

State, Cristina; Popescu, Dan

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GOOD PRACTICES FOR OVERCOMING THE IMPACT OF THE SARS-CoV-2 CRISIS ON THE HoReCa INDUSTRY

Cristina State¹ and Dan Popescu^{2*}

^{1/2)} Bucharest University of Economic Studies, Bucharest, Romania

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Abstract

The pandemic crisis of SARS-CoV (Severe Acute Respiratory Syndrome Coronavirus) -2 has profoundly and often dramatically changed our lives. In this paper we have proved that, despite all the vicissitudes, one of the sine qua non conditions for success is the dynamic and constructive adaptation of any entrepreneur to the new conditions of existence. Especially since, perhaps, no other area of activity has been so deeply and severely affected as that of the hotel, restaurant, and cafe (catering) industry, briefly called HoReCa. Our study first addressed several aspects of the diversity of shifts and characteristics of the HoReCa industry during the SARS-CoV-2 pandemic crisis, both in the country and abroad. We have presented below some of the most important challenges faced by the management of the HoReCa industry units, as well as some proposals capable of bringing adaptability and sustainability to the development of this vital area for any economy. In the final part of our study, we revealed a series of good practices proving the relevance and viability of the measures taken.

Keywords: SARS-CoV-2 pandemic crisis, HoReCa, management, changes, good practices.

JEL Classification: L25, L83, M16

* Corresponding author, **Dan Popescu** – e-mail: dan.popescu@man.ase.ro

Authors' ORCID:

Cristina State: orcid.org/0000-0002-1514-9831

Dan Popescu: orcid.org/0000-0001-7164-9155

Introduction

As demonstrated, crises deeply affect the personal development of each of us. In particular, with its global expansion, the crisis of SARS-CoV-2 has had a major impact on the hotel, restaurant and coffee shop industry (HoReCa), which has been at the heart of implementing unprecedented restrictive measures but proved to be essential to the effectiveness of all actions aimed at flattening the pandemic epidemic curve (Foroudi, Tabaghdehi and Marvi, 2021). In our study, we aimed to formulate a series of viable proposals, able to give sustainability to the specific activities and the greatest profitability in this area put to the hard test by the pandemic of SARS-CoV-2. The introduction of a considerable number of actors in the HoReCa industry in technical unemployment, as well as the temporary or definitive cessation of the activity of some operators in this area, added to the change of many of the customers' preferences. And what seemed unimaginable or hard to conceive just a few months before the onset of the pandemic became perfectly possible and also manageable. Although the only certainty during the pandemic crisis was the uncertainty, given the existing good practices in the field, we have also proposed several potential directions for recovery of the HoReCa industry, in the national context so favorable to a new paradigm. Giving up the defeatist attitude that still takes, as if too many operators in the HoReCa field in Romania, we wanted, through this paper, to propose a different way of thinking and acting, promoting, as a priority, optimism, professionalism and new in addressing and solving real challenges that stand before any performant manager and creating his strong desire to be the winner. Even more so, we were strongly motivated by the reality that, in the face of a multitude of new challenges and opportunities, the time has come to make the transition to theorizing practice. Respectively, let us prove that the maximum adaptability and mental flexibility of the HoReCa industry unit management will facilitate the transposition of some elements of practice into new concepts and theoretical-methodological notions. This way, we make it possible to give up a "traditional" way of thinking, according to which we were forced to implement theoretical elements in more or less conjunctural events. Events that are often characteristic of an increasingly turbulent, unpredictable, and favorable environment for a natural selection in which not necessarily the most financially powerful will win. Receptiveness and maximum adaptability to the new shifts in the HoReCa industry. As a result of the effects of the SARS-CoV-2 pandemic crisis, such as sensitivity, empathy, professionalism, and deontology proven in designing and carrying out actions aimed at introducing the new are just some of the coordinates that, in our opinion, are called to characterize the way of thinking and acting of entrepreneurs and managers in the hospitality field.

Finally, the scientific management of the changes generated by the SARS-CoV-2 pandemic crisis imposes the maximum adaptability of the HoReCa industry to what was certainly and still is a huge *touchstone*, which quickly turns into an excellent opportunity for redesigning and restarting the profile activities in the hospitality industry. Within this framework, efforts must be concentrated and harmoniously correlated for a more predictable, viable and sustainable future, adapted to the increasingly surprising shifts for each of us.

1. Shifts and characteristics of the HoReCa industry during the SARS-CoV-2 pandemic crisis

Numerous researches have addressed most of the events generated by natural disasters, terrorist attacks and various types of crisis. However, very few studies were dedicated to public health crises (Shapoval et al., 2021). This is, for example, the case of the SARS-CoV-2 pandemic crisis, which has upset the life of the entire planet and which, in 2020 alone, in only 31 countries, caused the loss of over 28 million lives, more than five times more than those associated with the 2015 seasonal flu epidemic (Islam et al., 2021).

The deepest shifts were produced by the SARS-CoV-2 pandemic crisis in the specific activities of the HoReCa industry, in the context in which it contributes almost 5% to the Gross Domestic Product of Romania and provides more than 4% of the total employees with individual labor contract at national level (Popa, 2021). Practically, in the case of HoReCa activities, the binomial dilemma of “working to live or living to work?” almost instantly turned *living* into *surviving*. It is quite obvious: those who survived the pandemic are confronted with a “dark” period through equally confusing consequences, during which social distancing and isolation, associated with the bankruptcy of more than 30% of the companies and with about 3 billion lei lost due to various restrictions, managed to completely upset this field of activity (Marinescu, 2021).

The major shifts caused by the SARS-CoV-2 pandemic crisis in the HoReCa industry have had the direct consequence of changing the consumption preferences of the population. Thus, as the data of the National Institute of Statistics reveal, at the level of 2020 the expenses for HoReCa have reached a minimum of 0.5% of the average monthly income on a household, amounting to slightly more than 5.4 thousand lei (INS, 2021). Also, specialized studies have revealed that, globally, 43% of consumers said that they do online shopping more often than before the pandemic of SARS-CoV-2 (Plaster, 2021). Consequently, as an effect of the SARS-CoV-2 pandemic crisis, Romanians ate less outside their homes, being forced and even preferring to use online orders. The implications were multiple. Thus, on the one hand, there has been an increased interest in take-out options and/or in the use of home delivery services. They proved more effective and preferable to cooking food in your own kitchen. As dining at home or at work has become more convenient and comfortable. At the same time, the reorientation of the population's consumption preferences towards food products produced in restaurants and delivered *at the door* imposed as necessary the dynamic adaptation of the operators in the HoReCa industry to the new context, saving many entrepreneurs from bankruptcy.

Equally, many of those who lost their jobs as a result of reorganizing their fields of activity and moving to work at home or who wanted to obtain additional income have adapted quickly and become either employees of home delivery firms or – why not? – even initiators of such business in the HoReCa industry. The reorientation, reorganization, redesign and even the restart of the specific activities of the hospitality sector have become major challenges both for the managerial and business processes reengineering of the profile units, the change imposing new strategic options, much better adapted to the turbulent and increasingly less predictable environment. Also, in the context in which the dynamics of adaptability to the new requirements imposed to the HoReCa industry by the pandemic of SARS-CoV-2 has registered a size never before seen, only those who proved able and managed to make the most of the opportunities offered to update and improve the skills specific to information and communication technology (IT&C) remained in the field.

2. Literature Review

Specialists have revealed that the immediate impacts caused by the pandemic of SARS-CoV-2 on the HoReCa industry were devastating for both businesses and human resources in the field (Baum et al., 2020). Successfully overcoming the negative implications of the pandemic crisis is only achievable if there is, in the given cultural context, social cohesion and cooperation between all hospitality professionals (Gkoumas, 2021), which are corroborated with governments' efforts to create environmental conditions conducive to the sustainability of healthy and intelligent organizations, able to adopt proactive measures that ensure the welfare of all employees (Bhrammachote and Sawangdee, 2021). The management of the HoReCa industry units has the mission to ensure, with the major increase of the trust of human resources in the values proper to the organizational culture, the reduction and even the elimination of anxieties, fears and threats to the health and safety of the workplace, all these generated by the devastating effects of the pandemic crisis that we are going through today (He et al., 2021). Especially since the professional satisfaction of the employees in the HoReCa field is affected positively by motivation at work and negatively by burnout (Silva et al., 2021).

Given that business failure rates in the hospitality industry recorded an exponential dynamic, their franchising exerted a significant favorable impact and facilitated better understanding of the foundations of knowledge management implementation (KM) in the face of the pandemic outbreak of SARS-CoV-2 (Hsieh et al., 2020).

An extremely important role was played, for the restart and even success of some businesses in HoReCa, discussing, on the occasion of various profile events, those that occurred during the SARS-CoV-2 pandemic crisis. Thus, storytelling favored and facilitated enormously, as a true *cornerstone* (Karzen and Demonja, 2020) the overcoming of some critical situations, difficult to overcome. Case studies and experiences were shared by managers through the storytelling events in the field of HoReCa, depending on their expertise, contributing fully to the creation of opinions and to the adoption on scientific basis of decisions essential to the future of the hospitality industry. First of all, the cohesion needed to build confidence in a much less predictable future was created, promoting innovative approaches, with both theoretical and managerial implications, by accepting and improving the technologies applicable during health crises (Kim et al., 2021). Secondly, collaboration and cooperation in various joint actions have been enhanced, encouraging and facilitating supervisory processes capable of providing safety to HoReCa customers (Robina-Ramirez et al., 2021).

In other news, the restrictions, both on travel and on direct networking, imposed specific measures, so that the pandemic was kept in full control and its effects were as bearable as possible for the workers in the HoReCa industry. The tendency of some entrepreneurs to force their employees to accept unpaid holidays had to be tempered (Lai and Wong, 2020), especially as hospitality activities, perhaps more than any other, have a major labor shortage. Not to mention that policies and strategies of employee retention (Szentesi et al., 2021) are still neologisms for many entrepreneurs, especially for small and medium-sized ones. However, the perspectives are encouraging, especially considering that the perceptions of the students who are going to graduate in specialized studies are increasingly changing from production-oriented activities to those that ensure an increasing diversity of hospitality services. And this requires universities to take measures and actions to improve

the self-efficacy of future graduates so that they are more and more able to maintain their career commitments (Lee et al., 2021).

A special consequence of the effects of the SARS-CoV-2 pandemic crisis was a severe reduction in the size of some activities aimed at ensuring economic sustainability by the management of the HoReCa industry units. In this context, the correct and real identification of the perceptions of the hospitality entrepreneurs regarding the directions to be followed, the measures and the governmental strategies operable according to the lessons learned after the blocking of the activities in the HoReCa industry, combined with the resilience in the face of the future are important points of reflection and constitute absolute priorities for the strategic management of the changes in the hospitality field (Madeira, Palrao and Mendes, 2021). Especially because, as experience proves, individuals with higher emotional intelligence (EQ) tend to do much more proof of knowledge sharing behavior, being more likely to disseminate them organizationally (Cetini and Karakas, 2021).

The panic and the chaos of the business in the HoReCa area led to the adoption of profound structural changes that, however, rarely, have encountered the resistance of many entrepreneurs, especially the elderly and those for whom the adaptability to the new are real dangers that can profoundly alter the area of their own comfort (Neise, Verfurt and Franz, 2021). And it is also about panic and chaos, as well as uncertainty, when we refer to the major reduction in the attractiveness of hospitality industry occupations, particularly for top and middle management positions, whose holders opt for more secure and rewarding jobs in other economic sectors (Filimonau, Derqui and Matute, 2020). The organizational resilience of HoReCa operators, like the response to the SARS-CoV-2 pandemic crisis and corporate social responsibility (CSR) practices, can, however, affect the job security of senior management and thus decisively influence its retention commitment.

The impact of the SARS-CoV-2 crisis on HoReCa's activities has led many countries to implement drastic rules, often considered even draconian, to prevent the spread of the virus. Many decisions were taken in conditions of uncertainty and lack of experience, reality being often replaced by appearances and/or presumptions. It has even reached the stage when decisions adopted in some Western European countries influence, obviously in a negative way, economic activities in most countries, spreading fear and uncertainty in many geographical areas (Rodriguez-Anton and Alonso-Almeida, 2020). To all this were added the rumored campaigns and, especially, the fake-news campaigns, which amplified the panic that became, in turn, endemic. Such a state of facts has only damaged and destabilized a sector of activity with certain possibilities of strategic reorganization and resizing, phenomena to which the market and life in general have coped exceptionally. Even though small and medium-sized enterprises (SMEs) in hospitality had limited knowledge about the multiple possibilities to restart and adapt their activities to the new pandemic and post-pandemic context (Varelas and Apostolopoulos, 2020), the HoReCa businesses that have resisted and even developed were based on creative and sustainable management philosophies, as well as information technologies and new branding strategies (Varelas, Karvela and Georgopoulos, 2021).

Last but not least, special and of utmost importance, requiring special solutions is, as a direct effect of the SARS-CoV-2 pandemic crisis, the increasing share of food waste from the HoReCa sector. According to the specialists, it is mandatory to adopt organizational measures proven to be able to lead to a major decrease in food waste and, implicitly, in the hospitality sector, as a condition of sustainable development (Buczacki, Gładysz and

Palmer, 2021). This is even more so as the use of catering and home delivery services encourages food waste both at the organizational (business) and individual (home) levels. A solution to this is the implementation of lean management in the food service business as a viable and sustainable element of sustainable restaurant management (Gładysz, Buczacki, and Haskins, 2020).

Certainly, the major conceptual-methodological changes and, especially, the practical ones brought about by the SARS-CoV-2 crisis on the HoReCa industry are found in the form of new concepts and new ways to adapt the supply chains to the profound changes in consumer behavior and planning of its scenario. There are changes that led to the emergence and development of new theories, studies and even strategic competitive intelligence disciplines. Changes at the center of which a new type of final customer is located, respectively, the one for which the priority, in the conditions imposed by the pandemic of SARS-CoV-2, is its own security, in all its dimensions: physical, emotional, economic and digital (García-Madurga, Esteban-Navarro and Morte-Nadal, 2021). Generating better customer experience, rigorous and very courageous decision making, as well as the explosion of digital transformation were potentially strategic options almost impossible to imagine before the disastrous events generated by the pandemic crisis of COVID-19 (Antonio and Rita, 2021). However, in most areas of activity, as we will see, good practices of physical remoteness, like the very severe restrictions adopted by governments in all countries, have acted as excellent catalysts to foster new experiences and challenges.

It becomes obvious that successfully overcoming the complex problems generated by the SARS-CoV-2 pandemic to the HoReCa industry is possible only by adopting well-founded, coordinated, and maximum efficiency and effectiveness measures and actions. Based on cooperation and collaboration including through storytelling, the “competitive intelligence” has overrated searches on social media, especially in the context in which the sustainability and reliability of any performant decision-making system is decisively conditioned by quality information obtained through a set of structured cognitive processes and modeling the innovation of configurational systems (Stylos et al., 2021).

3. Best practices for overcoming the impact of the SARS-CoV-2 pandemic crisis on the HoReCa industry

In the context of one of the most serious pandemic crises in the history of humanity, redesigning, rethinking and re-launching the production and service processes specific to the HoReCa industry requires specific measures, as eloquent as possible evidence of mental flexibility, adaptability, dynamism and, above all, of a creative intelligence specific to the new generation of managers, called upon to ensure the advancement of the Romanian economy.

We will summarize some examples of good practice in adapting the HoReCa industry to the context of the SARS-CoV-2 pandemic crisis for each of the three components of the hospitality industry.

(a) In *the hotel* sector, adaptability-imposed measures of operators to ensure maximum safety accommodation and greater flexibility of tariff packages in order to attract and maintain customers. Given that hotels everywhere had the toughest restrictions, being

forced to limit and / or even close, for a period of time, business trips were the only ones able to ensure, even at a very small size, the survival of accommodation units. Our chance consisted in the fact that between 60% and 75% of the total hotel entries are aimed at business (Draghici, 2020), which gave hotel management the opportunity to reinvent many profile activities. In this respect, given that the business environment could not afford new malfunctions and the demands for safe locations increased, attracting, and retaining customers were only possible for those accommodation units that proved the maximum flexibility of the tariff packages, offering, for example, without any additional fees, early check-in and late check-out. At the same time, the attention to detail in the process of preparing and serving meals, with strict observance of all the sanitary restrictions imposed by the pandemic context. Also, as the commissioning in 2020 and 2021 of 14 new hotel units totaling over 2 000 rooms was delayed due to the coronavirus crisis, the pandemic was an excellent opportunity for entrepreneurs to carry out extensive renovation/ interior refurbishment works. From an investment perspective, the crisis period of SARS-CoV-2 was and still is an ideal one for investments in the hospitality sector, especially since the sanitary restrictions imposed the total or partial closure of most hotel units. It was an opportunity from which they took full advantage of especially very strong and experienced organizations in HoReCa, which proved that they know where, what, how and when to invest, being eloquent examples of good practices such as:

- *Phoenicia Hotels* is the largest network of hotels in Romania, which includes 20 hotels with more than 2300 rooms and, as a special achievement in 2020, taking advantage of the opportunity offered by the SARS-CoV-2 pandemic crisis, completed the renovation of the famous complex Amfiteatru-Panoramic-Belvedere from Neptun-Olimp, belonging to the group Hotel Phoenicia Blue View Resort, owned by it (Pop, 2021).

- *Ana Hotels*, a group valued at 44 million euros and including hotels Athénée Palace Hilton and Crowne Plaza in Bucharest, Bradul, Poiana and Sport, in Poiana Brasov and Europa (together with Ana Aslan Health SPA) and Astra, in Eforie Nord. During the pandemic period, when the entry of tourists could be redirected to Crowne Plaza, Ana Hotels offered an eloquent example of good practice, deciding to invest 25 million euro in the renovation of Athénée Palace Hilton hotel, one of the emblematic landmarks of the capital, founded in 1914. The investment involved the latest technologies in the field of hospitality and natural materials, ensuring high energy efficiency, as well as environmental protection (Diaconu, 2020).

- (b) *In the area of restaurants*, the pandemic acted as a veritable *cleaner* for businesses that, even if they didn't offer quality services, continued to survive, especially as demand surpluses supply. One of the most relevant examples of success in the transition in the fight against the devastating effects of the crisis of SARS-CoV-2 is provided, in the case of HoReCa, by the rapid growth of the food delivery market and the ordering of gastronomic assortments through online means. The digitization of orders aimed at procuring the most varied types of (semi-)agri-food preparations and was an excellent proof of good practice, resulting in adaptability to the new conditions of the environment both turbulent and unpredictable, and, on the other hand, deeply stimulating for new business opportunities, until today difficult to imagine. Given that the aberrant rhythm of life against the clock led us to turn to professionals, especially in situations where we no longer have time to cook, the coronavirus pandemic highlighted the need to develop the circular economy. An economy based on the paradigm of reducing distribution channels, the use of local raw

materials and, in particular, on minimizing waste production throughout the product life cycle (Kochanska, Lukasik and Dzikuc, 2021). In this context, the expansion of fast-moving restaurants was only one of the proofs of the rapid adaptability of the HoReCa industry to new needs arising from the SARS-CoV-2 pandemic crisis. Bolt Food, Bringo, Foodpanda, Glovo, MGC Delivery, Takeaway and Tazz by eMag are just some of those who have adapted extremely quickly to the new context of various restrictions imposed by the pandemic, offering quality and appreciated customer service. Some, however, did not succeed, having a lower profitability threshold than expected and closed, taking the decision to withdraw from Romania (Uber Eats, in May 2020). Equally, managers of more and more restaurants have dynamically adapted to the new context, creating their own home delivery services. In general, especially since large events (weddings, baptisms, festive dinners, etc.) were allowed only for short periods of time, over two thirds of the restaurant turnover was generated, in 2020, by home deliveries, double the level of 2019.

- *Internationally*, one of the largest restaurant chains in the US, “Darden”, although it had to close no less than 1,800 units between March 2019 and December 2020, registering a 60% drop in sales, managed to manage the negative impact of the pandemic crisis of COVID-19 by identifying strategies to retain and help his own employees, while reducing marketing expenses and switching quickly to home deliveries, reaching in 2021 almost 70% of the 2019 turnover (Yost, Kizildag, and Ridderstaat, 2021).

- *At national level*, the diversification of activities was an excellent proof of adaptability to the context imposed by the SARS-CoV-2 pandemic crisis. Two names are eloquent for revealing examples of good practices in the restaurant industry:

- Mandachi Industry owns the largest chain of restaurants in Romania and the largest chain of Greek-type restaurants in Eastern Europe: Spartan. The company has adapted excellently to the restrictions imposed by the pandemic crisis and, from a fast food establishment, opened in Suceava, in less than ten years, in 2020, it has reached 55 units and more than 1 000 employees. Also in 2020, seizing the new opportunities offered by the SARS-CoV-2 pandemic crisis, the company decided to give up, for an unlimited period, the royalty for the brand “Spartan” especially in the context in which the fight for survival is far more fierce than the one for enlargement. And also as an example of good practice and adaptability to the new pandemic context, the same company diversified its activity and launched on the market a new brand of disinfectants (“Țepeș”), in order to contribute more to the fight to prevent the effects of coronavirus crisis (Andriescu, 2021);

- City Grill Restaurants is a symbol of business success in HoReCa. From a City Grill (CG) restaurant opened in 2004 and 50 of its employees, by diversifying its activities, the group had in its composition, at the end of 2021, 9 brands, 19 restaurants (among which the famous Caru' cu Bere, Hanu' Berarilor and Hanu' lui Manuc), numerous cafes and a team of over 1500 professionals (Dumitru, 2021), being the largest Romanian hospitality employer and having an annual turnover estimated at over 47 million euro in 2020, by opening City Grill Delivery, one of the five most important deliveries on the HoReCa market. Delivery is estimated to have 20% (600-800 million euro) of the total restaurant market at the end of 2021, estimated at 3 billion euro. Based on an exceptional visionary expertise, since 2020 the group invests a lot in training and education of young people, as the only hope for a better future, so that in 2022-2023 it hopes to be able to reach about 80% of the existing capacity in 2019. sacrifice management: the transition from serving to mass, to penetrating the markets of the large retailers with ready-to-eat or ready-to-cook products; Customer

loyalty actions, through deliveries, both by adapting the menus according to customer's wishes and by offering lunch menus in a pick-up system (Dumitru, 2021).

(c) In the field of cafes, the most relevant example of good practice is a 100% Romanian business: *5 to go*. A cafe opened in January 2015 in a small and stylish 12 square meter garage, located in Lahovari Square has been transformed in less than three years into a wide franchise network. At the beginning, those who were passing bought, extremely quickly, coffee packaged, in exchange for 5 lei (approximately, the equivalent of one euro). Hence the name *5 to go*, which became more than an example of good practice. From 2016 to 2021 inclusive, the brand was rated as The Best Café by Gala Food & Bar. Also in 2016, Forbes quote *5 to go* as Best New Entry Romania and in Top 100 Cool Brands. The concept has developed rapidly, from 2020 adapting to the new pandemic context. From no 30 units in 2016, the brand has grown, due to the extremely advantageous conditions of franchising (requiring a global investment of 15-20 thousand euros), to over 300 such cafes and a turnover of over 13.5 million euros in 2021. Recently, in December 2021, to encourage young entrepreneurs in particular, *5 to go* announced that by the end of 2022, the franchise tax is zero, to encourage young people in particular to choose entrepreneurship, so that the period of the pandemic of SARS-CoV-2 is successfully exceeded. And also for 2022, *5 to go* has proposed to add 200 new units to the business. At the end of 2026, the largest chain of cafes in Romania aims to own 1,000 units, both at home and abroad (Andriescu, 2021). Already, the first franchise, a donuterie, was opened in Paris.

Finally, it should be noted that the Romanian state has also supported entrepreneurs in the HoReCa industry providing, besides compensation for the transition to technical unemployment equal to the equivalent of 75% of the minimum employment salary, exemptions for certain taxes, loans granted under preferential conditions, etc. Recently, in early December 2021, it was announced that more than 8.3 thousand companies in the HoReCa industry will receive funding from the government amounting to 200 million euro (Cornea, 2021).

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