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Economic and financial impact of the Covid-19 pandemic on hotel entities in the municipality of Suesca

Impacto económico-financiero en las entidades hoteleras del municipio de Suesca a partir de la pandemia Covid-19

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Abstract: The world economy has been affected because of the COVID-19 virus, one of the most affected sectors in Colombia is the hotel industry since the measures imposed on tourism restrict its development. This is the case of the establishments that provide lodging services in the municipality of Suesca - Cundinamarca, an important tourist destination in the department of Cundinamarca, strongly impacted by this sanitary contingency. This research seeks to analyze the economic-financial impact of the pandemic on hotel entities, specifically in Suesca. This situation has left this sector vulnerable and the data collected in the research indicate that this situation considerably affected the income of these entities; however, it is essential to take into account the new alternatives implemented to keep this industry afloat, such as camping sites, glampings and cabins, which may generate an unfavorable effect financially speaking, on traditional hotels.

Keywords: COVID-19, tourism destination, hotel entities, strategies, revenues, financial perspective.

Resumen: La economía mundial se ha visto afectada como consecuencia del virus COVID-19, uno de los sectores más perjudicados en Colombia es el hotelero debido a que las medidas impuestas para el turismo restringen su desarrollo. Es el caso de los establecimientos que prestan el servicio de hospedaje en el municipio de Suesca - Cundinamarca, un destino turístico importante en el departamento de Cundinamarca, impactado fuertemente por esta contingencia sanitaria. A través de esta investigación se busca analizar el impacto económico-financiero en las entidades hoteleras a partir de la pandemia específicamente en Suesca. Esta coyuntura ha dejado este sector vulnerable y los datos recopilados en la investigación, señalan que esta situación afectó considerablemente los ingresos de estas entidades, sin embargo, es indispensable tener en cuenta las nuevas alternativas implementadas para sacar a flote esta industria, como campings, glampings y cabañas, que pueden llegar a generar un efecto desfavorable financieramente hablando, en los hoteles tradicionales.

Palabras clave: COVID-19, destino turístico, entidades hoteleras, estrategias, ingresos, perspectiva financiera.

INTRODUCTION

The hotel sector is one of the most damaged in relation to the Covid-19 pandemic, according to the Colombian Tourism Information Center (CITUR, 2021) "it comprised 3.82% of the National GDP for the year 2019 and presented a percentage of 2.54% for 2020", which leads to a reduction of 1.28%, which is a considerable figure taking into account its impact in terms of employment generation and considering that more than half of the sector comprises small and medium hotels in Colombia, being these the most affected since their funds are insufficient to go through this contingency and withstand a temporary closure or decrease in the capacity of housing occupancy.

According to (Cortés & Landeta, 2013) "As the spread of Covid-19 advances in Colombia, the National Government adopts measures for the containment of the virus that leaves in its wake the economy and especially the tourism and hotel sector, as one of the great victims" p. 34. As a result of these scenarios, hotel entities have had to reinvent themselves in order to continue competing in the market; this is the case of the new lodging alternatives that include a new objective in the guest's eyes, since it is not enough to have a full rest, now, Hotel hosts are now committed to providing a series of innovative activities in which the tourist is trapped in their stay and is a reference of leisure and fun to repeat or recommend to others, this experience, promoting employment, good service and the dynamism of the economy.

For Ortiz (2013) these factors have contributed to the restoration of demand, but issues such as partial, selective and general confinements make the task of attracting customers more difficult, since these measures reduce income in hotel entities, putting another setback to the situation that afflicts the whole world as a result of the pandemic. However, one hundred percent (100%) of the establishments have not been able to reinvent themselves due to the basic infrastructure of their facilities, which requires major remodeling or adaptation to offer a new service.

In the paper by Ramirez-Gomez et al. (2015) into account these items, the municipality of Suesca - Cundinamarca is taken as reference in the present research, which according to the Tourist Guide of Cundinamarca published by the Ministry of Commerce Industry and Tourism is located in According to the laws in Colombia is established that the province of Almeidas, 68 km from Bogotá D.C. The word Suesca is derived from the Chibcha word "suehica", which means "rock of the birds". In times of the Conquest it was the refuge of the Chibcha Indians, where the persecuted hid and received protection. This is how Suesca, since time immemorial, is especially known for having ideal sites for rock climbing and adventure sports, but also has other tourist attractions, such as the lagoon of the same name, the Church of Our Lady of the Rosary and its diverse landscapes. In addition, it is characterized for being: The first place in Colombia where

rock climbing began, for that reason, it has always been frequented by amateurs and professionals of the practice of this sport. The rocks are approximately 2 km long and the height ranges between 20 and 130 m.

It also offers spaces for experiences in other types of sports such as mountain biking, rappelling, hiking and caving". All of which encourage tourism in this municipality and are adapted to the expectations and needs of the client on each occasion.

Berselli (2018) indicates that considering that Suesca is highly touristic, even in the elapsed of the year 2021 it is harmed by the peaks of infection of the Covid-19 virus, due to the actions that have been necessary to adopt in the face of the increase in the contagions; national and regional authorities choose to apply measures such as prolonged confinements in order to reduce the spread of the virus among the population, generating a paralysis in the economy and even more in the hotel entities, producing as a consequence of this isolation that visitors or strangers do not arrive at such lodgings and increasing the psychological and economic traumatism of the sector. Taking into account these points, the research question is: What is the financial impact on the hotel entities of Suesca after the Covid-19 pandemic? Currently located Valencia & Morales (2017) on the purpose of responding to the approach the main objective of this study is established which is to analyze the economic-financial impact of the hotel entities of the municipality of Suesca in relation to the pandemic Covid-19. Likewise, a route is established to carry it out, in its first phase the hotel entities of the municipality of Suesca are characterized. Then, we proceed to investigate in the existing publications in electronic media and web pages, the generalities, services, prices and other characteristics that allow a better analysis and detailed understanding of the environment to be studied. Next, interviews are conducted with the managers, owners and administrative personnel of these establishments to clarify and corroborate the information collected. Finally, the financial impact of these hotel entities in terms of continence is made known, as well as the effect caused by the new lodging alternatives in traditional establishments.

Based on the analysis carried out, it is possible to provide a broader view of the financial behavior of the hotel entities that are affected by this situation the planet is going through, in addition to the implications of the drop in sales in services and the actions generated by these entities for their development and sustainability.

On April 1, 2020, UNWTO disseminates a set of recommendations that are the outcome of the World Tourism Crisis Committee. In total, the guide provides twenty-three (23) recommendations, divided into three key areas described below:

Manage the crisis and mitigate the impact: Key recommendations relate to maintaining employment, supporting the self-employed, securing liquidity, promoting skills development, and reviewing taxes, fees and regulations related to travel and tourism. The Recommendations take into account the likelihood of an economic downturn. As tourism is a labor-intensive industry, it will be a sector that will suffer a severe

setback, with millions of jobs threatened, especially jobs held by women and youth, as well as marginalized groups.

Providing stimulus and accelerating recovery: This set of recommendations emphasizes the importance of providing financial stimulus, with favorable fiscal policies, lifting travel restrictions as soon as the health emergency allows, easing the visa regime, boosting sectoral marketing and consumer confidence, among other measures, in order to accelerate recovery. The Recommendations also call for tourism to be placed at the forefront of recovery policies and national action plans.

Preparing for tomorrow: Emphasizing tourism's unique ability to lead growth at local and national levels, the Recommendations call for increased attention to be paid to tourism's contribution to the Sustainable Development Agenda and to strengthening resilience, learning from the lessons of the current crisis. The Recommendations call on governments and private sector actors to develop preparedness plans, and to use this opportunity to make the transition to the circular economy.

The recommendations set forth for the year 2020 by the UNWTO were undoubtedly implemented by the organizations, however, the outlook for the period 2021 is not at all encouraging as evidenced in one of the publications made in March of this year, which stipulates 87% less tourist arrivals in January 2021 in relation to previous years and has proposed two scenarios for these months:

The first scenario indicates a rebound in July, which would lead to a 66% increase in international arrivals by 2021 compared to the historic lows of 2020. In that case, arrivals would still be 55% below those recorded in 2019. The second scenario considers a possible rebound in September, which would lead to a 22% increase in the number of arrivals compared to the previous year. In that case, we would be looking at a figure that would be 67% lower than in 2019.

Based on these reports, the horizon is not very comforting for the tourism sector, due to the fact that at the epicenter of this situation there are financial issues that frame the vision of the income received by the hotel entities and that does not seem to have an end, due to the increase of positive cases of Covid-19.

According to a monthly sample of Castillo-Palacio (2015) "Year-to-date through May 2020, real revenues of Colombian hotels decreased by 42.7% compared to the immediately preceding year" p.123.

This is a real sample of the consequences that Covid-19 has had in Colombia, the definition of economic crisis includes financial problems that within this research highlight the importance of investigating historical facts, policies and strategies that help to reduce the economic commotion that has left this world situation.

Another relevant point is the one presented by Charria, (2016) in the analysis of the Colombian economic regulations of the tourism sector, since the general tourism law is modified and other provisions are issued. Its purpose is to promote sustainability, implement mechanisms for the conservation, protection and use of tourist destinations and attractions,

as well as to strengthen the formalization and competitiveness of the sector and promote the recovery of the tourism industry, through the creation of incentives, the strengthening of quality and the adoption of measures to boost the transformation and opportunities of the sector.

On the other hand, the five (5) aids offered by the National Government for the year 2020 according to the Minister of Commerce, Industry and Tourism, José Manuel Restrepo were: The VAT exemption for all tourist and hotel services until December 31. Secondly, the temporary suspension of the energy surcharge until December of this year in the areas of lodging and theme parks and recreation. Likewise, the elimination of the income tax advance to the tourism sector, including lodging, travel agencies and air transportation. Also, the decision to postpone the parafiscal contribution of tourism, seeking to give cash to this sector that needs it so much for the second half of the year.

Although these measures provide temporary relief to the hotel sector, there is still uncertainty in the medium and long term about imminent bankruptcy. Ruiz et al. (2009) Despite the initiative to contribute to municipal and regional development, the hotel sector in Suesca continues to be one of the main victims, since the measures, restrictions and other measures are detrimental to the operational income of these entities. This is why the establishments that provide lodging services have had to adapt to the new reality, such as providing other types of services in addition to lodging, using electronic media for advertising, applying discount seasons even in periods that are considered high season, all this in order to resist the current situation and whose return to normality is uncertain.

MATERIALS AND METHODS

This research starts with an initial phase where each of the hotels in the municipality of Suesca is identified and characterized, followed by the construction of a database in which the following items are considered: name of the entity, address, telephone number, website, services included, price per night, social networks, languages, innovative aspect, date of creation, number of rooms, opening hours, occupational capacity, type of company, form of payment, check in, check out and number of people that enter per day. These items are defined by consulting different websites such as Booking, Trivago, Atrápalo, co.hoteles, Airbnb, among others. Afterwards, field visits and telephone interviews are made to the entities to confirm that the information provided in the electronic media is true and also to obtain financial data that allow a real approximation of the current situation of these entities and, based on these, to perform the relevant analysis. From these phases, it is established that the research is descriptive with a mixed approach, since it has qualitative components such as the location, description of the scenario, development of the services provided by these entities, innovative aspects that stand out in each of the lodgings and quantitative because it seeks to study the amount of income and losses suffered by the hotel entities of Suesca after the effects of the Covid-19 pandemic. Likewise, it is possible to detect if the

new lodging alternatives have had a financial impact on the traditional hotels, considering the new needs of the client.

RESULTS

The hotel sector in recent years has been growing steadily, but, with the pandemic a condition of isolation was added that leaves it vulnerable, as explained (Portafolio, 2021) "In the running year (2020) from January to December, the record closed at 21.1%, i.e. 35.8% percentage points less than the consolidated previous year (2019), a period in which this indicator had stood at its historical maximum of 56.9%."

Considering that the research is at an initial stage, the most relevant points according to the sample taken are presented below:

- Sixty percent of the surveyed hotels are located near the rocks of Suesca.
- 40% of hotel entities do not have official websites, they are found on third party websites such as Booking, Trivago, Airbnb and others.
- Breakfast service is available in 60% of the accommodations.
- Pets are allowed in 90% of the accommodations.
- 55% of the hotels have WiFi service.
- 5% of the hotel entities surveyed have a fitness center.
- 90% of the accommodations have social networks such as Facebook and Instagram.
- 70% of hotel entities have bilingual staff (Spanish-English)
- Eighty percent of the lodgings surveyed are not part of any hotel chain in Colombia.

On the other hand, the interviews conducted with the managers of the lodging facilities in Suesca, show that:

- There is a reduction in lodging capacity following the Covid-19 pandemic, as in 2019 occupancy hovered between 85% and 95% and by 2020 lodging occupancy was between 25% to 50%, a significant reduction that compromises the revenues of these entities.

In addition, the investigation establishes that more than 90% of the establishments suffered heavy losses as a result of the pandemic, because these establishments were not prepared for prolonged confinement. In addition, temporary road closures and strict quarantines have made it impossible to provide hotel services and losses are increasing along with the spread of the disease.

This is why, considering the new needs of tourists and visitors, most accommodations are opting for a more ecological environment with sustainable activities that help maintain the environment and the surrounding environment. Part of this environmental management project is given by the conditions of the place, specifically a space where

not only recognizes the importance of the land, also raises awareness of the visitor or own to have a sense of belonging and take care of the same way the fauna and flora of the municipality of Suesca. At the same time, the new lodging alternatives such as glamping, bungalows, cabins and others, have contributed an innovative factor to the industry, which is reflected in the bet for better income and a more productive environment in a context of lodging different from the traditional, which to a certain extent increases tourism in the municipality and contributes to economic reactivation.

DISCUSSION

Some of the questions raised by this research are: Will the traditional establishments that fail to reinvent themselves remain in the market? Would the hotel entities resist again three months of absolute confinement? What is the percentage of unemployment in the municipality of Suesca due to the measures implemented in the year 2020? To what extent did the temporary closure of the hotel entities affect the economy of the municipality of Suesca? These are questions that can be part of an investigation and which can provide a perspective to the hotel entities of Suesca and the municipality in general, taking into account that this municipality is highly touristic and these entities are an important source of employment. Likewise, these studies would contribute to the implementation of strategies that could be applied by the establishments to increase their income.

CONCLUSIONS

Hotel entities have suffered because of the Covid-19 pandemic, as evidenced by the fact that their income fell considerably due to temporary closures of access roads to the municipality, curfews and mandatory confinements. The decrease in employment sources because of the sanitary contingency directly affected the population that benefited from this industry. The new lodging alternatives have brought innovations and optimization in lodging services, and the avant-garde vision of these facilities has led to an increase in the number of reservations for this type of lodging. The idea of these facilities is to provide dynamic and sustainable services that allow the development of the hotel business in a more satisfactory way for customers. The national government has implemented policies that help the tourism sector, including hotel entities, to adopt measures such as the temporary VAT exemption for hotel and tourism services until December 31, 2020 (Law 2028, 2020), and economic support to air transportation companies to promote the provision of this service in regions with difficult access and connectivity. Finally, it is established that, being in a first phase, the results of the characterization and the initial analysis of the data collected are disclosed.

In the second phase, a more detailed financial analysis of the entities under study is expected to be carried out.

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