

## HOSPITALITY INDUSTRY: BEHAVIORAL ECONOMICS AND PSYCHOLOGY OF COMMUNICATION IN COVID-19 ERA

### ІНДУСТРІЯ ГОСТИННОСТІ: ПОВЕДІНКОВА ЕКОНОМІКА ТА ПСИХОЛОГІЯ КОМУНІКАЦІЙ У ЕРУ COVID-19

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*The purpose of this study is the identification of different aspects of the further development of Hospitality Industry in the context of new economical, psychological and social conditions. It has been found, that the real situation in the world is much worse than official statistics available from national governments. All possible impact on the global economic environment will be much more sophisticated than only simple short-term reducing economic activity. Media are sending a strong message for potential clients and investors of the Hospitality Industry, and label it as "The danger's territory". Extrapolation and systematization of risk factors have been performed from different sources. It has been concluded that the industry should begin developing communicative strategy and informational company based on the behavioral psychology of pandemics with unification and standardization of all business processes for reducing risk factors.*

**Key words:** hospitality Industry, COVID-19 era, communicative response, behavioral psychology of pandemics.

Целью данного исследования является выявление коммуникативных аспектов раз-

вития индустрии гостеприимства в контексте новых экономических, психологических и социальных условий. Выяснилось, что реальная ситуация в мире намного хуже официальной статистики национальных правительств. Воздействия на глобальную экономическую среду будут гораздо более сложными, чем простое краткосрочное снижение экономической активности. Средства массовой информации посылают сигнал потенциальным клиентам и инвесторам индустрии гостеприимства и обозначают ее как «территория опасности». Были выполнены экстраполяция и систематизация факторов риска, взятых из различных источников и сделан вывод о том, что в отрасли следует начать разработку коммуникативной стратегии и информационной компании на основе поведенческой психологии пандемий с унификацией и стандартизацией всех бизнес-процессов для снижения факторов риска.

**Ключевые слова:** индустрия гостеприимства, эпоха COVID-19, коммуникативный ответ, поведенческая психология пандемий.

Мета цього дослідження – виявлення стратегічних аспектів подальшого розвитку готельно-ресторанного бізнесу в контексті нових економічних, психологічних та соціальних умов. З точки зору наших досліджень ми розглядаємо індустрію гостинності, на яку впливають різні фактори пандемії двома наступними способами. По-перше, це прямий вплив економічних факторів. Друге – психологічні фактори. З цієї точки зору головною метою нашої роботи була систематизація та вдосконалення деяких основних елементів психолого-економічної комунікативної стратегії в індустрії гостинності. Ми також вважаємо цей фокус нашої уваги дуже актуальним через реальний негативний економічний вплив смертельної спалаху COVID-19. Широка стурбованість шкодою для світової економіки базується не тільки на просто економічних факторах, таких як торговельні обмеження чи можливі збитки робочої сили. В першу чергу у наявному інформаційному середовищі реалізуються психологічні фактори (фобії та побоювання) групові та масові психологічні фактори (різні демонстрації істеричної чи панічної поведінки, расизм) та різні політичні та поведінкові обмеження (заборони на поїздки та інші обмеження). Встановлено, що реальна ситуація у світі набагато гірша, ніж офіційна статистика національних урядів. Попри це, як внутрішня так і зовнішня основи регулювання повинні використовуватися у для оцінки ризиків за надійною науково-методичною методологією. Була проведена екстраполяція та систематизація факторів ризику з різних джерел. Зроблено висновок, що в час цієї фундаментальної кризи галузь повинна почати розробляти набір підходів до уніфікації та стандартизації всіх бізнес-процесів для зменшення факторів ризику. Комунікативна стратегія з таким розвитком повинна бути надійною інформаційною компанією, що базується на поведінковій психології пандемії. Раніше, до появи COVID-19, основною відмінністю в індустрії гостинності був рівень комфорту для гостей або мандрівників з відповідним рівнем вартості. В епоху COVID-19 до цього показнику буде додано рівень епідеміологічної безпеки. Комунікативна відповідь повинна базуватися на уніфікованій та стандартизованій системі, яку можна перевірити за допомогою аудиту.

**Ключові слова:** Індустрія гостинності, епоха COVID-19, комунікативна реакція, поведінкова психологія пандемії.

**Formulation of the problem.** At the beginning of our work, we need to state, that this article has been accomplished in March 2020, when deadly COVID-19 outbreak has already hit China and started to spread throughout the Global World. According to WHO, disease outbreak is the occurrence of disease cases in excess of normal expectancy [1]. The significant resonance and public attention to this thread have been grown exponentially from the beginning of 2020. Economically speaking, the new coronavirus has become a short and long term factor, which in a worst-case scenario can trigger a global economic crisis, financial collapse, and large-scale bankruptcy. Although, these negative perspectives are very serious and disturbing enough, we will focus our attention on the principal impact of such pandemic on the world's economic environment and Hospitality Industry.

**Analysis of recent research and publications.** For purposes of properly representing an expert's assessment, expectations and forecast, and also for modeling informational environment from a position of an external observer, we can mention only very few news article's titles, from hundreds or possibly thousands, those that become available at the time of writing the paper:

The Telegraph: «Coronavirus impact will be bigger than trade war»;

South China Morning Post: «Forget Sars, the new coronavirus threatens a meltdown in China's economy»;

The Street: «With nearly 70 000 infections worldwide, coronavirus continues to baffle experts»;

ABC News: «Coronavirus has a second wave of economic terror, disrupting business supply chains and revenue»;

The National Interest: «Coronavirus proves one thing: China's rise is built on quicksand»;

Business Stuff: «Coronavirus: Hundreds of tourism jobs lost and fears more at risk»;

CNN: «Why stocks keep moving higher. And higher. And higher.» (Why do stocks continue to rise in the face of anxiety, out the coronavirus?);

Zero Hedge: «Tankers, Tankers. Everywhere!»- Virus causes historic 'Traffic jam' across Asian supply lines»;

Barron's: «The Dow Dropped 270 Points Because Coronavirus Is Spreading Outside of China»;

Reuters Singapore: «Dollar dominates as investors dump yen, Asia currencies on coronavirus spread»;

CNN: «Coronavirus outbreak to cost airlines almost \$30bn»

Bloomberg Opinion: «The Economic Hit From Coronavirus Is All in Your Mind» (Psychology can be more powerful than facts when it comes to the impact of an epidemic.)

As we can see, the widespread concern about damage of the world's economy is based not only on simply economical factors, such as trade restrictions or possible damage for the workforce. In the first place with this informational environment going psychological factors (phobias and fears) group and mass psychological factors (different demonstration of hysterical or panic behavioral, racism) and different political and behavioral restrictions (travel bans and other restrictions).

**Aim and actuality of the problem.** From perspectives of our further research we will consider Hospitality Industry affected by different factors of the epidemic in two oblivious ways:

1. The first way is the direct impact of an economical and much more material factors. These types of influences are historically predictable, reasonable and understandable. Repeatedly using different economical and mathematical models with large-scale databases, scientists all over the world and different experts are making forecasts and analyzing different aspects of the Hospitality Industry. For example, in 2010, the World Bank presented a complete calculation of economic losses from Zoonotic Diseases (that is transmissible from animals to humans) for all history of Zoonotic Diseases available on those time. Economic costs and Income loss were carefully calculated in detail for 10 epidemics of Zoonotic Diseases. Using the World Bank's «One World, One Health a Strategic Framework (OWOH)», it becomes confirmed that Zoonotic Diseases have major economic impacts. The emergence of BSE, SARS, H5N1, and influenza A(H1N1) have caused over 20 billion USD in direct economic losses over the last decade and much more than 200 billion USD in indirect losses [2].

2. The second factor's family is the clear reasonable and sometimes unreasonable psychological factors.

We should declare, that under such psychological factors we understand a nonmaterial and sometimes nonrational impact on Hospitality Industry, such as mass panic or psychosis, phobias and so on. In his prophetic book «The Psychology of Pandemics: Preparing for the Next Global Outbreak of Infectious Disease» researcher Steven Taylor describes how people cope or react to the threat of pandemic infection. It is also interesting, that in the context of psychological reactions to pandemics he uses the concept of the behavioral immune system [3].

From these perspectives, the main aim of our work is systematization and improvement of some basic elements of psychological and economical communicative strategy in the Hospitality Industry. We consider it will be possible with systematization, generalization, and adaptation of the psychological factors to the purpose of this development. We also consider this focus of our attention as actual because of the real negative economic impact of deadly COVID-19 outbreak that already have a place.

But why are these unreasonable psychological factors so important, that we consider them equal to factors, which are truly rational and understandable? Why are emotional reactions to threats of harm, loss, and change so destructive? Maybe because psychological reactions on the world's pandemic are inevitable among average unprepared people, who are potential and actual clients or even staff working in the Hospitality Industry. It is in human nature to react to such stresses. In these conditions timely prevention, adaptation merger for dealing with the novel coronavirus outbreak is urgently needed. And from this point of view, it is becoming the question of survival for the Hospitality Industry.

**Results.** At the time of writing the article, complete informational reports and real-time monitoring with comparison and forecast for the situation with the outbreak become available in WEB. Although much of the resources had been created as news providers, we should differentiate the most trustful one from dozens of different online tools:

- WHO Situation reports [4];
  - Centers for Disease Control and Prevention (CDC) COVID-19 Situation Summary [5].
- In addition, dozens of online maps for monitoring spread the outbreak become available. For example:
- Online dashboard from Johns Hopkins uses CDC and WHO data to track the outbreak in real-time [6];
  - Dr. Edward Parker, The Vaccine Centre, London School of Hygiene & Tropical Medicine [7];
  - Health Map [8];
  - Coronavirus application [9].

Scientist Inan Dogan [10] has proposed an interesting methodology. His statistical model is using coronavirus' fatality rate for calculating a more precise amount of infected people. According to this methodology, «only one out of every 200 to

500 infected people will die from the new coronavirus. This also means that if we see 10 deaths in a country due to the coronavirus, it is safe to assume that between 2000 and 5000 are already infected with the virus.» So as of February 29, between nearly 500 000 and over 1 million Chinese nationals infected with COVID-19. In this time, officially only 79394 confirmed cases were reported.

With these calculations it is safe to assume, that real situation in the world is much worse than the official statistics available from national governments. WHO Situation Report No. 40 is showing 85403 confirmed cases of infected people. Using 200/1 and 500/1 proportion we can calculate, that 0.584–1.46 million people have been infected globally. Report No. 72 is showing 823626 confirmed cases of infected people with 40598 deaths. Using our proportion we can calculate, that 8.12–20.3 million people have been infected globally. In addition, from these large-scale perspectives in any circumstances, all possible impacts on the global economic environment will be much more sophisticated when only simple short-term reducing economic activity.

As we can see, people all over the world are experiencing strong psychological pressure. In addition, if it is not enough to provoke destructive impact on the International tourism and Hospitality Industry, additional special pressure from this sort of news:

- The Guardian. The Observer: Hospitality sector calls for emergency coronavirus support (Fear of catching COVID-19 in busy places has led to a 7% drop in sales in London bar and restaurants);

- San Francisco Examiner: Coronavirus cancellations, closures hitting hospitality and restaurant industries hard (Businesses plan to ask city government for economic stimulus package to help them survive crisis);

- Houston Chronicle Business: Coronavirus fallout gives Houston's hospitality industry the chills;

- The Wall Street Journal: Coronavirus Slams U.S. Hotel Industry's Global Operations (Biggest brands like Marriott, Hyatt report declines in Asia businesses; Hilton says outbreak could hurt full-year earnings);

- BBC News: Coronavirus: Hospitality industry losses 'in hundreds of thousands';

- Business Day: Coronavirus gives hospitality industry the jitters (Travel and big events look set to slow down as virus takes its toll);

- Bloomberg. Business: Hotel Owners Face Reality of the Spreading Coronavirus Outbreak.

These media are sending a strong message for the potential clients and investors of the Hospitality Industry, and label it as «The danger's territory».

In these extremely sophisticated conditions, Hospitality Industry management must respond instantly on the challenges of the times. As we have said earlier main focus of attention for this response should be consideration of psychological factors.

Very interesting Mental Health and Psychosocial Considerations During COVID-19 Outbreak was published by World Health Organization on March 12 2020 [10]. We consider the following advice the most useful out of 30 of them: «Minimize watching, reading or listening to news that causes you to feel anxious or distressed; seek information only from trusted sources and mainly to take practical steps to prepare your plans and protect yourself and loved ones. Seek information updates at specific times during the day, once or twice. The sudden and near-constant stream of news reports about an outbreak can cause anyone to feel worried. Get the facts; not the rumors and misinformation. Gather information at regular intervals, from WHO website and local health authorities platforms, in order to help you distinguish facts from rumors. Facts can help to minimize fears». It is important, that staff of the Hospitality Industry in all diapasons of possible specialties also have a lack of knowledge in coping with infectious diseases. This staff also is experiencing anxiety, fear, emotional distress. Therefore, we think that, first of all. There should be the development of some kind of Informational politics in the Hospitality Industry targeting all subjects of hospitality processing. This Informational politics must be based on the consideration of the main risk factors and threads of current and forecasting pandemic situations and to be based on behavioral psychology's point of view. Only properly developed risk evaluation on reliable evidence-based scientific methodology must be used as internal and external source of regulation.

After extrapolation and systematization these risk factors form different sources, we have the next list:

- The infrastructure of Hospitality Industry (hotels halls and transportation units for example), is often closed or crowded. In these conditions it is sometimes difficult and even impossible to maintain social distance due to objective reasons. It is not an imaginable and absolutely real thread for health and even lives of travelers, guests and staff of Hospitality Industry, which are causing deep psychological impact on potential clients of the Industry. «People who are highly anxious about being infected typically to great lengths to protect themselves. This may involve avoidance of infection-related stimuli, including people, places, and things associated with disease [3]»;

- The guests of Hospitality Industry in such stress conditions as current pandemic situation cannot evaluate properly and differentiate specific Hospitality Industry risks;

- The staff working in Hospitality Industry has not been notified of factors that may increase the risk and outbreak and have not been trained to work within such pandemic conditions. Working on the «first line» for this staff can cause psychotic experiences, be traumatizing and even contribute to symptoms of PTSD;

– The whole infrastructure of Hospitality Industry is not designed to the standards for isolation against infectious respiratory disease, it is equipped with special devices;

– It is difficult and sometimes impossible for clients (guests) to accept and cooperate with self-isolation measures for cutting off the respiratory infection route in time.

**Conclusion.** All these risk factors require the development of new approaches such as radical measures with social distancing. Some from these measures for combating the virus can be temporary but some changes can stay permanently. In the time of this fundamental crisis, the industry should begin developing a set of approaches for the unification and standardization of all business processes for reducing risk factors. Communicative strategy with such development should be a reliable informational company based on the behavioral psychology of pandemics.

Previously in the pre-COVID-19 era, the main differentiation in the Hospitality Industry was level of comfort to guests or travelers with appropriate cost equivalences. In the COVID-19 era, it additionally will be an epidemiological safety level. The communicative response should be based on a unified and standardized system that can be verified with some form of external audit.

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