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Hospitality and Tourism Management

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**Executive Summary**

The COVID-19 pandemic has caused Quest Apartment Hotel Joondalup to lose many business customers. Because the hotel's fixed cost is high, its profit dramatically depends on its efficiency. This may cause Quest Hotel's unsteady cash flow during the epidemic. Moreover, because COVID-19 is a respiratory infection, there is growing concern about hotels' hygiene and safety.

Expanding the commercial market could help Quest Joondalup strengthen its brand image. Moreover, it can be developed in cooperation with the local municipal government development plan because of its location. Quest Joondalup can also take advantage of franchising to reduce unnecessary or upfront expenses, such as reducing inventory levels and reducing the number of full-time employees. All of these can reduce the risk in the operation process. Improving hygiene management is a key development strategy for Quest Joondalup. Improving hygiene management can not only attract but also enhance corporate image and build community reputation. Moreover, a healthy work environment can effectively improve employee retention and well-being. However, improving hygiene management as a long-term strategy still has high costs and slow effects.

Quest Joondalup can thoroughly examine room hygiene using ATP strips, also can use AI and robots to monitor and clean hotels more efficiently.

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## **1. Introduction**

There are three main parts to this report. Firstly, the report will briefly define the issues of Quest apartment hotel Joondalup under this Covid 19 pandemic. Secondly, the report will provide three developing strategies for Quest apartment Joondalup based on their issues. Finally, the report will justify the most beneficial strategy and offer a reasonable and achievable recommendation for the most beneficial strategy for Quest Hotel Joondalup.

## **2. Business Issue**

Before 2019, the hotel industry was booming. According to the WTTC (2020) report, the global hotel industry grew by 3.5% in 2019, exceeding the global GDP growth (2.5%). However, due to the COVID-19 pandemic, governments have implemented a series of restrictions such as border closures and social distancing in response to the spread of the epidemic (Dube et al., 2021). The hotel industry lost many foreign and domestic tourists due to the border and state closures. It has brought a severe impact on the hotel industry. Quest Apartment Hotel, which is one of Australia's most prominent business apartment hotel brands, has also been impacted by Covid 19 (QUEST, 2020)

### **2.1 Losing Customers**

Due to COVID-19, many businesses cancelled business visits that should have taken place in the field and switched to telecommuting (Savić, 2020). It is not only because of the border closure but also to ensure employees' health and reduce the additional cost of the transportation process (O'Brien & Aliabadi, 2020). Quest Hotel Joondalup that mainly target business tourists, lost many business visitors during the pandemic.

### **2.2 High Fixed Cost**

As one of the industries with high investment costs and high fixed expenditure, the hotel industry (Nicolau & Sellers, 2011). Due to many fixed costs, the hotel's operation greatly depends on its income, which leads to the instability of the hotel's income during the change of demand (Graham & Harris, 1999). The epidemic

caused Quest Hotel to lose a lot of customers and revenue. It means that the high fixed cost brings great hidden trouble to the balance of income, expenditure, and cash flow of Quest Hotel.

### **2.3 Hygiene & Safety**

The COVID-19 pandemic has become one of the world's major public health events. Health and safety have become the key to the hotel industry(Jiang & Wen, 2020). As an isolated hotel, Quest Hotel Joondalup bears excellent security and social responsibilities. If the health and safety problems of the hotel occur, the whole hotel will not only be closed for investigation and disinfection but also affect the hotel's brand image and the good impression of the local community (Yu et al., 2021).

## **3. Three Strategies**

### **3.1 Expand Business Cooperation**

According to Bowen and Sparks (1998), effective market segmentation is essential for hotels. The attributes of hotel products will significantly affect buyers' choice of products (Bell & Morey, 1997). Quest Joondalup is positioning itself as a business hotel. According to the data provided in the case's background, business tourists account for 80% of its occupancy rate. In Destination Joondalup, the City of Joondalup plans to attract more business tourists to focus on future development (CityOfJoondalup, 2021). Moreover, as mentioned in the 2017 LOCAL PLANNING STRATEGY, Joondalup plans to promote the downtown area as a significant regional office and the centre of business activities in the northwest sub-region in the future(CityOfJoondalup).

Quest Joondalup should continue to maintain its current commercial market position, maintain and strengthen cooperation with various enterprises, and strive to expand the scope of business partners, such as the business cooperation with Joondalup Hospital. It can significantly reduce customer loss caused by the epidemic and establish the brand image of the business hotel. In the future, Quest Joondalup can sufficiently cater to the development situation of the City of Joondalup by combining its superior geographical location and brand image of a

business hotel to obtain more significant development opportunities (Bohne, 2021). In addition, in the process of expanding business cooperation, Quest Joondalup can conduct public welfare cooperation with local community enterprises, such as Joondalup Hospital's young Australians Cancer project. CSP is essential for corporate image and brand influence. The promotion of CSP not only effectively helps Quest Hotel expand its primary target market (business) but also helps it establish a good impression of the community, thus enhancing its influence on the potential market (residents) (Jamali & Mirshak, 2007).

### **3.2 Reduce Costs Through Franchising**

Franchising is a business model in which a franchisee lends its brand and system to a franchisee in exchange for a fee. Now franchising has become one of the fastest development strategies in the world (IFA, 2020). Although royalty rates are relatively high and agents are subject to strict restrictions. However, a large number of studies have shown that when it is effectively established, it can provide significant competitive advantages for both sides of the franchise, such as sharing excellent financial, human resources and professional management knowledge (Chathoth & Olsen, 2003). Quest Hotel is also a franchise brand. It is imperative and competitive in the pandemic to use the franchising model well to reduce costs. For example, Quest Joondalup can reduce the number of full-time employees, thereby avoiding the risk of high fixed costs. If staff shortages occur, staff can be seconded from other branches.

Quest Joondalup can powerfully penetrate the potential market by taking advantage of the brand's influence because it can reduce search costs for guests (Hayes et al., 2017). Moreover, when one of the hotels reaches cooperation with a particular enterprise, it means that Quest Joondalup has also reached potential cooperation with the enterprise. This can save much money on publicity. Quest Joondalup can make joint purchases with other hotels of the same brand, thus obtaining lower prices by increasing the purchase volume. Furthermore, Quest Joondalup tries to maintain stable cash flow when profits fall short by working with and supporting other branches to minimize unnecessary purchases and backlog.

### **3.3 Hygiene and Safety Management**

Hygiene and safety have always been business tourists' most important concerns (Dolnicar, 2002). The hygiene of hotel products determines business customers' satisfaction and willingness to revisit (Pizam & Tasci, 2019). Delea et al. (2020) indicated in their study that sanitary conditions could have positive effects, such as preventing diseases, or adverse effects, such as causing certain diseases.

As a highly contagious respiratory virus, COVID-19 is undeniably dangerous. The most common route of infection is transmission by droplets from talking to a patient or touching an infected object (Galbadage et al., 2020). The pandemic of Covid19 has led to higher expectations and requirements for hotel Hygiene and safety. According to AHLA's 2020 report, the pandemic has caused consumers to prioritize hygiene and safety over price when choosing a hotel. In the ECOLAB Health Awareness Index report (2020), 97% believe that hygiene is essential when visiting a particular place or using a particular product. Ninety per cent said they were more aware of the importance of hygiene because of COVID-19. Therefore, hotels must pay more attention to the importance and necessity of hygiene than before the epidemic to maximize the positive impact.

A safe and healthy working environment is also crucial for hotel staff. A safe working environment can reduce employee anxiety and psychological stress and improve employee happiness (Lai & Wong, 2020). This can increase employees' participation in work and performance. It can be found that Quest Apartment Hotel Joondalup needs to strengthen hotel hygiene and safety management as the most beneficial strategy.

## **4. Justification**

### **4.1 Weaknesses and Threats.**

The advantages of improving hotel hygiene and safety supervision for Quest Hotel development have been mentioned above. Nevertheless, this strategy also has weaknesses and threats. First of all, hygiene and safety is a long-term development strategy for hotels. The main disadvantage of the long-term development strategy



is that it takes a long time for the effect to emerge due to significant investment in early operation (Cvelbar & Dwyer, 2013). Upgrading hygiene supervision equipment will require a lot of money and resources, such as new hygiene and safety training for staff and new cleaning equipment. As mentioned above, due to the impact of the epidemic and the characteristics of high fixed expenses in the hotel industry, the hotel's cash flow has become highly dependent on profits during the period of operation downturn. It is hazardous for hotels to export considerable resources when low profits (Graham & Harris, 1999). Moreover, because Quest is a franchise model, one of the disadvantages of the franchise model is that franchisees and franchisees have different views on long-term and short-term goals because the risks faced by franchisees are often lower than those of franchisees (Chathoth & Olsen, 2003). Since Quest Joondalup is now operated directly by the brand, it is more suitable for long-term development strategy. However, other franchises run by franchisees may be more mindful of profits during the pandemic.

## **4.2 Opportunities & Advantages**

### **4.2.1 Short Term Return**

However, the opportunities and advantages of improving hygiene supervision for hotels far outweigh its weaknesses and threats. In the short term, hygiene management beyond guests' expectations will directly improve guests' satisfaction and impression (Vos et al., 2019). This has dramatically strengthened Quest Joondalup's relationship with its partner companies. Its partner companies will be more willing to cooperate with Quest Joondalup actively. Furthermore, when Quest first introduces new sanitation technologies and equipment, local news and media will cover it positively. Quest has access to a lot of influential media coverage.

### **4.2.2 Long Term Return**

As mentioned above, people's awareness of hygiene has improved due to the pandemic in terms of long-term development. Therefore, it is necessary to establish a corporate image related to hygiene quality in the epidemic situation (Schulz & Omweri, 2018). Not only are other enterprises willing to cooperate with enterprises with a positive image, but local governments and communities will also pay more

attention to them and get closer to them. Second, hygiene regulation improves the safety and well-being of employees at work. In addition, the hotel carries out more in-depth training for employees to feel that the hotel attaches importance to their career path and safety, thus increasing their participation in work (Khan & Abdullah, 2019). Moreover, employee retention is essential for the long-term operation of the hotel. Because employee retention not only reduces the cost of training new employees but also perpetuates corporate culture and knowledge (Kundu & Lata, 2017). Because of the pandemic and its highly contagious nature, hotel staff are high-risk occupations. Hotels need to make their employees feel safe with their friends and family. This is the best way to retain employees. Finally, Quest Joondalup's position in the whole brand will rise as Quest Joondalup becomes a new hygiene technology pilot for the Quest brand. The brand will tilt a lot of resources and publicity towards it to gain further development and promotion opportunities.

## **5. Recommendations**

### **5.1 ATP Detection**

At present, visual inspection is the primary method to check the cleanliness of a room. However, a visual inspection can only detect the cleanliness of a room but cannot check its cleanliness (Nitschke & Frye, 2008). Moreover, the presence of microorganisms on the surface of the room was not visible. Through research, Almanza et al. (2015) found that visual is not enough to ensure the cleanliness of guest rooms. ATP is a test that can detect microorganisms in water and on surfaces (Park et al., 2019). ATP is often used to measure cleanliness in medical and food services. The advantages of ATP are instant results, low cost and easy training (Hammons et al., 2015). Hotel management can test the rooms through ATP and let guests know the test items and results.

### **5.2 Artificial Intelligence & Robotics**

Because COVID-19 is highly contagious, artificial intelligence and robotics are rapidly moving into the hospitality industry. Quest uses robotic robots to clean and disinfect hotel rooms or help hotel staff quickly clean. Moreover, the robot can

monitor the cleanliness of the high traffic to remind the cleaning staff. Hotels can also use AI for data collection and analysis. According to Sipior (2020), the development direction of AI in the hotel industry will predict and warn about infectious diseases by analyzing real-time data.

However, adequate publicity is as crucial as practical measures. Hotels need to inform customers and the public about the measures they take, the equipment they cite and their advantages. Only in this way can excellent benefits be obtained in the shortest time (Batinić, 2015).

## **6. Conclusion**

This report analyzes Quest Apartment Hotel Joondalup in the context of the pandemic and finds that it has lost customers, high fixed expenses and hygiene problems. The report proposes three development strategies to address these three issues. The first strategy is to expand its business cooperation through market segmentation further. The second strategy is to reduce costs through franchising. The third and most beneficial strategy is to improve hotel hygiene management. Hygiene management as a long-term strategy may lead to a shortage of cash flow for the hotel. However, its advantages far outweigh its disadvantages. The epidemic has made people pay more attention to hotel hygiene. Improving hotel hygiene can enhance corporate collaboration, community goodwill, brand image and employee well-being. The report makes two recommendations based on the hygiene strategy. One is for hotel supervisors to use ATP strips for microbiological testing in guest rooms. The second point is that hotels use robots and AI to monitor, alert and deep clean hotel hygiene.

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FINAL GRADE

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GENERAL COMMENTS

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