Chapter 3
COVID-19 and the Hospitality Industry:
The Case of Food and Accommodation Sectors in Turkey

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ABSTRACT

The ongoing coronavirus (COVID-19) pandemic and the ensuing public health policy measures to contain its spread have inevitably had profound effects on businesses throughout the world. While the pandemic has impacted every industry in all countries, hospitality is clearly the worst hit. This chapter explores the impact of the pandemic on the hospitality industry by focusing on accommodation and food service businesses in Turkey. By looking at government policies and changes in business activities in these sectors in response to the crisis, the authors discuss the measures policymakers and firms can take to mitigate the devastating impacts of the pandemic. Findings suggest that focusing on creating novel products and processes, collaboration and open innovation, informational and corporate advertising, as well as investment in quality and health security measures and trust building via communication are effective in moving forward with the new normal.

INTRODUCTION

The COVID-19 pandemic has had unprecedented impact on societies all over the world. The pandemic and the measures to mitigate its spread seem to have changed the lives and livelihoods of all people on a global scale. Until a vaccine or a treatment becomes available, the only ways to contain the pandemic remain to be confinement measures such as travel restrictions, lockdowns or curfews and the closure of schools and non-essential businesses.

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While the enforcement of stringent public health measures has helped reduce the transmission of the COVID-19 virus, it resulted in a major disruption of business activities in almost all sectors since those measures restricted the mobility of individuals and the operations of supply chains. From an economic perspective, the pandemic caused both a supply shock and a demand shock. A supply shock is any event that decreases the ability of an economy to produce goods and services, at given prices. Any public health policy measure that prevents the individuals from working may then represent a supply shock. A demand shock is anything that lowers the ability and the desire of individuals to buy goods and services. During the pandemic, firms whose business involved close personal interaction or travel were closed often leading to layoffs in the absence of business revenues. As these jobless individuals lost their incomes, they lowered their spending on goods and services as much as possible resulting in an economic downturn. Hence, the economic downturn caused by the outbreak may be classified as a combination of demand and supply shock.

The economic impact of the pandemic is heterogeneous across sectors. While businesses in some sectors were closed almost entirely (such as hotels), others faced even increased demand (such as groceries in the food retail sector). Clearly, the impact of the pandemic at the sectoral level depends on the degree of personal contact involved in the activities. Brinca et al. (2020) documented that the sectoral impact of the pandemic is a combination of labor demand and supply shocks. As labor demand is derived from the demand for goods, it provides information regarding the change in demand for the good or the service. Using U.S. data for March and April 2020, the authors found that while most sectors received historically large negative labor demand and labor supply shocks, leisure and hospitality were hit the hardest in terms of labor demand and labor supply. On the other hand, the authors also detected that some sectors, such as retail trade, received almost negligible labor supply shocks and even positive labor demand shocks. These findings suggest that labor supply shocks are negatively related with availability of remote working arrangements in the workplace.

Although the priority of policymakers is unquestionably human lives, it is inevitable to consider the economic conditions as the world is now undergoing the most severe recession in nearly a century. Under a single-hit scenario, the world economy is expected to shrink by 6 percent with unemployment rising from 5.4 percent to 9.2 percent in 2019 (OECD, 2020). In the event of a second wave of the outbreak in this year, the decline in economic output is estimated to be 7.8 percent and unemployment is expected to reach 10 percent. Therefore, governments throughout the world have adopted various fiscal and monetary policies targeting firms and households (Elgin et al. 2020; Gourinchas, 2020). As is much repeated, the management of the pandemic in the absence of a vaccine or a treatment involved a tough tradeoff between "flattening the curve" of the epidemic and "flattening the curve" of the recession, causing policymakers in many countries to adopt a gradual lifting of the restrictions (Robalino, 2020). About 3 months after the World Health Organization declared a pandemic on March 11, many governments started to implement a phased reopening of their economies by gradually easing social distancing restrictions. As such, the term "new normal" refers to life after the pandemic and it captures how public life and work environments are reorganized while continuing with social distancing and self-isolation measures.

The first case of COVID-19 in Turkey was announced officially on March 11. Subsequently, public health safety measures including social distancing, curfews, travel bans along with quarantines for returning nationals, and the closures of schools/universities, stores excluding groceries, and entertainment venues were introduced. Turkish economy had grown less than 1 percent in 2019 and was forecasted to grow more than 3 percent in 2020. Although the first two months of 2020 seemed promising, the monthly industrial production index fell by 6.8 percent and 30.4 percent in March and April, respectively.