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Surviving COVID-19: A Malaysian Hotel and Tourism Industry Perspective.

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With Covid-19 hitting almost all the countries in the world, the industry which has been highest hit has been the travel industry as well as the hospitality industry. If we look at the Asian context Malaysia has been the country with the highest growth in Covid-19 cases in Southeast Asia. In this article we analysed and extracted a gist of the writeup released by Malaysian Association of Hotels (MAH) and see how they have assessed the situation and what changes they think would be required to survive this global pandemic.

BUSINESS IMPACT

As soon as China announced lock-down on the 26th of January 2020 direct booking cancellations started pouring in Malaysia followed by bookings from travel and tour agents. Even domestic travelers from neighboring countries started asking for direct cancellations which caused a high loss in revenue for Malaysian hotels.

According to the initial number of cancellations as much as 75-million-ringgit worth of losses and 195 thousand room nights have been lost in Malaysia. These numbers do not include cancellations for conferences meetings and events and other F&B losses. Most of these losses were based in the capital city of Kuala Lumpur and tourist destinations like Penang and Langkawi.

This drop in demand is estimated to last for the whole of 2020 which would translate into very high expenses for 4 and 5-star hotels due to overhead and operational expenses and even harder for survival of smaller hotels in Malaysia. According to Malaysian Association of Hotels by the end of April when the

MCO order may be lifted the Malaysian hotel industry may have suffered a loss of nearly 1.5 billion ringgit.

MOVEMENT CONTROL ORDER (18 March onwards)

The movement control order came into place on the 18th of March for a period of 14 days but has been extended till the 28th of April as of now. This has been done to flatten the curve of the spread of the coronavirus and give breathing space (literally and figuratively) for the Malaysian health authorities to treat the spread of the virus.

After initial confusions within the hotel industry regarding having local and foreign guests the situation has been cleared now and hotels are allowed to serve stranded local and international guests who are long-term residents off the hotel and who checked in before the MCO order was implemented. The food and beverage service are allowed only in room service and restaurants within the hotel are closed for dine-in guests.

LOSS OF DEMAND

According to the survey of Malaysian Association of hotels they are looking at losses in demand till at least October after which the Malaysian hospitality industry may slowly gain room occupancies and only be able to make profits two months after that. they estimate that the average room occupancy from June onwards maybe around 25% only.

LOSS OF REVENUE

By comparing the 2019 results with the present market scenario estimates Malaysian Association of Hotels say that the industry is looking at around 3.3 billion ringgit worth of loss in revenue by June 2020. With such losses looming the industry is looking at various ways to cut costs and minimize their losses.

EMPLOYMENT

According to Malaysian Association of Hotels, payroll related costs are one of the highest costs for a hotel and make up nearly 25% off the expenses off budget hotels 32% of mid-range hotels and 29% of high-end hotels this is around 1/3 of all the total expenses which hotel faces and the decisions for retaining or terminating staff is something many hotels have been contemplating since the lock down.

As of 20 March 2020, MAH's survey Shows that 9% of hotel employees were already given pay cuts, 17% have been sent on unpaid leaves and 4% have been laid off.

WAGE ASSISTANCE

The government of Malaysia has introduced employee retention program ERP by which employees who get less than 4000 ringgit per month are given 600 ringgits for a pay period of six months through the employers. To qualify for this, employees had to be placed under unpaid leaves for minimum 30 days in a month. Subsequently the Malaysian government also came up with a Wage Subsidy Program where in they give 600 ringgit per month for a maximum duration of six months to 200 employees especially from the small and medium enterprises (SMEs) Who suffered 50% losses in revenue since January 2020.

ECONOMIC STIMULUS

During the early stages of the spread of the virus the government introduced the first economic package where they give 15% discount on electricity for tourism-related industries like hotels, travel agencies,

airlines, shopping malls, theme parks and convention centers. Following this the Malaysian government also announced exemption of service tax to hotels for six months till the end of August 2020 and digital vouchers of 100 ringgit for all Malaysians along with personal income tax relief of 1000 ringgit for expenditures on domestic tourism.

The government also introduced a series of soft loans from commercial banks for businesses and gave exemption for HRDF contributions to all industrial sectors. Despite multiple stimulus packages offered by the government, the hotel and tourism industry feel they have not been given special focus for recovery.

Are these stimulus packages and assistance given by the government enough for the hospitality industry to get over the economic impacts or is there more that can be done? This is a question that the hospitality professionals across the world are facing with their own local markets. The only way the industry can tide over this pandemic is by working together with each other and sharing data, suggestions and solutions with each other not just within their own country but with the industry professionals across the world.

NOTE: This is part one of a two-part article on analyzing the Malaysian market. In the second part we will discuss the suggested changes by Malaysian Association of Hotels and discuss whether the same can be applied to the Indian market. We will also discuss how Malaysian hotels have been used as quarantine centers for COVID-19 cases and compare the Malaysian initiatives with the Indian government's initiatives. We would also like to thank Malaysian Association of Hotels for sharing their opinions with the industry professionals in Malaysia.

The second part of this article: [Solutions for Surviving COVID-19: A Malaysian Hotel and Tourism Industry Perspective.](#)

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