

JUNE 2021

MEDIA BRIEFING

The way forward for tourism and hospitality in the UAE

Building consumer confidence and opening up in a phased manner will be crucial in ensuring the resumption of UAE's vibrant tourism sector

Business travel and the hospitality business will continue to face hurdles in 2021 as a result of the Covid-19 pandemic, states a leading financial adviser in the UAE.

"While hotel occupancy in the UAE will gradually recover on the back of increased domestic tourism and the return of international travellers, business travel will not return to pre-pandemic levels in the foreseeable future," says Zain Qureshi, managing director and global head of real estate finance and advisory at Mashreq Bank.

TRENDS

- Business travel will see slow recovery in the short-to-medium term
- Outlook for leisure travel has improved with the rollout of vaccines
- Strategic initiatives by the government are helping in strengthening the recovery
- Building consumer confidence is key in bringing back visitors and improve tourism
- Businesses will have to remain agile and keep operations as lean as possible

Over the past year, businesses have greatly depended on the safety and convenience of digital conferencing tools, finding it an effective alternative to physical workspaces. Moreover, the economic consequences of the pandemic have meant that travel budgets were slashed across the board to compensate for lower revenues.

In a February 2021 study by market analysts STR, over one-quarter of the 1,333 respondents said they were less likely to travel for business once the pandemic was over. A smaller group of respondents (17 per cent) stated that they would be more likely to travel due to a "pent-up desire to reconnect with clients/prospects and make up for lost time". On the other hand, however, industry experts are more optimistic for the gradual resumption of leisure travel.

Reopening the industry in a phased manner

As global traveller confidence slowly recovers, the UAE's hospitality and tourism sector is gearing up to welcome back residents and visitors alike.

In order to combat the pandemic, both federal and emirate-level agencies in the UAE have adopted a 'zero-tolerance' approach to non-compliance with safety protocols. Penalties have been swift, ranging from warnings to suspension of licenses, ensuring that rules are adhered to.

DAILY NEW CONFIRMED COVID-19 CASES

Shown is the rolling 7-day average, as of 4 June

Source: John Hopkins University
CSSE COVID-19 Data





As of 4 June 2021, more than 13 million vaccine doses have been administered in the UAE.

However, in its 2021 UAE Market Overview and Forecast, consultant Knight Frank notes that despite the inoculation drive, tourism is not expected to return in the country "in a meaningful manner until the latter part of 2022".

Consumer sentiment still remains wary. But at this juncture, it is critical for the sector to take a phased and coordinated approach in order to rebuild traveller trust.

Industry players must remain agile

For hospitality and tourism businesses to successfully bring back their customers, achieving and maintaining operational agility will be critical in this evolving situation.

"Authorities can restrict and limit operational hours and visitor numbers at any point, given the unpredictable nature of the virus," says Qureshi. "And for the tourism-dependent UAE, fluctuating levels of international traffic make it difficult to accurately forecast recovery."

Moreover, how an organisation should respond to the situation will differ from business to business.

For instance, F&B outlets can efficiently manage stock and avoid food waste by limiting purchases; businesses and malls can reduce the number of employees and/or hire them on a contractual basis; and hotels can shut down facilities not in use currently, such as meeting rooms.

"It is about keeping your staff and operations as lean as possible until things stabilise," emphasises Qureshi, advising that businesses also have to be flexible in the way their costs are allocated, to ensure greater financial security.

Pre-Covid, costs in the hospitality and tourism sector tended to be fixed – rents, salaries, maintenance – with long-term contracts in place.

"Most businesses had to go through a difficult ordeal in 2020, making losses nearly every month," he says. "Budgeting in a way that gives them more flexibility and with shorter contracts of up to three months at the most will give them the chance to rebalance things."

The primary focus should be on securing consumer confidence in order to bring back footfall. Keeping premises safe and hygiene-controlled need to be prioritised – and businesses must prove that.

"It is essentially about improving sentiment, and making customers feel safe, not just in principle but visibly too," says Qureshi. This could range from putting up divider shields in dining areas, through to sealing off rooms after they've been sanitised, to ensure top-notch cleanliness.

"Marketing safe practices at the onset is important, but the business must truly show the



**3.84
million**

International guests in Dubai between Jan-Mar 2020



**1.26
million**

International guests in Dubai between Jan-Mar 2021

customer that they are practicing what they preach.”

In June 2020, the Department of Culture and Tourism (DCT) Abu Dhabi launched the Go Safe Certification to certify hotels, theme parks, cinemas and other leisure establishments across the emirate. As of April 2021, DCT has certified 95 percent of hotels, Yas Marina Circuit, four theme parks on Yas Island, 33 malls and three cinemas.

Dubai launched a similar initiative in July 2020, jointly backed by Dubai Tourism, Dubai Economy and Dubai Municipality. The ‘Dubai Assured’ stamp is valid for 15 days and renewed with regular inspections. In recognition of its Pavilions Premiere which welcomed more than 100,000 visitors, Expo 2020 received a Dubai Assured stamp in early May.

Recovery should centre on building trust

Qureshi reasons that as people reach the stage where they are ‘burning out’, they will want to step out of their homes.

“The industry should continue to reassure people that it is safe to visit restaurants or hotels or malls, as it has thus far,” he says, comparing bleak sentiments in countries that still have some kind of lockdowns in place. “We are fortunate to have a choice of vaccinations here, as well as all the safety measures in place. People must realise that they are responsible as well, to limit the spread of the virus.”

Qureshi also recommends stronger enforcing of contact tracing mobile applications for both residents and tourists, citing examples from South Korea where a QR code-based entry log system has been enforced for “high risk businesses” including sports facilities, nightclubs, buffet restaurants and large private educational facilities.

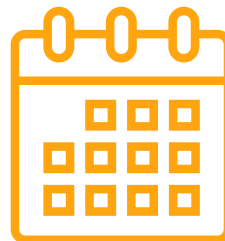
Singapore, which until recently allowed check-ins with a national identity card, has now launched an app called ‘TraceTogether- only SafeEntry’, to manage visitor movement.

“It would significantly improve traveller sentiment, while providing people with ‘red alerts’ on infectious hubs,” he says.

Regulatory strategies pave the way

The UAE has continued its strategy of becoming a world-class travel hub, despite the challenges of 2020, indicated by the number of new flight routes and destinations added in the past six months, including: Delhi-Ras al-Khaimah (Spicejet); Dubai-Tirana (Flydubai); Dubai-Salzburg (Flydubai); and Abu Dhabi-Tashkent (Air Arabia).

“The introduction of new routes not only makes the UAE most relevant as a tourism hub, but also encourages inbound traffic of visitors that may have never made the trip to the UAE otherwise,” explains Qureshi. “Even if it’s just for a stopover or short stay, it still adds value to the local aviation industry.”



The UAE’s recent tourism initiatives:

OCTOBER 2020

Dubai introduces a remote work visa, allowing individuals with minimum monthly salaries of \$5,000 to live and work in the country even if they don’t hold a local employment contract.

DECEMBER 2020

The UAE launches a Unified Tourism Identity strategy, alongside the first federal level tourism campaign ‘World’s Coolest Winter’, to promote the UAE as a single tourist destination with diverse attractions and experiences.

JANUARY 2021

The Emirates Tourism Council is formed to support the tourism sector and national tourism development plans in line with the UAE Centennial 2071, bringing together state-level agencies.

MARCH 2021

The UAE launches multiple-entry tourist visas for all nationalities, valid for five years. It enables tourists to enter multiple times on self-sponsorship and remain in the country for 90 days on each visit, further extendable for another 90 days.

MAY 2021

Dubai launches revised measures for a trial period of one month beginning 17 May, including increased capacity of entertainment facilities and venues (70 per cent) and higher hotel occupancy (100 per cent), permits for events and concerts, etc.

Meanwhile, the government is working on a possible solution to vaccinate visitors as well as delegates/officials for Expo 2020 Dubai. Qureshi recommends that the solution could be extended to long-term visit visa holders (three to six months).

Vaccine passports and digital travel passes is a possible solution to enable cross-border travel.

The International Air Transport Association (IATA) is piloting a mobile app that gives travellers information pertaining to their destination, while also verifying that the passenger meets the Covid-19 health requirements. More than 25 airlines, including Etihad and Emirates have

partnered with IATA to test the app with travellers on select flights.

Expo 2020 as a global case study

Qureshi sees Expo 2020 Dubai, which opens to the world on 1 October 2021, becoming the 'gold standard' for large-scale events moving forward.

"As one of the first megaevents to take place since the pandemic began, Expo 2020 could serve as a case study for the way forward," he says. "Covid-19 and its variant forms will perhaps stay on in the foreseeable future, and the UAE really has a chance to set the benchmark with this global event."

Different ways domestic tourism creates hospitality demand



Use of a hotel room for the day

- Limited creation of demand for hotels due to the short nature of the stay
- Popular with resorts, especially for beach access



Hotel overnight stay in the guest's place of residence

- Some demand created for hotels as staycations can last a few nights
- Popular in areas such as Palm Jumeirah, Dubai Marina and the Northern Emirates



Short overnight stay within the country

- Creates some level of demand for hotels and can be used to fill properties during low occupancy days for instance.
- Can potentially target all market segments



"Standard" holiday taken within the UAE

- Creates the most demand for hotels due to the length of the stay
- Can benefit properties in all market segments

Source: UAE Domestic Tourism: Trends & opportunities for the hospitality sector, CBRE November 2020



TECH FOR THOUGHT

Jeju Island, a popular domestic tourist hub in South Korea, has implemented a blockchain-based Covid-19 contact tracing app called 'Jeju Safety Code'. Collaboratively built under a public-private partnership, the app allows visitors to securely check-in at public places, with their data protected within the blockchain. Business owners can place QR codes throughout their facilities, which must be scanned by visitors to authenticate their location.

This briefing is brought to you by the MEED-Mashreq Real Estate Partnership

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