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# ASPECTS OF HOTEL BUSINESS DEVELOPMENT IN POST-PANDEMIC GEORGIA

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**Abstract.** Tourism and hotel businesses are the sectors most affected by the COVID-19 pandemic in the Georgian economy. Despite the gradual removal of restrictions imposed during the pandemic period in early 2022, despite the transition to the tourism industry recovery phase, it is important to assess the impact of the pandemic on the hotel sector to better identify post-pandemic challenges and plan sustainable business development measures.

The paper analyzes the impact of the global pandemic and other negative factors on the development of the hotel business in Georgia, the main challenges, measures taken to mitigate the damage caused by the pandemic to the hotel sector, and the measures taken to save the hotel business.

The paper is based on a review of leading scientific publications and statistical data, an assessment of the main directions of the state anti-crisis policy, government program 2021 - 2024 "Building a European state".

Opinions are expressed on the mobilization of existing opportunities in the process of hotel business development in Georgia in the post-pandemic period and the emergence of new perspectives; in the new reality with the services traditionally considered for the hotel business, the introduction of innovative technologies and innovative products.

**KEYWORDS:** COVID-19 PANDEMIC, TOURISM, HOTEL BUSINESS.

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## INTRODUCTION

For Georgia, as well as for all countries in the world, the COVID-19 pandemic is one of the main challenges. The negative impact of the global pandemic on business has been most painfully experienced by companies in the tourism sector. The hotel industry has faced significant challenges - a dramatic decline in international travel, restrictions on educational and other conferences, bans on parties and weddings - and pandemic restrictions have had a significant impact on the sector's revenues, especially on family-run hotels.

The global economic crisis expected as a result of COVID-19 and the ongoing hostilities in Ukraine is likely to have a lasting impact on the functioning of the tourism and hospitality sectors. An important role is played by the economic policy of the state, which should provide incentives for the development of the hotel business; The focus of business financial and consulting support should be on digitization, innovation, and investment promotion, which will enable businesses to better meet changing customer requirements.

## Aim of Research

The main purpose of this paper is to study the impact of the global pandemic and other negative factors on the development of the hotel business in Georgia and to develop recommendations to overcome the existing challenges.

The object of research is the hotel-socio-economic complex, which performs complex economic and managerial functions, ensures a high level of concentration and centralization of production and capital, the establishment and dissemination of international standards of tourism services.

The hotel industry is a powerful mechanism for economic growth and job creation around the world. It is, directly and indirectly, responsible for regional development, many types of work, industry, and sub-industries, and is based on multifaceted economic activities (Aharon, 2021).

A modern hotel should be high-tech and fully customer-oriented. COVID-19 turned out to be an unexpected catalyst in terms of introducing innovations in the tourism as well as the hotel business sector. In the conditions of the pandemic,

the demand of tourists for the use of digital technologies, contactless technologies while traveling is growing, which is the main precondition for safe and trouble-free travel. At the same time, the use of digital technologies has become a necessary condition for the hotel business to be able to participate in global supply chains and maintain competitiveness in domestic and foreign markets, not lagging behind current technology trends.

### Research Methodology

A systematic approach was used in the research process, to identify the main challenges of the hotel business in the conditions of the pandemic, in-depth analysis of the current situation, studies and state programs, statistical data, certain conclusions, and recommendations were developed.

### Literature Review

The modern hotel industry in many countries of the world provides not only safe and quality accommodation and food services for travelers, but also transport, communication, entertainment, excursion services, medical, sports services, beauty salon services, and other services. In the civilized world, hotels are accepted according to their level of comfort and wide range of services. In total, there are more than 30 classifications based on the historical and cultural characteristics of states and based on national traditions, customs, and habits (IBISWorld, 2022).

The key players in the hotel industry include Marriot International, Hilton Worldwide, the InterContinental Hotels Group, and the Wyndham Hotel Group. Hilton Worldwide's brand Hilton Hotels & Resorts took the top spot with a brand value of 10.83 billion U.S. dollars in 2020. Meanwhile, in a list of the biggest hotel companies by revenue, Marriot International recorded the highest revenue worldwide, earning 21 billion U.S. dollars in 2019. the Wyndham Hotel Group came top in a ranking of the hotels with the most properties worldwide with almost 9.3 thousand units. Marriott International was also the leader of the hotel companies with the most guest rooms accounting for approximately 1.4 million rooms worldwide (Lock, 2021).

While the hotel industry and the companies that reside in it have shown growth over the last decade, this did not

continue in 2020. The COVID-19 pandemic had an unprecedented negative impact on the hospitality industry (Mauguin, 2020; Rahman, 2021).

Covid Pandemic has dealt a severe blow to the hotel businesses of developed countries: America (Huang, 2020), China (Hao, 2020), Spain (Rodríguez-Antón, 2020), etc., as well as the economies of developing countries.

According to the World Travel and Tourism Council Economic Impact Report Prior to the pandemic, the travel and tourism sectors, both directly and indirectly, accounted for 1 in 4 of all new jobs created around the world. 62 million jobs were lost in 2020, and unfortunately, the threat of job loss continues (WTTC, 2021). The travel industry involves various sectors and contributes to these areas' advancement and the global value of tourism management. The effect of the Covid-19 pandemic on the tourism destination, tourists' behavior, and their preference is irrespective of district or nationality.

According to PMC Research, the hotel business in Georgia is one of the most affected by the pandemic. In 2016-2019, before the pandemic, the hotel sector was growing steadily. In particular, the number of hotels and hotel-type establishments increased by 12.4% from 2016 to 2019 (from 1,496 to 1,682), the total area of hotels increased from 1,675 thousand sq.m. to 2,272 thousand sq.m. by 35.7%, and the number of employees in the hotel sector increased by 31.7% (from 15,628 to 20,575). The spread of COVID-19 has changed the direction of the positive dynamics of key industry indicators. In 2020, the number of hotels decreased by 37.3% compared to 2019, while the total area of hotels increased by 19.6%. At the same time, the number of employees in the hotel sector decreased by 33.8% (PMC Research, 2021).

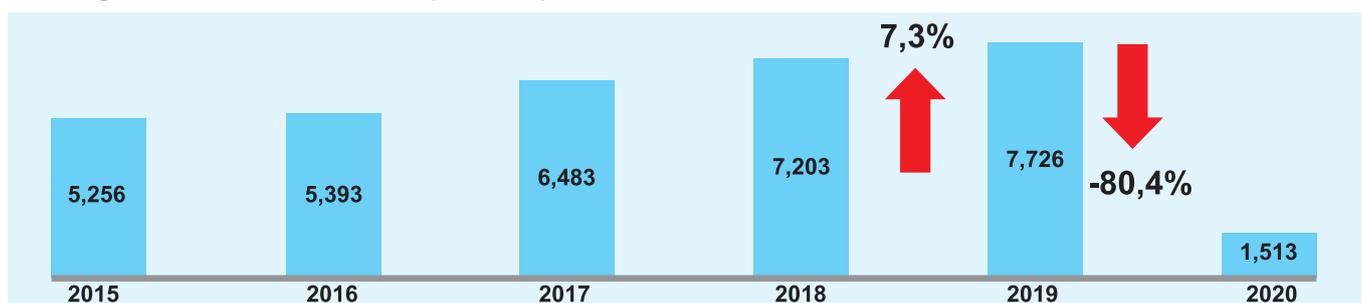
The coronavirus (COVID-19) crisis, like the rest of the world, posed new challenges to Georgia; the pandemic affected all areas of public life.

### Discussion and Results

Revenues from tourism have a significant share in the Georgian economy, however, due to the impact of the pandemic, in 2020, compared to the previous year, revenues from tourism decreased by 83.4%; And the number of international visitors - by 80.4% (www.economy.ge) (Diagram 1).

The hotel business is an ever-changing, living mechanism. It is a diverse business: includes both large transnational net-

**Diagram 1. International visitors (thousand)**



Source: <http://www.economy.ge/?page=ecoreview&s=37&lang=en>

works and small family hotels; Luxurious five-star hotels, as well as small hostels and cottages. In the aftermath of the pandemic, the relocation of business and leisure activities to cyberspace has catastrophically reduced the number of international and local visits and their use of the hotel sector. The number of international travelers in September 2021 decreased by 73.1% compared to the pre-pandemic period.

The number of hotel visitors reached a maximum (4.01 million) in 2019, of which 71.5% of visits came from non-residents. 35.3% of non-resident visitors came from Georgia and 15% from the EU. In 2020, the total number of visitors, compared to 2019, decreased by 66.5%. The visits of residents of Georgia - decreased by 18.5% and amounted to 69.4% of total visits, which completely changed the pre-pandemic structure of visitor shares by residence.

The economic indicators of the hotel sector and the turnover of enterprises engaged in the provision of accommodation and catering activities have decreased (Diagram 2).

The pandemic has also changed the distribution of hotel visits by purpose. If in 2019 an average of 1.3% of total visitors visited hotels for medical purposes, in 2020 this figure was 16.2%. 90.3% of the visits come from Georgian residents, which is directly explained by the use of hotel quarantine zones during the pandemic.

The current situation shows that we will have to live with the virus for now. Despite the challenges, COVID has laid the groundwork for a number of trends that offer new opportunities for economic growth. New businesses will be identified that will be best able to adapt to new circumstances and meet changing customer requirements.

**Table 1. Monthly average number of nights spent by Georgian resident visitors of age 15 and older during the visits on the territory of Georgia**

Year	Quarter	Number of nights
2018	I	1.45
	II	1.42
	III	3.28
	IV	1.26
2019	I	1.44
	II	1.23
	III	3.52
	IV	1.33
2020	I	1.48
	II	2.64
	III	2.96
	IV	1.67
2021	I	1.69
	II	1.78
	III	3.22
	IV	1.53

Source: <https://www.geostat.ge/en/modules/categories/101/domestic-tourism>

The decision of our government regarding coveted hotels is vital for the survival of the hotel business. Georgia is one of the first countries in the world where a new system of quarantine and hotel visits has been introduced. Up to 260 hotels across the country were involved in the project. According to the National Tourism Administration, more than 4,000 people were employed and retained jobs during the World Pandemic as a result of the Quarantine and Covid Hotels project. Due to the crisis situation in the country, the Government of Georgia has mobilized two billion GEL in the state budget for 2020, which was intended to support the country's economy. In addition, 351 million GEL was allocated to the budget directly for the challenges related to the COVID-19 pandemic in the health sector (Giguashvili, 2021).

To offset the damage caused by the COVID-19 pandemic and to restore the tourism sector quickly and safely, the National Tourism Administration has been involved in quarantine management since March 2020. The process involves mobilizing quarantine, cove, and hot hotels and managing them across the country. From March 2020 to the end of 2021, approximately 186 thousand people received services under the Quarantine and Covid Hotels project. The National Tourism Administration carried out the transfer of passengers from all border points (airports, ports, border checkpoints) to quarantine areas. As well as the transportation of citizens from the clinic to the Covid Hotel, and vice versa - from the Covid Hotel to the clinic.«

The administration has developed adapted regulations specifically to support the private sector:

- In close cooperation and active communication with business representatives, the Ministry of Health, and the Business Ombudsman, recommendations were made for accommodation facilities, guides, tourist transport, and catering facilities.
- 1,280 representatives of the tourism industry were trained as part of a large-scale training program to facilitate the rapid implementation of Covid-19 adapted regulations (BusinessPartner, 2021).

Booking of hotels as quarantine areas started from March 10, 2020, until the state of emergency was declared in the country, the transportation of citizens from the borders to the hotel was provided by the government. In the case of long distances, food delivery was ensured. Also, the hotel staff was provided with special medical equipment and other necessary activities were carried out. When booking hotels for quarantine areas, the value of the hotel room was negotiated each time. From March 21, 2020, when booking new hotels as quarantine spaces, a single tariff was introduced for all 34 hotels involved in the project, which provides for the cost of a hotel room - 59 GEL (including VAT), of which the fixed three-course meal rate is 25 GEL for each hotel. As of May 22, the quarantine zone included 84 hotels across the country, comprising a total of more than 6,500 rooms in which 19,002 people had completed mandatory quarantine. At the same time, an average of 4,500-5,000 rooms were permanently occupied for two months. The project facilitated the operation of 23 small (5 to 40 rooms), 42 medium (41

**Table 2. Hotels and Restaurants (Declared Data)**

	2014	2015	2016	2017	2018	2019	2020	2021 I	2021 II	2021 III	2021 IV
Turnover, Million Gel	843.6	1069.8	1307.0	1562.3	1811.7	2089.1	1232.4	229.5	342.9	564.4	470.3
Production Value, Million Gel	832.8	1057.1	1325.3	1564.5	1816.1	2101.1	1197.6	233.4	346.2	569.7	471.9
Value Added, Million Gel	327.3	416.7	608.0	700.1	788.8	1074.6	468.3	...	...	...	...
Intermediate Consumption, Million Gel	505.5	640.4	717.3	864.3	1027.4	1026.5	729.3	...	...	...	...
Fixed Assets, Million Gel	730.8	1017.1	1838.9	1846.5	2310.3	3058.8	1983.2	...	...	...	...
Number of Employed, Thousand Person	31.3	33.9	37.4	42.2	45.7	48.6	31.8	21.8	30.3	34.9	34.2
Average Monthly Remuneration of Employees, Gel	477.8	563.9	626.6	673.3	826.9	583.6	822.1	869.6	942.0	1061.8	1105.5

Source: <https://www.geostat.ge/en/modules/categories/391/hotels-and-restaurants305>

to 100 rooms), and 18 large hotels (101 rooms and above), providing services to both sector representatives and people employed in the sector. Maintain revenue. It should be noted that the existence of the quarantine zone project contributed not only to the effective fight against COVID-19 but also to the financial support of representatives in such areas as transport service, catering and food distribution, production of local agricultural products, etc. According to the report of the measures taken by the Government of Georgia against Covid-19, the state budget spent for quarantine zones is 32.5 million GEL (<https://www.gov.ge/>).

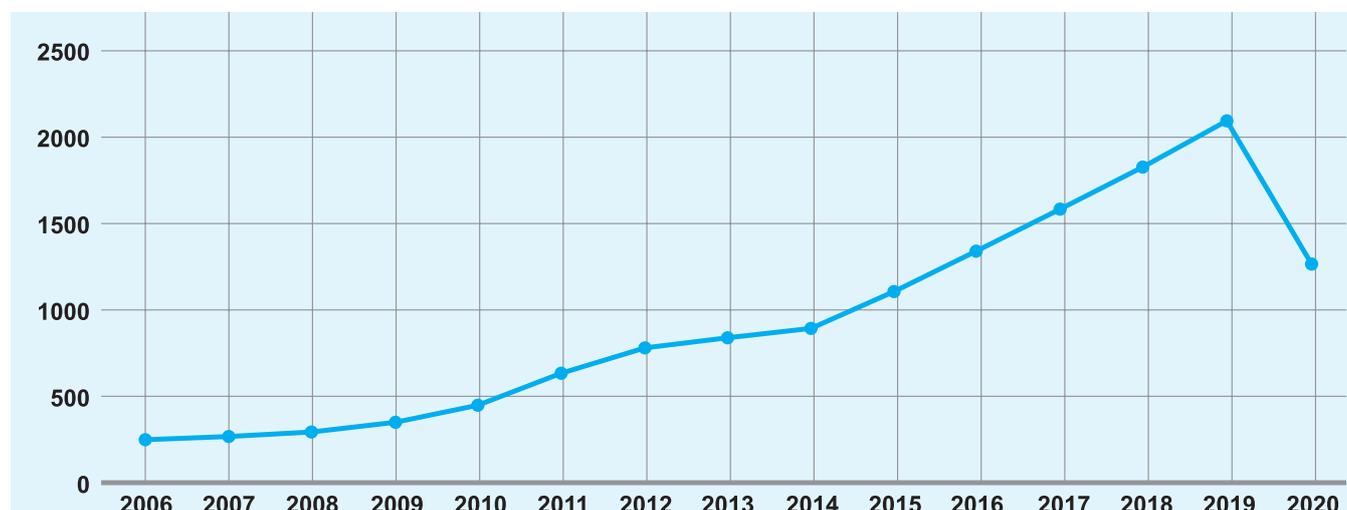
According to the decision of the Interagency Coordination Council: since March 1, quarantine areas, so-called Covid hotels, have been abolished and, consequently, the entry of infected people into these areas has been suspended (<https://stopcov.ge/ka/page/restrictions-list>). A platform was created by which all facilities complied with one standard, which in turn became a prerequisite for taking care of the safety of visitors and preventing the virus.

The experience of Singapore is interesting in this regard. Singapore has created a «Certificate of Cleanliness» (SG

Clean). In order for tourism businesses to obtain this certificate, it is necessary to meet seven different standards. These standards are having a «Certificate of Cleanliness» manager onsite, strict and detailed disinfection work on a daily basis, implementation of the screening process (identification of possible symptoms of visitors), and more. (<https://www.sgclean.gov.sg/about/>)

The Department of Tourism and Resorts of Adjara has some experience, which has introduced the quality mark «Recommended by the Department of Tourism.» This sign is a ready platform for the introduction of a standard similar to the «Cleanliness Certificate» in Georgia. (<http://recommend.ge/files/press/journal/Journal-February-1.pdf>)

In today's reality, when all efforts are focused on tackling the pandemic, creative approaches take on a different meaning and function. Along with many challenges, new opportunities have emerged in this situation. Continuous development during a crisis provides a good basis for making up for the loss more easily after overcoming it. For the hotel business, digital technologies provide opportunities such as increasing the productivity of day-to-day operations;

**Diagram 2. Turnover in accommodation and food service activities, million GEL**


Source: <https://www.geostat.ge/en/modules/categories/391/hotels-and-restaurants305>

With the help of digital technologies, businesses can improve supply chain traceability, transparency, and adaptability, as well as be able to accelerate the flow of data and information. Companies that can support new technologies will find themselves in a competitive position and retain their place in complex global supply chains.

The Government Program 2021 - 2024 «European State Building» serves to deal with challenges and timely response, the main goal of which is to overcome the crisis created by the pandemic, rapid recovery, and development of the economy, creating a stable and secure environment for every citizen (<https://www.gov.ge>).

The coronavirus pandemic has posed new challenges and problems to the Georgian economy, revealing its challenges. In addition to the challenges, the pandemic has created new opportunities and prospects for development. The economic policy of the country will be focused on the maximum use of these opportunities for the next 4 years. In parallel, active work will be devoted to the systemic and structural problems of the country's economy. In the post-pandemic period, the Georgian economy will have all the prerequisites for a speedy recovery and transformation into an «opportunity economy.» The country's economic policy will still be based on free-market principles, where the private sector is the main driving force of the economy. At the same time, economic policies will focus on maintaining macroeconomic stability, especially in the aftermath of the Covid-pandemic, as well as the further development of the business and investment environment, which should facilitate the recovery and further expansion of pandemic-affected businesses. Agency - «Produce in Georgia» plans to continue developing local production and the hotel industry, working to promote exports and attract investment.

The COVID-19 pandemic has hit tourism and its neighboring industries hardest, so in the coming years, the Georgian government will focus its efforts on restoring pre-pandemic outcomes and further developing the tourism sector. A new vision will be formed in the field of tourism development. The new tourism development strategy will be based on the requirements of diversification and qualitative improvement. Business support will be provided to offer high-quality services that will help attract more high-end tourists to the country.

In particular, in order to develop the tourism potential of Georgia, the following measures are planned:

- To restore tourism and manage crises, it is planned to prepare a strategic plan with the involvement of the private and public sectors. The main goal of the document is to assist Georgia in adapting its tourism strategy to the challenges of 2025, which includes the pandemic and beyond, to ensure the effective and timely recovery of tourism;
- Over the next 4 years, the target countries will be diversified, which means increasing the market share of the EU and new markets (China, USA, etc.). In line with the global trend of COVID-19, 36 government programs will be targeted in 2021-2024 to identify target countries and, consequently, implement international marketing activities;
- In 2023, Georgia, as a host country, will be present-

ed at the world's largest and most influential tourism exhibition - ITB Berlin 2023;

- Targeted marketing activities will be carried out to support the tourism industry in the post-pandemic environment and to strengthen the sector to increase domestic tourism flows;
- The expansion of service levels will improve the level of service for tourism employees and job seekers across the country as a result of the expansion;
- In order to increase the level of sustainable development and services of the tourism industry, in line with the European Parliament directive, the formation of a tourism legal framework will be implemented in accordance with European best practices. A high standard of travel safety and consumer protection will be introduced through this legal framework. At the same time, the formation of the legislative framework will strengthen the coordination of national and regional policies;
- New tourism products will be developed to meet the demand in the international market as well as existing projects will be expanded;
- The Wine Road program will be expanded to a new quality standard. The project includes family wine cellars and enterprises across the country that host wine tourism.

Particular attention will be paid to the development of mountain resorts. To this end, the following measures will be taken in the coming years:

- To develop the mountain-ski resorts (Gudauri, Bakuriani, Goderdzi, Tetnuldi, and Hatsvali), the ski infrastructure will be developed, and the «4 Seasons» tourist products will be created;
- In 2023, Georgia will host the World Ski and Snowboard Freestyle Championships, and before the championship, 12 international competitions will be held here. Thousands of visitors will visit Georgia during the mentioned championship (Government Program 2021-2024).

It should be noted that the direction of promoting the development of the hotel industry is provided in the state program - «Produce in Georgia» (<http://www.economy.ge/?page=projects&s=27>). The program actively stimulates the introduction of the experience of successful international brands in Georgia through the co-financing of the so-called «franchising» agreement. According to the hotel industry development project of the state program «Produce in Georgia», the entrepreneur interested in state financial support is given the opportunity to build a new hotel in any region of Georgia except Tbilisi and Batumi; Expand/re-equip existing infrastructure; Also sign a franchising agreement with the international hotel operator and introduce a foreign brand in the Georgian market.

## CONCLUSION

Thus, in conclusion, we can say that the Georgian economy has started to recover after the lifting of restrictions, the situation is changing in a hopeful direction, and we may return to pre-pandemic parameters in 2022.

In the new reality, in addition to the services traditionally considered for the hotel business, it is necessary to mobilize innovative technologies, which will enable the introduction of products that will control security, energy consumption, the degree of pollution, waste management. Consequently, they will save energy resources, reduce the level of environmental impact. As a result, as the hotel ensures the provision of safe, secure services through the introduction of innovative services, improving the quality of environmental protection, its action will become one of the business cards of the hotel. Customer satisfaction will be transformed into a stable clientele, which will make the hotel revenue more solid and predictable. New technology products will not only enhance

its image as an organization with high-quality service but also allow customers to use these technologies to schedule hotel visits throughout the year.

Most of the hotel business representatives operating in Georgia will not be able to independently implement large projects in the field of innovative technologies. Thus, for the effective implementation of modern technological advances, the optimal solution would be to strive for the establishment of a unified platform, which is a condition of mobilizing the necessary financial resources, reducing investment risks, and rapid dissemination of innovations in the field of innovative technologies. The full satisfaction of customer needs will be possible only through the joint efforts of different companies.

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