

LEVEL 3 ASSESSMENT SPECIFICATION

Student name:	Chung Chun Pong James	Student ID number:	2123147
Programme:	MBA		
Module:	Global Business Challenges		
Module code:	HKBM7009	Contribution to Overall Module Assessment (%):	100%
Lecturer:	Dr. Che Cheong Poon	Internal Verifier:	Dr. Joe Leung
Assignment Title:	Analytical Report –Strategies for sustainable development of a Business Enterprises in the Hong Kong Tourism Industry during Corona Virus outbreak	Word count (or equivalent):	5,000 words or equivalent
Submission deadline:	21 February 2022	Return date of provisional marks & written feedback:	Within 20 days after submission
Submission method:	All written assessments, where practical and possible, must be submitted via Turnitin unless otherwise instructed by the Lecturer. (Please DO NOT put this assessment specification into Turnitin or it will match many similarities with other students' submissions.) Alternative submission method (if applicable): Late submission of the assessment will result in a late penalty mark. Penalties for late submission: Up to one week late, maximum mark of 40%. Over one week late, 0%. Only the Extenuating Circumstances Panel may approve a change to submission dates.		
Academic honesty / referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

Synopsis

The world had been changed by the COVID-19 pandemic. The global travelling restrictions, lockdown and social distant measures almost put the travelling and different kinds of economic activities to standstill. The HSH group recorded a dramatic decline of revenue in all divisions especially the hotels. With so many challenges and opportunists, the group must leverage its strong experience and branding in the luxury hotel industry to cope with the threats and seize the opportunities. This report analyses the business model of the group, evaluate the business and marketing strategies, providing recommendations and business plan under the pandemic crisis.

Table of Contents

		<u>Page</u>
1	Introduction	1
	1.1 Research motivation	1
	1.2 Research framework	4
2	Company Background	4
	2.1 The cost structure	5
	2.2 The revenue structure	6
	2.3 A summary of the Covid-19 impact on the company's profitability	8
3	The Company's current business performance	9
	3.1 External business environment	10
	3.2 Internal business environment	11
4	Analysis and discussion	12
	4.1 Identification of the major challenges	12
	4.1.1 Costing challenges	12
	4.1.2 Pricing challenges	14
	4.2 Strategies to ensure sustainable development under the Covid-19 crisis	15
	4.2.1 HSH group future development strategy and Vision	15
	4.2.2 SWOT analysis on HSH group	15
	4.2.3 The business continuity plan	16
5	Conclusion and recommendations	17
	References	18

1 Introduction

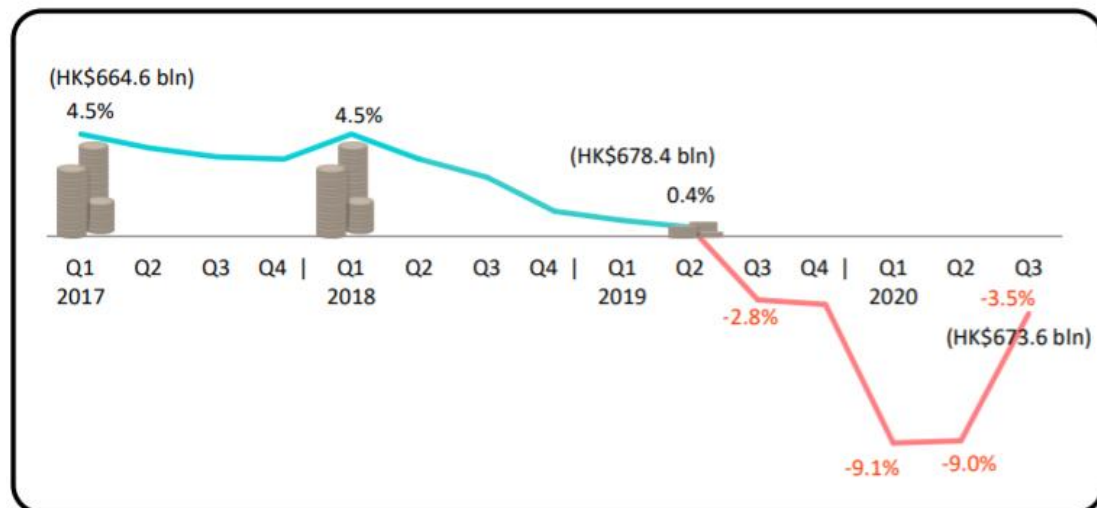
This report focuses on the strategies and business plan of Hong Kong and Shanghai Hotels, Limited (HSH) during the COVID-19 pandemic. The challenge that HSH is facing is the cross-boundary restrictions due to COVID-19 pandemic that brought the travelling activities to a standstill. The report is a health check of HSH to engage with the challenge and to prepare business strategies to sustain the business and maintain growth.

1.1 Research Motivation

The outbreak of COVID-19 since early 2020 has brought extreme challenges to almost everywhere in the world. The damage on tourism, as one of the major industries in Hong Kong, was extraordinary heavy. HSH is one of oldest hotel groups in Hong Kong for over 150 years (The HongKong and Shanghai Hotels, Limited, 2022) and well-established in the luxury segment of the hotel industry. The impact brought by COVID-19 threatened the survival and sustainability of the growth of HSH group. It is interesting to analyse the strategies of HSH group to tackle this biggest challenge since World War 2. Could HSH group turn the challenges and threats into opportunity to grow and develop some new markets? What is the marketing strategies including pricing, advertising HSH group could adopt to survive the crisis and explore new revenue source for sustainability of growth?

Just within one year (2020) since the outbreak of COVID-19, the disease caused over 66 million infection cases and over 1.5 million deaths in the whole world. In Hong Kong, there were over 7,000 infection cases and over 110 deaths in the year (Research Office Legislative Council Secretariat, 2020). The figures jumped to almost 20,000 infection cases and 224 deaths in mid of February 2022 (Centre for Health Protection HKSAR, 2022). The crisis incurred by public health problem smashed the economy of Hong Kong. Three rounds of relief measures were rolled out by Hong Kong Government involving up to HKD192 billion to save the economy. The emergence of COVID-19 has hit hard on Hong Kong's economy that the quarterly GDP dropped dramatically record-high of around 9% in first two quarters in 2020.

Figure 1: Quarterly real GDP year-on-year percentage change



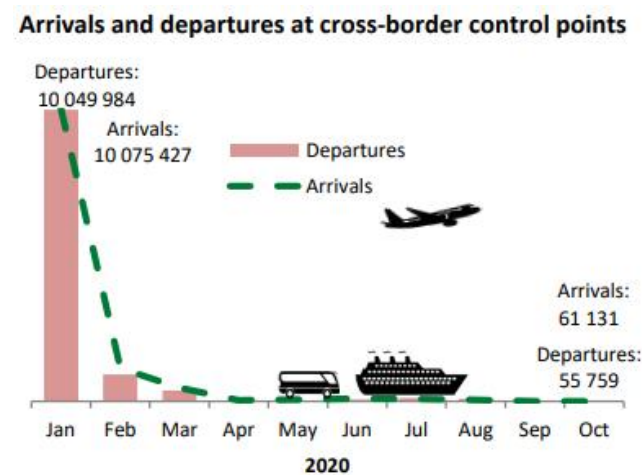
Source: Census and Statistics Department (2020a).

Tourism services is the industry with the biggest impact among the four pillar industries including Trading and Logistics, Professional and other producer services and financial services. In the second quarter of 2020, business receipts index for “tourism, convention and exhibition services” have plummeted by 95% reflected the disastrous impact on the tourism industry. Under the pandemic situation, the overall unemployment in different industries had risen to 6.6% in third and forth quarter in 2020 while the average unemployment rate for 2010 to 2019 was around 3.3% only (Research Office Legislative Council Secretariat, 2020).

Hong Kong was the leading tourist city in the world with 29 million overnight visitors and 65 million total arrivals in 2018. (Census and Statistics Department Hong Kong Special Administrative Region, 2019) For last two decades, visitors from mainland China contributed significantly for the financial revenue of tourism sector in Hong Kong. Chinese visitors reached more than 75 percent of total arrivals in recent years and, comparatively, they spend more money during their stay in Hong Kong, the tourism industry, particular hotel sector, is heavily dependent on the revenue brought by mainland visitors (CBRE, 2020). This trend of growth supported the number of

hotels in Hong Kong increased almost 100% during 2010 and 2020 and total number of rooms raised over 40 percent (Research Office Legislative Council Secretariat, 2020). In the middle of 2021, the annual visitor arrivals in Hong Kong dropped dramatically to less than 100 thousand (Hong Kong Business, 2022). The average hotel occupancy rate rose to 63% which had already rebounded fairly from the collapse in early 2020 with the “holiday at home” or “Staycation” concept introduced by Hong Kong Government and Hotel industry. However, considering wave by wave of the pandemic, the hope of lifting travel restrictions, no matter with the mainland or the rest of the world, looks distant. Moreover, the subsidies from local consumers’ staycation spending seems fading after a bloom for over a year and the spread of fifth wave of COVID pandemic.

Figure 2: The trend of arrivals and departures to and from Hong Kong in 2020



Source: Census and Statistics Department (2020a), PartnerNet (2020) and Transport Department (2020)

According to the annual report of The Hong Kong and Shanghai Hotels, Limited (2020), the management of the group did not envisage the impact of the COVID-19 pandemic would be so serious, wide, and prolonged. Since March 2020, they shut down their hotels globally including New York, Paris, and Tokyo temporarily. The report will study the measures and strategies adopted by HSH in Hong Kong to respond to the challenges, maintain the sustainability of growth and well-established luxury hotel branding.

1.2 Research Framework

This report shows HSH's business strategies to deal with the challenges. Among different hotel groups in Hong Kong, The Hong Kong and Shanghai Hotel, Limited is selected for an in-depth analysis. HSH groups was found and listed in Hong Kong with global market and other divisions in commercial properties and Club and Services, this report will focus on Hong Kong hotel business (The Peninsula Hong Kong) based on the annual report of 2020 and interim report of 2021.

To introduce HSH group with the company background, use the annual and interim report to evaluate the business performance during the outbreak of COVID-19. Use SWOT analysis to analyse different aspects of the business challenges. According to Silva (2005), SWOT analysis is a technique for strategic planning and management. It enables an organization to evaluate the current status (Strengths, Weaknesses, Opportunities, and Threats) which is critical to construct an effective business planning for crisis management and development. At the end, a business continuity plan, implementation planning, conclusion and recommendations will be provided.

2 Company background

The Hong Kong and Shanghai Hotel, Limited was incorporated on 2 Mar 1866 as The HongKong Hotel Company, Limited. The group was among the earliest enterprises listed on the Stock Exchange of Hong Kong and one of the oldest hotel companies in the world. For over 150 years, Hong Kong has always been the headquarter of the group even the business has developed to different continents of the world. Currently, the HSH group is holding a diversified assets portfolio including 10 Peninsula Hotels all over the the world, The Repulse Bay Complex, The Peak Tower and The Peak Tram in Hong Kong worth HKD45 billion (The HongKong and Shanghai Hotels, Limited, 2021). As of 18 Feb 2022, The market capitalization of HSH is HKD15,273 million according to Reuters (2022).

2.1 The Cost Structure

As an international hotel group, the operating costs of HSH are mainly from inventories, staff costs and related expenses, rent, other operating expenses, depreciation and financing or interest expenses. The following is a brief breakdown of the cost structure of HSH and a comparison between 2019 and 2020.

Table 1: Comparison of HSH group cost structure in 2019 and 2020

	2020	2019
Fixed Cost	(million)	(million)
Rent and utilities	373 (10.7%)	441 (8.4%)
Depreciation	553 (15.9%)	589 (11.3%)
Financial interest	149 (4.3%)	154 (2.9%)
Variable Cost		
Inventories	213 (6.1%)	457 (8.7%)
Staff costs and related expenses	1,511 (43.5%)	2,294 (43.9%)
Other operating expenses	674 (19.5%)	1,292 (24.8%)
Total Cost	3,473	5,227

Source: Annual report of The Hong Kong and Shanghai Hotels, Limited (2019-2020).

The table shows the variable costs such as inventories, salary and related expenses and other operating expenses share the biggest portion (above 70%) of the total costs of HSH group. They dropped 40% from last year in 2020 while the fixed costs are stable comparatively. The impacts from the COVID-19 reflected on the change of HSH group's cost structure clearly. The total cost of production contains fixed cost and variable cost. According to O'Sullivan (2003), the marginal cost is the cost of producing additional unit. It is the change, arising from producing additional quantity, of the total cost. In the short run, HSH could not reduce the fixed cost to deal with the drop of desired output due to the global travelling restriction since COVID-19 outbreak. HSH focuses on measures to cut down the variable cost such as the inventories, salary and related expenses and operating expenses. Staff cost and related

expenses is always the highest cost for HSH (over 40%) so it was unavoidable to implement cost-saving measures on this sector. HSH has evaluate the internal and external environments to balance the well-being of staffs and saving the cost at the same time. During the period, the group laid off some staffs and asked staff to take unpaid leave to save cost. If lay off was unavoidable, the group provided supports to minimize the impact on those staffs. And, when the market demand rebounds, re-hire those staffs with higher priority. With those stringent cost reduction measures, mainly on staff cost, the group managed to reduce the operating cost by 38% in 2020. (The HongKong and Shanghai Hotels, Limited, 2021) For a group of high-end luxury hotels, staff cost is always the main portion of the operating costs. The subsidies received by Hong Kong government amounted HKD130 million in total compensated part of the cost. As result, the group achieved the staff cost reduction by 34% to HKD1,511 million compared with HKD2,294 million in 2019. The crisis incurred by the COVID-19 also inspired the HSH to review the remuneration structure and management mindset of the board of directors when carrying out theirs duties. A series of measures such as no paid leave, lay off of staffs, and reduction of directors' remuneration (The HongKong and Shanghai Hotels, Limited, 2021) to cut down the variable cost due to the drop of quantity demanded ensures HSH group remain at a healthy financial condition as the pandemic prolonged much longer than expected.

2.2 The Revenue Structure

As a hotel group, the HSH group's main revenue source (73% in 2019) is the hotel division. Commercial properties and Clubs and Services are other 2 pillars of the revenue portfolio. From the change of share of the total revenue from 2019 (73%) to 2020 (59%) and the percentage change (dropped 62%) of the actual revenue from the hotel division, the impact from COVID-19 pandemic is mainly on this sector.

Table 2: Comparison of HSH group revenue structure in 2019 and 2020

	2020	2019
	(million)	(million)
Hotel	1,594 (59%)	4,288 (73%)
Commercial properties	777 (29%)	946 (16%)
Clubs and Services	339 (12%)	640 (11%)
Total	2,710	5,874

Source: Annual report of The Hong Kong and Shanghai Hotels, Limited (2019-2020).

Although HSH group has exposures in other sectors, the hotel division contribute the most to the group's combined revenue. During 2020, up to 6 Peninsula hotels were temporarily closed due to the public health issues, travel restrictions, government regulations and lockdown arrangements. As at end of 2020, 2 Peninsula Hotels in Paris and New York still shut down. Although other Peninsula hotels including Hong stayed operating during 2020, the revenues were generated from these hotels dropped sharply from 2019. The combined revenue dropped 62% to HKD1,831 million in the hotels division (The HongKong and Shanghai Hotels, Limited, 2021).

Except the hotel division, the revenue dropped 18% in the commercial properties division. The major revenue contributor (over 76%) in the division are located in tourism areas (The Peak and The Repulse Bay), the suspension of global travelling and social distant restrictions in Hong Kong and the declined demand for luxury residential due to COVID-19 brought big impact on the rental, the Food and Beverage revenue of the group (The HongKong and Shanghai Hotels, Limited, 2021).

The revenue of the group was HKD2,710 million in 2020, dropped 56% from 2019. Hotels, clubs and services and commercial properties are 3 pillars of the revenue for the group. For hotels division, the revenue dropped from 38% to 81% across The Peninsula Hotels all over the world. The Peninsula Hong Kong, who is the major (27%) revenue contributor in the hotels division, recorded a 45% drop to HKD 603 million in 2020 (The HongKong and Shanghai Hotels, Limited, 2021). As the shut down of the global travel, the local domestic market was the main focus for The Peninsula Hong Kong who developed a series of "staycation" packages and promotions to promote art, culture and dining to local Hong Kong residents. Due to

social distancing restrictions imposed by government, some facilities in the hotel were closed time by time throughout the year which led to a decline of revenue from food and beverage. However, though the staycation packages could maintain the occupancy and cover a certain level of revenue, the competition in this market is keen. Hotels groups at different segments are targeting this market as well.

To cope with the drop of foreign and local visitors under the COVID-19 crisis, the group has worked with the tenants to evaluate the business situation and alterations were made to rental contracts so that the occupancy rate of retail units contained to a certain level. Those measures are trying to maintain a stable income stream for tenants in the short to medium term. The survival of the tenants is essential for the long term sustainability of growth of the group when the economic environments recovers from the pandemic (Yeo, 2021).

The COVID-19 pandemic brought a lot of challenges to some traditional companies like HSH group. The key to success in the past does not guarantee the sustainability in the market or even the survival of the group. Though the group diversified the revenue sources with commercial properties and clubs and services, hotel business remains the major revenue contributor which was heavily impacted by the suspension of global travelling during the outbreak of COVID-19. It forces HSH to evaluate and review the value and market positing they built for decades, determine if remains focus on luxury hotel service segment or, to diversify the revenue sources and widen the target customers, reposition the revenue structure during and after the COVID-19 pandemic.

2.3 A summary of the Covid-19 impact on the company's profitability

COVID-19 put the global travelling activities on hold since the outbreak in early 2020, some Peninsula hotels were closed temporarily due to travel restrictions and lockdown arrangements. Though Peninsula Hong Kong stayed operating during the year, the revenue from hotel, food and beverage services dropped sharply (45%) without international travelers and local social distant measures. The revenue of HSH group from the hotel division which is the main revenue contributor, declined 62% in 2020. The group took swift actions on cost-saving measures to control the variable

cost such as salary, inventories and operating expenses. However, as one of the most luxury hotel group well-established in Hong Kong, HSH had to maintain the brand value and core value when taking any cost-saving measures. After all, the brand value is the most integral asset for HSH group. It limited the options for HSH to explore new revenue sources or develop new target group of customers. Luxury products which are sensitive to the changes of price, have a high price elasticity of demand (Sherman and Hunt, 2008). If HSH raise the room rate to compensate the drop of room occupancy rate, the customers may all switch to the competitors at the same luxury level. If HSH dropped the room rate sharply, some new customers (who could not afford the price before) would be attracted but it may bring a long-term damage of the branch and drive out those loyal customers value the highest luxury branding of HSH most. Therefore, instead of discounting the actual room rate during the COVID-19 impact, HSH offered packages of a total experience including room, dining and club facilities services to explore revenue source but maintain the brand image as well.

3 The Company's current business performance

It has been two years since the COVID-19 pandemic outbreak in early 2020 which brought a devastating impact on the group, particular the hotels division. The HSH group recorded an EBITDA loss of HK61 million in 2020 while it was HKD1,390 million in 2019. Although seeing some recovery in the hotels division in first half of 2021, the impact by the absent of international travelers and different social distancing measures still in place for the food and beverage sector. With the cost saving measures implemented since the pandemic and the strong rebound in mainland cities as well as other hotels in US are also recovering, the combined EDITDA had recovered to HKD35 million for the first 6 months of 2021. The group's underlying loss reduced to HKD375 million (25%) as well (The HongKong and Shanghai Hotels, Limited, 2021). However, there are still a lot of uncertainty in short to middle term. At the time of writing, Hong Kong is being suffered by the fifth wave of COVID-19 that the daily confirmed cases reached new high. In this section, the report will analyse the internal and external environments for the HSH group as well as how the COVID pandemic would impact on the group's profitability.

3.1 External business environment

The hotel industry in Hong Kong is a collaboration of chain hotels, local grown hotels and international brands. Among the 299 registered hotels in Hong Kong in 2018, 57% of the total properties is international brands while local grown hotels constitute 43% (Chan, 2021). However, though local grown hotels share less of the market in terms of hotel properties, they supply higher number of total rooms. In terms of market segment, almost 80% of the total registered hotels are mid and upper mid-scale hotels. Around 18% are luxury hotels like HSH group (Mordor Intelligence, 2021).

To try to maintain businesses afloat and create new opportunities for the industry during the pandemic period, Hong Kong Government and Hong Kong Tourism Board launched a domestic tourism campaign, “Hello Hong Kong - Holiday at Home” (Chan, 2021). The campaign offered local citizens over 10,000 deals for shopping, dining and hotels, trying to put a start for the revival of the local tourism industry. The COVID-19 global health crisis has changed the perspective of consumers about travel irreversibly, there are lot of opportunities for hotels and other travel enablers to adapt the new normal. The global travel put to a standstill due to COVID-19 is also an opportunity for the hotel industry to rethink tourism and embrace the change of consumer behaviour for coming years.

Although there is a little sense of optimism for the industry in second half of 2021, most of travel experts surveyed by World Tourism Organization (UNWTO) are still being very cautious that not expecting a recovery back to the pre-pandemic level earlier than 2023. Therefore, the hotel industry needs to find demand within the local market so can have room to “manoeuvre” before the tourists and business traveller coming back. Except the staycation concept, hotels in Hong Kong are offering some day-use packages for those looking for a daytime space (Textor, 2021). This mainly target those business persons who are working-from-home while not everyone has suitable working environment at home (The Hotel Conversation, 2021).

3.2 Internal business environment

Although the near future is highly uncertain for the group, HSH group maintains the long-term value which is “to develop, own and operate a small number of the highest quality hotels and luxury properties which they believe are considered to be amongst the finest in the world” (The HongKong and Shanghai Hotels, Limited, 2021). To achieve the value and execute the group’s strategies, build and maintain a team of exceptional talents is the key. The group has to balance the cost saving to let the group stays agile financially but ensure all quality talents remain loyal and productive. They introduce a loyal and committed team spirit from the top of the organisation to all levels of the company. Even under the shadow of pandemic, the group added more than a thousand new talents strategically as 2 hotels coming on board in couple of years for the group.

At early of 2021, the group launched a new strategy Vision 2030 the bring the group the strategic focus for coming 10 years. The core value of their attention to detail and commit to provide the best quality service remains the integral part of the strategy and their long-term mindset. Manage risks and seek for right opportunities but at the same time, offering their customers with sustainable, thoughtful and purposeful services. For the foreseeable future, more stringent hygiene requirements, disruption of supply chains and possible temporary shutdown of operations are some main challenges for the group due to the pandemic situation. However, the group will continue the value to deliver sustainable luxury and seek to enhance by fully utilizing all internal resources, reigniting the enthusiasm of employees and continue working with different parties with familiar mind-set. The key strategic objectives of the new strategy Vision 2030 are:

- diminishing natural resources like energy, food and water
- climate change
- growing social and political instabilities and inequalities

To address these issues, the group will focus on enhancing guest experience, empowering the employees and enriching the communities (The HongKong and Shanghai Hotels, Limited, 2021).

The HSH group focus on the very long term with their over 150 years history even

they will be well prepared for a lot of uncertainties and challenges that nobody would predict. They focus on doing whatever they could to maintain their operations and help their people to recover from the global pandemic. They would ensure the group would remain at the same pace with the rapid development of technology for the needs and opportunities of their business. Most important, the group has maintained a strong balance sheet and liquidity position, highly motivated and committed team of management and staff to deal with the short to mid term challenges and achieve the long-term vision.

4. Analysis and discussion

The challenge of HSH group is possible to survive through the crisis and regain the growth momentum. HSH group record a very bad result in 2020 because of the global travel restriction and local social distant measures by government. The absent of international and mainland travelers and local people preferring to stay at home, almost shut down all revenues of Peninsula Hong Kong. As mentioned above, we will adopt SWOT analysis to analyse HSH group's strengths, weaknesses, opportunities and threats to evaluate the current business situation in order to construct an effective business plan.

4.1 Identification of the major challenges

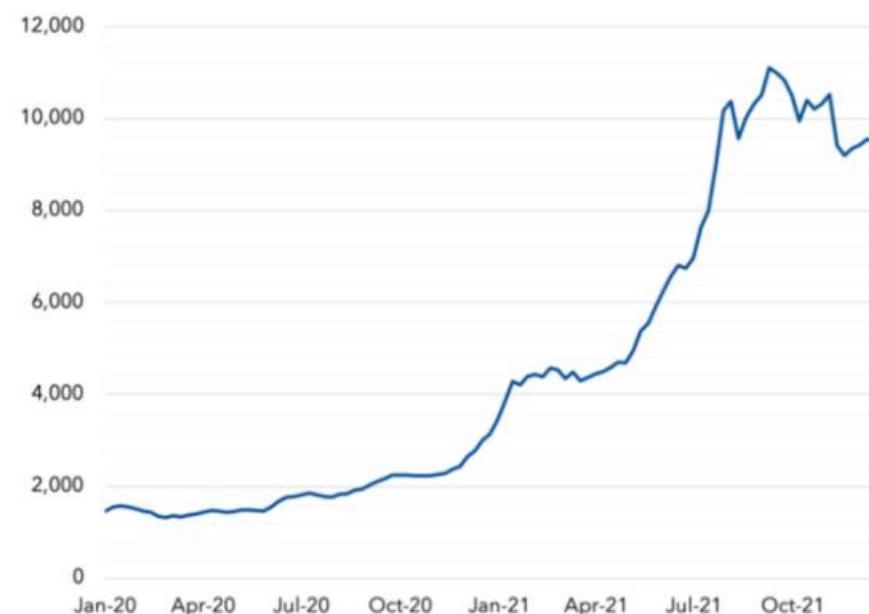
4.1.1 Costing challenges

HSH group implemented some strict cost-saving measures in 2020 especially on variable costs such as salary, inventories and operating cost. Staff cost is always the highest portion (over 43%) of total costs especially for a luxury hotel brand like Peninsula. HSH group was being very caution in cutting the staff cost in order to maintain the service quality and brand image and enable the group to capture the rebound when the market recovers. Asking staffs to take no paid leave instead of lay off, maintain good relationship with staffs if lay off is unavoidable so HSH ensures enough manpower is in place when the pandemic improves. As mentioned in the report, only 18% of the hotel industry in Hong Kong are luxury segment. HSH is in

the luxury segment which is only 18% of the hotel industry in Hong Kong. It is vital for the group's long term strategy to maintain the branding in the segment. A team of loyalty, experience and committed team of staffs at all levels is a key element to achieve. The cost of re-hiring enough manpower to capture the opportunities when the global and local market sentiment would be high with keen competition in the labour is expected.

Operating cost is another key link for HSH group as a luxury hotel. According to the report from Economist of IMF (Kamali, 2022), the shipping cost in global raised since the outbreak in 2020 and reached the peak in 2021. The increase of cost and lengthened of transit time are due to the lockdown, shortage of labor and strains on logistics networks. To control the inventory cost and maintain the highest quality of products and services is the challenge for HSH group. A digital inventory control and procurement system should be introduced to allow a real time monitor of inventory level which enables the procurement department could forecast the quantity demanded more accurately. Moreover, alternative of suppliers in local or nearby countries should be explored to reduce the transit time and cost comparatively.

Figure 2: Trend of global shipping rates since an unprecedented strike due to the COVID-19 pandemic



Source: [Freightos](#)

Note: The [Freightos Baltic Index](#) represents a weighted average of spot rates for 40-foot shipping containers using real-time data from hundreds of logistical providers on 12 global trade lanes

COVID-19 pandemic changes the marketing market a lot as well. As a traditional luxury hotel brand in Hong Kong, HSH was riding on traditional paper media or billboard advertising as the major channels for marketing. The pandemic stimulated the risen of digital market including different social media channels. All customers in different segmentation rely on the “word of mouth” online to make all kinds of consumption decision. Under the keen competition in the “Staycation” market, the comments from online influencers would be much more powerful than any traditional marketing media. HSH must review the marketing budget to allocate more resources to build up the reputation and increase the penetration rate on all major social media channels.

4.1.2 Pricing challenges

Since the COVID-19 outbreak in early 2020, the main targeted customers of HSH’s hotel room services including foreign and mainland travelers ceased the travelling due to global travel restriction. And the local middle to upper class, who were the main target customers of the luxury restaurants and clubs, preferred or forced to stay home due to the social distant measures. Peninsula Hong Kong facing a challenge to explore other new sources of revenue and review the pricing strategies. Extraordinary high price used to be the strategy for luxury brands like Peninsula to offer customer an unique, superior and prestige experience. Reducing the price may stimulate the revenue in short term as it is highly elastic demand for a luxury hotel as Peninsula. However, the branding is the most valuable asset of HSH group and it took over 100 years to establish. Set the pricing lower would capture some customers which may jeopardize the long term sustainability and growth of the group. Considering the strong balance sheet and healthy liquidity of the group, cutting price to drive in short term revenue would not be an ideal strategy. Instead, HSH should offer different packages of luxury hotel experience to offer more values to customers without dropping the room rates. By offering some dining coupons and access to different hotel facilities and services that HSH could maintain the room rate and stimulate the business of the restaurants and other facilities. This strategies could capture those customers aim to exploit the most value from their spending especially those high income, well-educated and value seeking young couples and families.

4.2 Strategies to ensure business continuity under the Covid-19 crisis

4.2.1 HSH group future development strategy and Vision

According to Sir Michael Kadoorie (2022), the chairman of the HSH group, it is the core value of HSH group to manage change, treasure the past and innovate to meet coming demand with their glory history. The mission of the group is to create and maintain assets to become legacies in the time (The HongKong and Shanghai Hotels, Limited, 2022).

4.2.2 SWOT analysis on HSH group

HSH strengths:

- a. One of the most luxury hotels in Hong Kong with highest standard of food and service.
- b. Located at the heart of the city with a building which is a landmark itself with the longest history in Hong Kong
- c. Consistent and well-recognized for the hospitality globally. The Peninsula Hotels was the first luxury hotel brand awarded Five-Star by Forbes Travel Guide (The HongKong and Shanghai Hotels, Limited, 2022)

HSH Weaknesses:

- a. The high pricing limited the target market to a relatively small group of customers. This becomes even more obvious during a downturn of economic period like the outbreak of COVID-19 in 2020.
- b. With the high pricing, the expectation of customers is high. It is very challenging for HSH to maintain the highest quality and reduce cost at the same time.

HSH Opportunities:

- a. Maintain the performance and service consistently would enforce and gain the clients' loyalty. The exceptional experience with the hotels would encourage the clients to come back again or select the services under the brand with higher priority.
- b. To offer some package of different facilities including the room, spa, dining, ballroom and retail stores would create a synergy to the hotel. Ride on different festivals, themes and wedding season would stimulate the revenue, re-purchase rate

and loyalty of target customers.

c. Review the pricing of suppliers and negotiate with better terms or explore new suppliers with same quality but lower price.

d. Adjust the marketing strategies from traditional channels to social media could reduce the cost relatively and allow HSH to reach out those young, well-educated and strong spending ability couples and families.

HSH Threats:

a. The global economic environment is still under many uncertainties and threat of recession. Customers are very conservative with spending especially on luxury service. High competitions from same or lower tier hotels is challenging for HSH to remain the high pricing strategy.

4.2.3 The business continuity plan

According to the SWOT analysis, we realised HSH is a hotel group with global reputation on its highest quality, consistent and the benchmark of the luxury hotel standard. The loyalty of the brand is the key opportunity for the group to survive and rebound from the COVID-19 crisis. The high competition in the small luxury hotel market is the main threat. Continuity plan would be suggested as below.

A. Corporate travelling is recovering since the COVID-19 was stabilizing early 2022 global wise. The quarantine requirements are released or relaxed all over the world including Hong Kong. HSH could offer corporate rates with discount to international corporate for their executives. The clientele of top executives would maintain the prestige brand image of Peninsula. HSH could improve the revenue and room occupancy rate without compromising the high price to retail customers.

B. Launch loyalty programs to loyal customers to deepen the loyalty and reduce the rates for repurchase customers without compromising the brand image. With the high competition from other luxury hotel brands, such program would create a stronger sense of prestige and exclusive to the loyal customers who would repeat and widen their usage of the hotel facilities. And the referral from this group of customers would be the best marketing tool to capture new customers in the same segment.

5 Conclusion and recommendations

5.1 Conclusion

The business environment of Tourism especially the hotel industry was changed dramatically since the outbreak of COVID-19 pandemic. All corporate needed to change the business strategies and models to deal with the new challenges. Most of the target customers for hotel groups targeting international travelers are absent. HSH groups is no exception even with such long history of success. Almost all sources of revenue especially on hotel division were damaged heavily. It brings big challenge to HSH to survive through and remain sustainable in the crisis. Taking swift cost saving measures, packaging the hotel services to target new domestic customers and maintaining the core brand value are critical for HSH to sustain the business and be ready for the rebound. In the annual report (2021), HSH holds strong faith on the core value to offer sustainable choices to customers without compromising the quality of services and products.

5.2 Recommendation

The uncertainty of COVID-19 and downtown of global economy could be very challenging for HSH group especially hotel industry is at the middle of the storm. It could be also opportunity for Peninsula to rebrand its over 150 history. Young, high-income, well-educated and luxury life-style customers are the target group HSH should focus on. Long history and one of the oldest and signature building maybe the key to success in the past, HSH must introduce new elements and technology to the facilities and experiences of hotel to sustain and grow through this crisis.

References

CBRE (2020) Hong Kong ViewPoint - What Next for Hong Kong's Hotels July 2020. Available at: <https://www.cbre.com.hk/en/research-reports/Hong-Kong-ViewPoint---What-Next-for-Hong-Kongs-Hotels-July-2020> (Accessed: 14th February 2022).

Census and Statistics Department Hong Kong Special Administrative Region (2021) *Key Statistics on Business Performance and Operating Characteristics of the Import/Export, Wholesale and Retail Trades, and Accommodation and Food Services Sectors in 2020*. Hong Kong: Census and Statistics Department

Chan, Louis (2021) *Well on its Way: Rebooting Travel and Tourism*. Available at: <https://research.hktdc.com/en/article/ODY2NjgzNDk3> (Accessed: 15th February 2022).

Chan, Louis (2021) *Well on Its Way: Rethinking Travel Booking*. Available at: <https://research.hktdc.com/en/article/OTAzMDEwODM5> (Accessed: 10th February 2022).

Hong Kong Business (2022) *HK visitor arrivals down 97.4% YoY in December*. Available at: <https://hongkongbusiness.hk/hotels-tourism/news/hk-visitor-arrivals-down-974-yoy-in-december> (Accessed: 18th February 2022).

Kamali, P. (2022) *Global Shipping Costs Are Moderating, But Pressures Remain*. Available at: <https://blogs.imf.org/2022/01/13/global-shipping-costs-are-moderating-but-pressures-remain/#> (Accessed: 10 July 2022).

Mordor Intelligence (2021) *Hospitality industry in Hong Kong - Growth, Trends, COVID-19 Impact, and Forecasts (2022 - 2027)*. Available at: <https://www.mordorintelligence.com/industry-reports/hospitality-industry-in-hong-kong> (Accessed: 15th February 2022)

O'Sullivan, A. and Sheehrin, S.M. (2003) *Economics: Principles in Action*. Upper Saddle River, NJ: Pearson Prentice Hall

Research Office Legislative Council Secretariat (2020) *Challenges and economic impacts arising from Coronavirus Disease 2019*. Hong Kong: Legislative Council Secretariat

Reuters (2022) *Hongkong and Shanghai Hotels Ltd 0045.HK Financials*. Available at: <https://www.reuters.com/companies/0045.HK/financials> (Accessed: 10th February 2022).

Sherman H.J. et al. (2008) *Economics: An Introduction to Traditional and Progressive Views*. London: Routledge

Silva, C.N. (2005) *"SWOT analysis"*. In *Caves, Roger W. (ed.). Encyclopedia of the city*. Abingdon; New York

Textor C. (2021) *Hotel industry in Hong Kong - statistics & facts*. Available at: https://www.statista.com/topics/8170/hotel-industry-in-hong-kong/#topicHeader_wrapper (Accessed: 20th February 2022).

The HongKong and Shanghai Hotels. Limited (2021) *Annual Report 2020*. Available at: <https://www.hshgroup.com/-/media/Files/HS/Financial-Reports/2020/2020-Annual-Report-English.ashx> (Accessed: 10th February 2022).

The HongKong and Shanghai Hotels. Limited (2021) *Interim Report 2021*. Available at: <https://www.hshgroup.com/-/media/Files/HS/Investors/Financial-Results/2021/2021-Interim-Report---Eng.ashx> (Accessed: 11th February 2022).

The HongKong and Shanghai Hotels. Limited (2021) *THE HONGKONG AND SHANGHAI HOTELS, LIMITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2020*. Available at: <https://www.hshgroup.com/en/media/press-releases/2021/limited-annual-results-for-the-year-ended-31-december-2020> (Accessed: 10th February 2022).

The HongKong and Shanghai Hotels. Limited (2022) Corporate Profile. Available at: <https://www.hshgroup.com/en/About/Corporate-Profile> (Accessed: 10th February 2022).

The Hotel Conversation (2021) *Opportunities emerging in Hong Kong's hotel sector Colliers report*. Available at: <https://www.thehotelconversation.com.au/news/2021/11/30/opportunities-emerging-hong-kong%E2%80%99s-hotel-sector-colliers-report/1638262664> (Accessed: 18th February 2022).

Wikipedia Contributors (2021) *Hongkong and Shanghai Hotels*. Available at: https://en.wikipedia.org/wiki/Hongkong_and_Shanghai_Hotels (Accessed: 11th February 2022).

Yeo, Rachel (2021) *Hong Kong's largest business lobby predicts further growth in 2022 but warns of Omicron risks to economy*. Available at: <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3158204/hong-kongs-largest-business-lobby-predicts-further> (Accessed: 11th February 2022).