

# How a resort solves financial crisis in pandemic era?

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## Abstract

This study identified and explored the strategies developed by a resort in Lampung Province - Indonesia for surviving in the financial crisis during Covid-19 pandemic. This qualitative study collected data from an in-depth interview with the Resort's General Manager, which were analyzed inductively. The resort focused its survival strategies on financial aspects. This study contributes to enriching the strategies for mitigating the disastrous impacts of the Covid-19 pandemic on the resort business.

## Keywords:

Covid-19, survival strategies, financial crisis

## 1 Introduction

Baldwin and Tomiura (2020) found a tendency that the Covid-19 pandemic At the beginning of the Wuhan city lockdown incident with various reported events, had a negative impact on news and business interactions for residents and networks of the city of Wuhan, Hubei Province, China and also when the virus spread throughout mainland China. Due to the Covid-19 pandemic, the world's economy was shut down almost overnight (UNWTO, 2020). The pandemic has confronted the hospitality industry with an unprecedented challenge. Strategies to flatten the COVID-19 curve such as community lockdowns, social distancing, stay-at-home orders, travel and mobility

restrictions have resulted in temporary closure of many hospitality businesses and significantly decreased the demand for businesses that were allowed to continue to operate (Bartik et al., 2020). While the hospitality industry is slowly recovering, the COVID-19 crisis continues to exert profound impacts on how hospitality businesses operate. Hospitality businesses are expected to make real changes to their operations in the COVID-19 business environment to ensure employees' and customers' health and safety and enhance customers' willingness to patronize their business (Gössling, Scott & Hall., 2020). The COVID-19 outbreak has diminished prospects of an economic recovery from a broad global slowdown last year. Within a month the first industry that was hit hard and seriously affected is "tourism." Worldwide Tourism and hospitality industry is very badly affected by pandemics, because of the nature of the business which is always related to the travelling of people. History has shown that epidemics and pandemics have an immediate impact on the resorts and restaurants, airlines industries, travel agencies etc, due to the international travel restrictions, media coverage and government measures. It is only rational that the outbreak has had significant knock-on effects on the economy as well as the tourism industry worldwide. At the moment, the tourism industry is already 'lifeless.' A tour operator has declared bankruptcy. It is worth noting that in the first two to three months of each year major tour operators make the most of their clients' summer vacation reservations. As expected, the countdown began.

Coronavirus brought the larger crisis in tourism; with a 40% decrease in its sector. Hundreds of bookings have been cancelled and the future reservations are severely decreased until the end of June. While the hospitality industry is slowly recovering, the COVID-19 crisis continues to exert profound impacts on how hospitality businesses operate. Hospitality businesses are expected to make substantial changes to their operations in the COVID-19 business environment in order to ensure employees' and customers' health and safety and enhance customers' willingness to patronize their business (Gössling et al., 2020).

To identify and explore the resort strategies to overcome financial crisis during the Covid-19 pandemic, the researcher conducted an in-depth interview with a General Manager in a resort in Lampung Province, Indonesia. As the head of a resort department, the interviewee knew much about his resort as he has been in the resort industry for almost 10 years.

## **2 Literature Review**

A crisis is the perception of an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization's performance and generate negative outcomes. The COVID-19 crisis will likely last several months. Many governments are implementing measures that limit the number of people congregating in public places. Such measures have disrupted the normal functioning of public places. Because the duration of such measures has been extensive – and is likely to continue in some countries for a certain time until a vaccine becomes available. There has been a drastically decrease in the number of consumers who stay at the resort

directly or offline, in most cases, the impact of COVID-19 will potentially severely impact revenues, distract and demoralize work forces and fundamentally alter how products and services are delivered. It is associated with a crisis, which is the notion of an unforeseen occurrence that threatens significant stakeholder expectations and can adversely influence an organization's performance and create bad results. A crisis may be described shortly as 'a time of intense difficulty or danger'. A crisis can be critical and may even completely knock down the business. From a business perspective, a crisis usually impacts sales and business reputation. Based on this crisis, one of the most challenging parts of the crisis is when things go bad. It is often these types of crises arise because of operational problems in the company. Especially for this crisis, companies should have solutions.

## **2.1 Financial Crisis**

Crandall, Parnell, and Spillan (2014) A financial crisis occurs when a business loses value in its assets and the company can't afford to pay off its debt. Typically, this is caused by a significant drop in demand for the product or service. In these cases, the company must move funds around to cover immediate short-term costs. Then, they will need to reanalyze their revenue sources to look for new ways to generate long-term income as well as increase their margins. Financial Crisis occurs when the business is hit with the crisis financially. An example of a financial crisis is a business not having funds to pay its dues such as paying dividends, interests, making repayments of loans, etc. Such a crisis arises when the business incurs losses over considerable periods of time or when due to lack of accountability loses consumers' trust among other situations. This crisis is handled by mobilizing requisite funds as a short-term solution and in taking major financial decisions such as restructuring, changing business operations as long-term solutions.

## **2.2 The Impact of Covid-19 Pandemic**

The Covid-19 has brought severe economic impact to countries in the world. Jan, Faisal and Khan (2020) examined the impact of Covid-19 on the Chinese economy by studying 15 articles in various journals and reports that discuss studies on related themes. They found that the lockdown policy of Wuhan City, followed by the quarantine of other cities and provinces had reduced and even stopped various activities of the community, students, students, workers in public areas, cessation of manufacturing, land transportation, flight routes and the postponement of a lot of development and the delay in investment, as well as the activities of the financial sector, banking and export-import caused a decline in growth rate of 2% from the 6% position before the Covid-19 pandemic.

According to 'Assotourism', 90% of all bookings in Grand Elty Krakatoa Resort were cancelled and 80% respectively of Sicily. So it is easy to understand the economic impact it will suffer as a result of the pandemic. Noticeably, few days ago that close to 70 percent of visitors have cancelled their trip to Grand Elty Krakatoa Resort due to the coronavirus outbreak, Mr. Dwi Prasetyo says that cancellations have reached 60-70% in

February and March and will reach 100% in April, as consulates have stopped issuing travel visas. He considers that they will lose 10% of this year's tourism revenue, which has a knock-on effect on the entire local economy: trade, transport and services. After the cases of coronavirus in Lampung, All tourism businesses hold their breath while observing updates. If the virus keeps on (and especially if this media madness continues) the impact on tourism will be irreversible. Grand Elty Krakatoa Resort will lose millions from cancellations, resort will stop operation simply because they cannot afford it, unemployment will skyrocket. Look at what happened during the pandemic Outbreak in Lampung Indonesia, Lampung's resort occupancies had a considerable drop despite the fact that there were not any visitors to Lampung with the illness and every possible precaution was taken. The change and cancellation fees mean a higher degree of travel risk in uncertain times that Covid-19 triggers an already weak economy into recession. It has already influenced stock markets, falling nearly 3%. If only the problem was the people who caught the virus or the falling apart worldwide economy. Pandemics and economics are linked by more than mere analogy. The financial trouble will spread like a virus too. It means that Drop Occupancy, Drop Business, Unpaid leave program for associates, no work no pay program after lockdown, lock down property for 2 month when the dust settles we must remember that Covid19 was not a misfortune or science fiction but part of our choices.

### **3 Methodology**

This study belongs to a qualitative study. The primary data was collected from an in-depth interview with the Resort's General Manager. The collected data was then analyzed inductively using three phases as proposed by Miles and Huberman (2014), i.e. data reduction, data presentation, and conclusion. This research is included in qualitative research, where this research is based on the research focus that is reviewed and in advance of the patterns and procedures that the researcher passes. This research examines words, conducts studies on the circumstances experienced, makes a complex illustration or picture, and a report compiled from respondents' views (Creswell, 2007). This research was conducted at a resort in Lampung Province, Indonesia. Primary data in this study were obtained through observation, interviews and documentation, while secondary data was obtained through supporting documents such as financial reports, occupancy data, and others. To collect data about the financial strategy of a resort amid the Covid-19 pandemic, the data collection techniques that researchers use include: 1). Observation. Observation is a form of data collection by recording and observing in a designed manner regarding the phenomena seen in the study's objects. From these observations, researchers will systematically record the symptoms that appear on the surface related to the survival strategy amid the Covid-19 pandemic. 2). Interview. The interview is a question-and-answer process in research that takes place orally through dialogue or conversation. In this study, the key informant was the front office department manager. He is already very experienced in the hospitality sector and knows details about resort operations. 3). Documentation The technique of collecting data with documentation is the collection of data obtained through documents. Documents can

be in the form of writings, pictures, and related party files related to research. Researchers' documentation method in conducting this research is used to collect data from written material sources, namely in the form of official resort documents or archives.

#### **4 Findings**

In the Pandemic Era, Grand Elty Krakatau Resort has had a serious crisis, especially the financial trouble will spread like a virus too. The in-depth interview was focused on the strategies implemented by Grand Elty Krakatoa Resort for surviving the pandemic crisis. At least four areas are identified and explored as part of the resort survival strategies, which will be described in the following sections: first of all the management bodies of Grand Elty Krakatoa Resort need to adopt a well-defined vision and mission. The management bodies of Grand Elty Krakatoa Resort need to adopt a well-defined vision and mission, as well as specified values, in order to understand both the tourism product they offer and that offered by competitors in order to keep up-to-date with changes in the external environment at all times, which could have a significant impact on them, and should become better acquainted with their clients' and would-be clients' characteristics. A sustainable competitive advantage can only be gained through a client-oriented approach and through the emphasis placed on clients by the business itself. Through systematic knowledge, such businesses will manage to coordinate different skills and integrate multiple flows of innovation and technology, which will be useful for making requisite decisions, ensuring secure and sustainable growth, and being able to utilize suitable analysis and revise their specified directions at regular intervals as appropriate. Through target setting in accordance with the above guidance, tourism businesses will strengthen their strategic position in the industry's value chain, but only by making clients a priority and quality a dominant goal to be attained through the constant pursuit of innovation.

Beside them, The General Manager I interviewed with said that his resort was forced to adjust its revenue target. The goal setting is shifted from being a profitable organization into a surviving one. This makes sense since the pandemic has brought a severe impact on the resort. It has to deal with a limited number of guests and a rise in spending. The supply does not meet the demand. The next focus of the survival strategy performed by the resort is related to human resources. It is commonly known that the workforce is one of the organizational costs, The interviewee (General Manager) admitted that his resort performed some tactics for minimizing the workforce cost, for instance, first, by reducing the number of employees. The resort currently employs 50% of the total number of employees. Ideally, the number of bedrooms is equivalent to the number of employees. The second tactic is to have more diverse types of work-force. The General Manager said that his resort hired contract staff and daily workers and casual workers. The proportion is 50% of contract workers and 50% of daily and casual workers. The third tactic is related to recruitment. The resort hires employees who are laid-off by other resorts. These laid-off employees come back and stay in the city where

the resort is located or the surrounding cities. In this way, the resort can get skillful employees with local wages.

The last aspect addressed in the survival strategies of the resort is related to promotion or marketing communication. The General Manager said that the situation is challenging to promote his resort. Many promotional programs have been launched to attract more customers. This is Shortly, Pricing rate strategy discount program until 50% off, flexible rate for group, providing "introductory discounts" to retailers and convincing them through advertising, free sample products, and coupons to boost sales, control cost & expenses are some strategies to solve financial crisis in pandemic era. Beside of them, Grand Elty Krakatau Resort also use of various technologies in service delivery will be necessary in the COVID-19 environment

## 5 Discussion

The management bodies of Grand Elty Krakatoa Resort need to adopt a well-defined vision and mission, as well as specified values, in order to understand both the tourism product they offer and that offered by competitors in order to keep up-to-date with changes in the external environment at all times, which could have a significant impact on them, and should become better acquainted with their clients' and would-be clients' characteristics. A sustainable competitive advantage can only be gained through a client-oriented approach and through the emphasis placed on clients by the business itself. Through systematic knowledge, such businesses will manage to coordinate different skills and integrate multiple flows of innovation and technology, which will be useful for making requisite decisions, ensuring secure and sustainable growth, and being able to utilize suitable analysis and revise their specified directions at regular intervals as appropriate. Through target setting in accordance with the above guidance, tourism businesses will strengthen their strategic position in the industry's value chain, but only by making clients a priority and quality a dominant goal to be attained through the constant pursuit of innovation. Shortly, Pricing rate strategy (discount program until 50% off), flexible rate for group, control cost & expenses are some strategies to survive in the pandemic era. Beside them, Grand Elty Krakatau Resort also uses various promotional programs to attract more customers, including giving high discounts, free dinner, and late check-outs. To execute these, the resort makes intensive cooperation with three major online travel agents in Indonesia. It reduces daily costs to save resort finance. Spending is pressed in such a way to maintain its cash flow. This resort also tries to save costs by having only 50% of its normal number of employees. With less income, the resort management decided to continue operating. with a maximum occupancy of 30%. The staff take turns coming to work, focusing on maintenance, deep cleaning, and joining training/adaptation of new normal procedures. Since the room occupancy ranges from 0-30%, all staff perform other departments or sections' tasks. For example, the HR Manager helps to fold resort linens in the laundry room because this section is very understaffed when there are guests. The interviewee (General Manager) admitted that his resort performed some tactics for minimizing the workforce cost, i.e. first, by

reducing the number of employees. The resort currently employs 50% of the total number of employees. Ideally, the number of bedrooms is equivalent to the number of employees. For example, when a resort has 100 bedrooms, then there should be 100 employees. The interviewee claimed that this number did not affect the resort operations since the resort's room occupancy is about 30%. So, every technical work can still be handled by those workers. Interestingly, the contract staff does not experience reduced salaries as they are the resort's pre opening team. Those who are suffering from reduced income are daily workers since the resort's events are getting less. Their workdays only range from 13 to 18 days a month.

## **6 Conclusion & Recommendation**

In the Pandemic Era, Grand Elty Krakatau Resort had a serious crisis, especially The financial trouble will spread like a virus too. It means that 90% of all bookings in Grand Elty Krakatoa Resort were cancelled and a few days ago that close to 70 percent of visitors have canceled their trip to Grand Elty Krakatoa Resort. The cancellations have reached 60-70% in February and March and will reach 100% in April. They will lose 10% of this year's tourism revenue, which has a knock-on effect on the entire local economy. There are some strategies to solve the crisis, first of all the management bodies of Grand Elty Krakatoa Resort need to adopt a well-defined vision and mission. Secondly, use of various technologies in service delivery will be necessary in the COVID-19 environment in order to make customers more confident about the cleanliness, health, safety, and environmental sustainability (CHSE). Thirdly Pricing rate strategy (discount program until 50% off), flexible rate for group, control cost & expenses. In the survival strategies of the resort related to promotion or marketing communication, this resort also tries to save costs by having only 50% of its normal number of employees and finally safety protocols are the most important safety precautions customers expect from Grand Elty Krakatoa Resort.

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### **Paper Contribution to Related Field of Study**

The main contribution of this study is as crucial contribution to the current theory on hospitality and tourism in the light of existing pandemic and recommends practices to mitigate the impacts of financial crisis

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