

# COVID-19 and Its impact on the Tourism Sector and Hotel Business in Georgia

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## Abstract

The objective of the paper is to study the negative impact of COVID-19 on the Georgian Tourism sector and Hotel business. In particular, the chronology of the booking trends and the level of digitization of hotels in the pandemic and post-pandemic period; also, what impact does the coronavirus in general have on Georgia's tourism business and hotel adaptation process during crisis challenges. The research aims are to study the spread of digitalization and rapid development in the field of hospitality, in particular in the hotel business. Also, to identify tools, that have worked positively in a pandemic, at a time, when direct contact is severely restricted by regulations.

Based on the results of the research, chronological changes in hotel occupancy during the pandemic and post-pandemic periods should be identified, as well as the impact of digitization on changes in the number of employees. Accordingly, to explore innovative ways of hotel adaptation, creative and simple ways of restoring industry, world experience, and new approaches of Georgia in the post-pandemic period. We are talking about innovations that many hotels wanted to use for years, but needed a new "trigger" in the form of covid. We would like to share with you the results of our research on the Georgian experience of such an adaptation, which we connected from European analogs. We have also developed recommendations for measures to be taken to restore the hotels.

**Keywords:** Tourism, Hotel Business, Covid-19, Digitalization, Innovations.

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## 1. INTRODUCTION

"This crisis is an opportunity to rethink the tourism sector and its contribution to the people and planet; an opportunity to build back better towards a more sustainable, inclusive and resilient tourism sector that ensures the benefits of tourism are enjoyed widely and fairly"- told Zurab Pololikashvili, Georgian UNWTO Secretary-General (<https://www.unwto.org/tourism-covid-19>).

The pandemic has brought numerous challenges to hotels around the world over the past two years and has severely affected the sector. Branded and large hotels are less flexible in the face of changing environmental conditions, and small and medium-sized boutique hotels have more adaptability, though limited resources for investors. Before the pandemic, the hotel market in Georgia was developing very rapidly, the number of hotels increased, the quality of service approached international standards and the number of employees in the hospitality sector increased.

In 2019 Georgian economy received revenue of USD 3.2 billion from international visitors. The pandemic shrunk this number by 83%, to USD 541 million, in 2020. In 2021, The revenues from international visitors had a higher recovery. As of November 1, 2021, it stood at 35.4% of the 2019 level (10M) ([https://static.tbccapital.ge/uploads/files/TBCCapital\\_Tourism-FullReport-ENG.pdf?v=1](https://static.tbccapital.ge/uploads/files/TBCCapital_Tourism-FullReport-ENG.pdf?v=1)).

The paper outlines the chronology of actions taken by the Ministry of Health of Georgia, how the restrictions imposed on the hospitality sector, hotel occupancy rates, and the current situation in the field.

## 2. LITERATURE REVIEW

The positive trend indicator is identified, the main thing is for the country to be able to maintain the average daily rate (ADR), which has fallen sharply across the country and hinders healthy competition (The hotel industry in the digital world, Metreveli & Dolidze, 2022).

Increase brand awareness, customer acquisitions, and audience engagement, develop a solid digital marketing plan, and put it to work for your brand, these main postulates are discussed in Digital Marketing Dummies (Deiss & Henneberry, 2021; Hopkins, 2020).

Before the pandemic, tourism used to be a rapidly growing industry with a GDP share of 11.5% and several employees over 150 000 (Data from 2019). The tourism sector suffered the most due to pandemics. Therefore, to help it overcome the crisis and restart operations, the Government developed special target measures (Measures implemented by the Government of Georgia, report, 2020).

Analyzing Hotel Opening, Hotel Occupancy Level, Hotel Employment, and Hotel Gross Operating Profit opportunities in the post-covid period, we can face a lot of challenges (Information on Hotels and Hotel Type Enterprises; National statistics office of Georgia, 2020);

According to UNWTO, Global tourism suffered its worst year on record in 2020, with international arrivals dropping by 74% according to the latest data from the World Tourism Organization (UNWTO).

(<https://www.unwto.org/news/2020-worst-year-in-tourism-history-with-1-billion-fewer-international-arrivals>).

Technology encompasses all areas of tourism and should be given special priority in the development of the industry's workforce (UN report, <https://www.unwto.org/digital-transformation>). From the analysis of research results, it turns out that interviewed 27% of companies in full (100%) had employees Release - Reducing collaboration the lowest rate observed in agriculture, ICT, and manufacturing products, and the highest in hotels and restaurants (46%) (Georgian Covid-19 Government Survey, 2020).

We are building a new road (<https://numastays.com/our-story>).The story of Numa impressed us very much, the first steps they made on a really "new road" should be followed by other countries.

Very interesting was the initiation of vaccination is of particular importance to reduce the potential harm caused by the COVID-19 pandemic. The world is focused on developing and introducing new vaccines. Work is underway to introduce several dozen vaccines. Vaccination started in 45 countries at the time of drafting this report and a total of 24,746,000 doses of the (<https://ncdc.ge/api/api/File/GetFile/20ed3f9c-54bd-42e2-a58a-dffea6169fc6>; Anti-Crisis Plan on Tourism Revival (2020)).

Georgia should keep the status of a safe destination and a corridor between Caucasian countries, this is the main postulate that we should follow in the future to restore the Hotel Industry and

Tourism sector. The Government of Georgia: Prevention of coronavirus spread in Georgia (<https://stopcov.ge/en/Gegma>; (2020)).

Tourism-dependent countries will likely feel the negative impacts of the crisis for much longer than other economies. Contact-intensive services key to the tourism and travel sectors are disproportionately affected by the pandemic and will continue to struggle until people feel safe to travel en masse again. (<https://www.imf.org/external/pubs/ft/fandd/2020/12/pdf/impact-of-the-pandemic-on-tourism-behsudi.pdf>)

In the search we analyzed, Revenues from visitors, in January 2021, have recovered to 35.4% of the 2019 level. The uncertainty caused by the pandemic changed the priorities and behavior of travelers, including the length of stay. Travelers prefer to stay longer in tourist destinations, as a result, revenue per international visit in Georgia increased significantly, relative to 2019. The activation of domestic tourism in Georgia was caused by closed borders and other restrictions associated with the pandemic. In the second quarter of 2021, the average number of monthly visits by domestic visitors increased by 27.3% relative to the same period in 2019. Numbers show that the most popular regions among domestic tourists were Kakheti and Adjara ([https://static.tbccapital.ge/uploads/files/TBCCapital\\_Tourism-FullReport-ENG.pdf?v=1](https://static.tbccapital.ge/uploads/files/TBCCapital_Tourism-FullReport-ENG.pdf?v=1)).

### **3. METHODOLOGY**

The presented study uses data from the National Statistics Office of Georgia on the activities of hotels and hotel-type institutions. Pandemic and post-pandemic studies conducted by the Georgian National Tourism Administration on international visitor travel have been analyzed, and empirical research has been conducted to determine future trends in the field and when we can expect the field to recover.

This paper is analyzing the trends of development of the Hotel Industry of Georgia based on statistics and sociological research. Also comparing Georgian and European experiences. In this study were used general and special scientific methods.

Scientific articles and internet search tools are used as theoretical backgrounds. Keywords were used to identify relevant articles. Since the topic is evolving rapidly, it is noteworthy that when the discovery of articles was complete, after developing the core database and identifying all relevant papers on the COVID-19 pandemic impact issue, we included documents from peer-reviewed publications and conducted primary data analysis. The papers used the statistics of the hotel "Citrus", as secondary data. Quantitative research, online survey, has been used from the methods of empirical research to collect primary data. The authors made a survey and the information collected by internet surveys were systematized.

#### **3.1 History and Background**

The history of research consists of stages, before, during the pandemic, and post-pandemic period. Despite limited direct flights as a result of the events of June 20, 2019, the annual number of visitors received from Russia reduced. However, the number has increased because the mentioned fact happened in the middle of the year, the first part of 2019. The high growth in the first half fully offset the decline in the second half, and there was even an increase of 5%. Although the pandemic has drastically reduced the number of visitors, it has probably improved its conjuncture. It is a temporary effect and after the end of the pandemic, it will return to the original 2019 structure caused by the mentioned changes above. The fact is that revenues from international tourism in Georgia are recovering fast.

In 2021, along with the easing of restrictions, domestic tourism also increased, there was a special increase in Kakheti, which even made a positive effect on the operational activity and profitability of hotels.

Georgia's economy is more dependent on tourism revenues than other comparable countries. Nevertheless, taking into account the practices of the same countries, we have the opportunity to host much more visitors. Before the pandemic, the average length of stay also decreased with the rate's growth, which affected high-end hotels also on the load factor.

The total number of nights spent by visitors is decreasing pace in the pandemic period. According to the plans of the hotels, the growth rate should increase significantly and It is expected to significantly exceed the number of nights spent by visitors in 2022. The mentioned imbalance between occupancy and average price in hotels increases the risks of reduction.

According to the National Statistics Office of Georgia, in 2021 we had 1 776 hotels in total<sup>1</sup>, so 25 is almost 2% of the total quantity, which can be accepted by common rules of marketing research. We sent the questionnaire to 50 hotels but for some questions, we received just 25 answers, and for others - 38. But at the same time, we wanted to represent the hotels in the capital and regions.

### 3.2 Further Details

The global pandemic and its aftermath have not only halted the development of the tourism industry but also delayed opportunities for hotel expansion in Georgia for a long time. Considering various parameters, 2017 was the best year for tourism in the last 8 years in growth rates, average length of stay, occupancy rates in hotels, etc.

**TABLE1:** Information on Hotels and Hotel Type Enterprises.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of hotels	353	386	462	616	777	836	986	1 225	1 496	1 595	1 639	1 682	1 054
Total number of rooms	8 582	9 393	10 564	12 901	14 463	15 351	18 248	23 097	28 437	30 657	33 186	35 101	26 897
Number of visitors, total (this. persons)	266, 3	350, 0	596, 9	853, 0	1 185, 1	1 255, 5	1 391, 4	1 854, 5	2 539, 8	3 381, 5	3 666, 1	4 014, 0	1 344, 7
Number of employed persons in hotels	4 237	4 824	6 161	7 416	8 561	8 735	10 211	13 236	15 628	17 591	19 261	20 575	13 615

SOURCE:<https://www.geostat.ge/en/modules/categories/394/information-on-hotels-and-hotel-type-enterprises-annual>

<sup>1</sup><https://www.geostat.ge/en/modules/categories/394/information-on-hotels-and-hotel-type-enterprises-annual>

After processing the data published by the National Statistics Office of Georgia, we can conclude that the pandemic has stopped the construction of hotels and there is no exact data for 2021. In 2020, compared to 2019, the number of hotels decreased by 628, and the number of employees by 6960.

These changes can be presented more accurately in the example of one particular hotel, we have been observing the data for 7 years. The table below presents the main highlights of recent years of the 4\* boutique hotel "Citrus". A comparative analysis has been made.

**TABLE 2:** COVID-19 impact on hotel occupancy (Citrus Tbilisi).

Date	Average Room sold	Occupancy percent
2017	10699	79.26%
2018	10470	77.58%
2019	10142	75.14%
2020	1539	11.38%
2021	5931	44.16%
2022	2296	46.02%
<b>Changes 2017-2022</b>	-8403	-33.24%

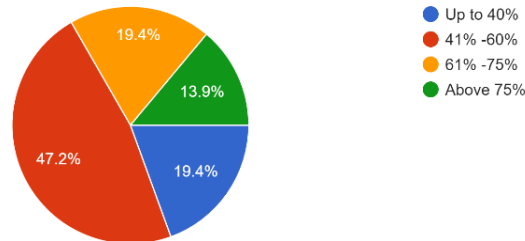
SOURCE: COVID-19 and its impact on the hotel business (Metreveli & Dolidze, 2020).

Analyzing this data, we can conclude that 2017 was a record year for the hotels in terms of occupancy, as well as in terms of revenue and rooms sold. The average occupancy for 2017 decreased by 6.96 times in 2020 and increased by 4 times in 2022 compared to 2020. This is a positive trend indicator, the main thing is for the country to be able to maintain the average daily rate (ADR), which has fallen sharply across the country and hinders healthy competition (Metreveli & Dolidze, 2020).

The research served to obtain primary data on several key issues - to compare before the pandemic, during the pandemic process, and in the post-pandemic period, the change in hotel occupancy in Georgia, to study in detail the booking process and recovery trends. Also, the change in the number of employees in the pandemic and post-pandemic period and, most importantly, which digitization technologies were applied in Georgia and whether new creative technologies were maintained in the modern period as well. For this, we tried to study the European experience as well. I would like to share with you the result of our research on an unprecedented case of such adaptation, which has no analogs in the world. This is the company Numa (NUMA), "We are building a new road" - so it is mentioned in history. Their website is simple, convenient, understandable, and accessible and provides comprehensive information about their innovations. The real mix of the latest digital technology and tastes is their approaches, to each operation. They cover five countries around the world: Germany, Austria, Spain, Italy, Czech Republic. Their 80 hotels are located in 12 European cities: Berlin, Düsseldorf, Munich, Salzburg, Vienna, Frankfurt, Barcelona, Madrid, Seville, Florence, Milan, and Prague. The main concept is digitization, managing everything with QR codes, from booking to moving into a room. 80% of operating processes are digitized; Starting with booking and room selection, and ending with cleaning, accounting, etc. This allows them to be - scale, global and competitive in terms of pricing policy. When each hotel has one operating manager and it also manages remotely, the hotel is virtually empty, with only guests in the building, breakfast, accommodation, and other services are available with code ordering and calling. This completely innovative model is completely unacceptable for a traditional country like France, the company has not yet managed any hotel in France. It is not ruled out that many traditional countries, including Georgia, will stand guard over direct communication (<https://numastays.com>).

During the research we collect the primary information about the occupancy percentage in 2021 and 2022, then we compared the research made by us with the particular hotel Citrus 4\* and research madden by the National Statistics Office of Georgia. As was shown from the results, our data was equal to the organization's data.

21. What is the average occupancy in 2022?  
36 responses



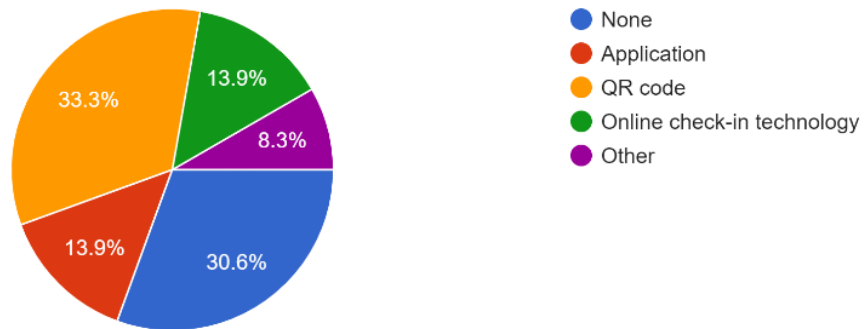
In our research interviewed by us 25 hotels in the capital and 10 regions with different volumes and numbers of funds, most of which –were 34.3%, ranging from 21 to 40 rooms. Centrally located hotels that are primarily loaded. A quarter of respondents claim to have had a load rate of more than 75% before the pandemic. For the most part, however, 48.6% range from 61-75%.

The results of the research showed that 34.3% were using QR codes, 28.6% were not using any digital technology during the pandemic, 14.3% were using the online check-in system, and the same quantity – 12 respondents mentioned the application.

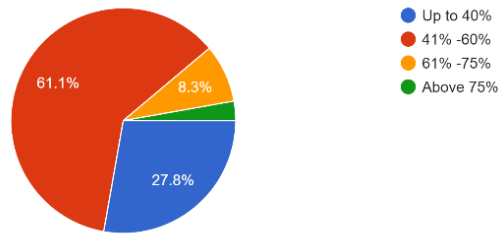
According to responses shown in the diagram below, during the pandemic process hotel's 33,3% were using QR codes, 13,9% used the online check-in system and 30,6responses mentioned that no digital technology.

As a result, we can show some important results:

17. Which digital technology did you adopted in the pandemic process?  
36 responses



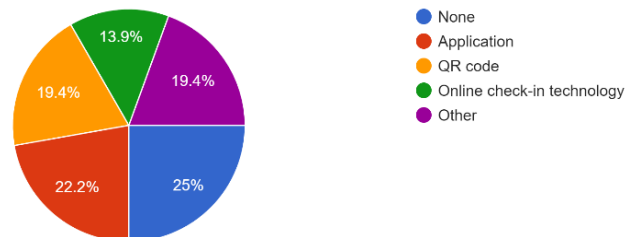
19. What was the average occupancy in 2021?  
36 responses



Our research's results show that on the question "What percentage started to increase hotel revenue in 2021", the hotel's 63,9% answered Up to 40%, and the 19<sup>th</sup> question: "What was the average occupancy in 2021?", hotel's answer was "41% -60%", so it agrees with the research of TBC, - "Tourism: On the Way to Recovery". There was mentioned, that - "In summer 2021, average occupancy in hotels of Georgia was quite high. In August occupancy totaled 68%".

According to responses shown in the diagram below, 19,4% will keep using QR codes, 13,9% will still use the online check-in system and 22,2% responses mentioned the application.

24. Which digital system adopted during the pandemic are you going to continue to operate with?  
36 responses



So, in conclusion, we can say, that after the pandemic hotels reduced to use of QR codes, online check-in kept its percentage, using applications rose by 8,3% and hotels started using more digital technologies than during the pandemic period. This is a good tendency for hotels.

The results of this research are important in terms of presenting the real picture and we hope to assist the Georgian Tourism industry in the planning process of supporting initiatives. Georgia needs to share its European experience, reduce operating costs, simplify booking systems, and make marketing communication techniques and costs more efficient and targeted.

"1 billion fewer international tourist arrivals in 2021; Loss of US\$ 1.0 trillion in total export revenues from international tourism in 2021; International tourist arrivals increased 172% in January-July 2022 over 2021 but remained 43% below 2019" (International Tourism and Covid-19, <https://www.unwto.org/tourism-data/unwto-tourism-dashboard>).

This paper indicates the fact that the country's strategy needs to be reviewed and it is necessary to take into consideration the expected threats and challenges. To represent the practical implications of research, according to different opinions of hotel managers, we can identify the measures that which government will need to take to restore the hotels in 2023:

1. Adding more direct flights
2. Promoting the country as a safe destination

3. Simplifying VISA rules
4. More infrastructure projects in regions
5. Decrease income tax
6. Restructuring, deferment of taxes
7. Intensify marketing campaign towards European countries.
8. More training for employees
9. Subsidization of hotels

As the results showed, the country has seen huge opportunities to develop in the pre, during, and post-pandemic periods, the number of visitors is increasing step by step, and the industry in total is recovering. On the other hand, the new reality brought new technologies into the hotel business. However, Georgia has a big potential to be competitive in the global tourism market.

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