to how things were.



The world will definitely be different as we emerge from this, and so, we have to monitor the environment, but also have to have a view about the larger forces. Whether that be demographics or the technology, that I alluded to, or political forces. How are you going to cope with that? I think it starts by forming a view of what the world looks like and then a vision about how you're going to thrive and prosper within that. Then it's how you communicate that and how you start preparing your teams for that. So preparation, in terms of the training of human capital, preparation in terms of some of the backend work, that could be done if you have utilized resources that are being underutilized right now. Prepare for that. And then clarity, in terms of the vision for your senior leaders so that you are able to execute. Because success is execution, not good ideas, through this crisis and as you emerge from it.

**Tiffany Misrahi:** I agree with Ian. I think the reality is that there will be a new normal. There's no doubt about it. And our sector will need to adapt to be agile, so that it can survive and thrive in this new reality. I think there will be permanent changes, but I do believe that people will still want to travel and that face-to-face meetings are still better than virtual ones.

There was this case after 9/11, where the way we viewed security and security protocols in airports and airlines changed significantly. And I think that there will be big changes around health and hygiene measures, but also actually, around sustainability. In terms of health and hygiene, from hotels to airlines to airports, I think there's going to be new protocols. It could be ventilation, cleanliness, checking people's temperature etc. On the sustainability front though, for the first time, in a long time, we saw clear skies in China, in India, in Nepal.

A pollution-free world with a lack of planes in the skies, and I think the world is going to expect our sector to take sustainability even more seriously than we have and implement measures that are going to push us to reach our targets even more.

What we did learn though, from 9/11, is that not all policies are smart policies. And a lot of governments, sometimes can implement knee-jerk reactions which don't actually do a lot of good. Like taking your shoes off at the airports, following 9/11, airports around the world faced additional layers of security regulations which cost the industry about 7.4 billion dollars per year. Countries and companies alike, will really need to be smart and focused when coming up with solutions to address the real challenge at hand. Rather than costly measures which temporarily soothe citizens, but don't actually make a difference.

I think that in order to thrive in this new normal, our sector will need to encourage travel and rebuild confidence. They'll need to focus on travelers. I think we'll also need to recognize, as was said earlier, that domestic travel will likely open up much sooner than international travel. And we'll need to provide incentives to encourage increased stays, from competitive pricing to special promotions. But we'll also need to provide reassurance to travelers. To have better visibility of health and safe protocols and use the opportunity of restarting and re-growing, building sustainability even more meaningfully.

**Deeshraf Elias:** James, do you think hospitality and tourism can use this to their advantage?

**James Walton:** Yes, definitely. Ian touched on this point earlier. There was a fantastic meme going around the other day, saying “Who caused the digital transformation of your organization? Was it your CEO, your CIO? Or COVID-19?” And I think that’s the reality in a lot of organisations.

It is firstly, giving us a time and a space to be able to focus on some initiatives, as Ian alluded to, particularly around digital. But it’s also making clear that there are advantages to digital. Particularly, in terms of the human capital side of things. If you could use RPA (Robotic Process Automation), if you could use artificial intelligence, to do some of these tasks, then to a situation like this, it would not be so damaging to your business. So, I think digital technology will come on leaps and bounds and for organisations that are ready to take that opportunity, now is a great time.

Along the similar vein, we’re seeing a lot of organisations looking at their supply chain, and looking to de-risk that supply chain. Whether it’s around their operations, whether it’s around their source suppliers. That also gives a great opportunity that Tiffany alluded to a little bit, around sustainability. That we so often say we want to be more sustainable, we want to “go green”, but when you’re running a “24/7, 365” business, it can be very difficult to take those steps to improve the sustainability in your supply chain and in your business. Again, this presents that opportunity.

And so, business will come back. It will take time, as we’ve said repeatedly on this podcast. And steps will have to be taken to get that trust. But eventually, at the end of the day, same as we saw after 9/11, and after other major shocks over the years. Eventually, it will return to normal levels. Travel will return and tourism will return, expenditure will return and eventually grow even higher than it was before.

**Deeshraf Elias:** Thank you all for that insightful view into how hospitality, tourism and travel can hopefully and eventually bounce back stronger. I would like to thank once again, our guests today, for joining us on this episode. Tiffany Misrahi, Ian Wilson and James Walton.

As the situation continues to unfold, we here at Deloitte want our hospitality and travel players to know that we are always here for them. That’s it for this episode of Thriving in Volatile Times. If you want to comment on this podcast or the topics covered, you can send us an email. The address is [seapodcast@deloitte.com](mailto:seapodcast@deloitte.com) or head on to our website Thriving in Volatile Times. Don’t forget to subscribe to our podcast to get the latest episodes – we are available on Apple Podcast, Google Podcast, Spotify, Soundcloud and Stitcher. I am Deeshraf Elias and until next time.



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