



# EVALUATION OF CURRENT SITUATION, CRISIS MANAGEMENT STRATEGIES AND POST-PANDEMIC PROSPECTS OF TAIWAN YOUTH HOSTEL DURING COVID-19 PANDEMIC

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## ABSTRACT

*In 2020, COVID-19 affected almost all countries, it has governments faced with difficult trade-offs given the health, economic and social challenges it raises. More than half of the world's population had experienced a lockdown with strong containment measures. The regional and local impact of the COVID-19 crisis is highly heterogeneous, with significant implications for crisis management and policy responses.*

*This study is qualitative research adopted interviews to collect the data. The research focused on the changes in the operation of youth hostels due to the pandemic, the method which they comply to respond, and the future prospects of the youth hostel industry.*

*As a result, it was found that youth hostel operators are slow in responding to crisis due to the lack of awareness, and do not have immediate effective methods to response to the impacts. According to the views of the three participants from the youth hostel operators, the strategies include cost reduction, reducing prices, modification of booking and cancellation policy, develop new customer group segments, revitalize of space and expand the alliance effect was comply in order to cope with the impact of the pandemic.*

*It is suggested that the operators to emphasize on establishing an effective crisis management system with enhancing their awareness of crisis and risks. Developing customer from different categories is an issue to concern in order to avoid over relying on single customer group to make the youth hostel industry more sustainable.*

**KEYWORDS:** Covid-19, youth hostel, crisis management, post-pandemic prospect

## INTRODUCTION

Tourism industry play an important role in human economic activities, according to The Travel and Tourism: Global Economic Impact and Trends 2021 released by World Travel and Tourism Council (WTTC, 2021), the tourism industry gross domestic product (GDP) growth rate is higher than the overall GDP growth rate of the global economy for 9 consecutive years since 2011. The report also shows that before the outbreak of COVID-19, the global tourism industry's GDP in 2019 was US\$9.17 trillion, which is 10.4% of global GDP, 334 million jobs were created and involved in tourism industry's which accounting for 10.6% of global jobs.

In 2020, in order to prevent and control a rapid growth in infections of the COVID-19 pandemic, countries around the world have implemented policies such as countrywide lockdown, full closure of borders, quarantine all arriving travellers, wherefore resulting drastic changes in the global economy and society. It has dealt a serious blow and resulting in heavy losses to the tourism industry. WTTC pointed out that the GDP of the tourism industry in 2020 decreased by 49.1% compared to 2019, with a loss of up to US\$4.5 trillion globally (WTTC, 2021).

In Taiwan, according to the statistics of the Tourism Bureau of Taiwan (2021), COVID-19 pandemic has caused a great economic impact on Taiwan's major industries, including tourism, aviation and hospitality industries. On 19

March 2020, authorities of Taiwan prohibited the entry of foreign tourists, resulted international tourism was suspended. Compared to 2019, number of foreign visitors in 2020 had a dropped of 88.39% from 11.86 million to 1.378 million. By 2021, the situation did not improve, and as of November of the year, there were only 130,000 foreign visitors to Taiwan, a decrease of 98.78% compared with before the pandemic. Taiwan hospitality industry annual report also showing that the scale of the industry hit a decade low in 2020, with decrease of 32.4% compared to 2019 (Yao, 2021).

In the hospitality industry, youth hostels have been the hardest hit during the pandemic due to the feature of providing large scale of communal spaces, such as shared bathroom and kitchen. The recovery of youth hostels from pandemic has been relatively slow compared to other forms of accommodation, because people were generally preferring to choose general hotels that provide separated rooms during the pandemic.

This study analyses the changes in the operation of youth hostels due to the pandemic, the method which they comply to respond, and the future prospects of the youth hostel industry. The research questions addressed in this paper are therefore:

1. How has COVID-19 pandemic changed the youth hostel industry?



2. What are the contingency methods youth hostel complying to cope with the impact of COVID-19 pandemic?
3. What are the future prospects to the youth hostel industry in the post-pandemic?

In the study, in-depth interviews were conducted with current operators or persons in charge of youth hostels in Taiwan who were still able to operate during COVID-19 pandemic. The researcher hopes to make contribution to the youth hostel industry with helping them to find effective strategies and methods to cope with systemic crisis similar to the COVID-19 pandemic. Moreover, the study provides recommendations for youth hostels and policymakers.

## LITERATURE REVIEW

### *The origin and evolution of youth hostel*

The origins of youth hostel stem from Richard Schirrmann, a German teacher. In 1909, Richard Schirrmann spent the night in a school building sheltering from a storm during a school trip, led him to the idea of providing young hikers with cheap place to sleep (Liu, 2011; Pai, 2020).

The first youth hostel opened on June 1, 1912 in Altena Castle by Schirrmann in north-western Germany (Liu, 2011; Pai, 2020). Meanwhile, the original rooms have been turned into a museum, but guests are still welcome at Altena Castle. Youth hostels were originally mainly operated in schools for students, due to the high demand it began to move to general public buildings and allow for public lodging, slowly evolve become youth hostels at the present day (Liu, 2011; Pai, 2020).

### *Features of the hostel*

Youth hostel often give the impression as a low-cost accommodation that is very popular amount backpackers or solo travellers. The feature of providing communal spaces, such as shared bathroom and kitchen discern youth hostel from general hotel. Unlike ordinary hotels that focus on guest rooms, youth hostels emphasize the concept of shared space. It creates an environment for interaction and communication between peoples.

In terms of service, youth hostels are basically self-service, guests can enjoy simple self-served breakfast provided by the hostel. Youth hostels provide basic cooking utilities for guests to prepare food, guests need to change bed linen by own during check-in and check-out.

One of the greatest pleasures of staying at a youth hostel is that the guests are allow to participate in special events or local celebrations at common space and social hall set up by the hostel.

### *Overview of the development of youth hostels in Taiwan*

Taiwan youth hostel originated from activity centres and cottages built by China Youth Corps throughout Taiwan in 1961, the building was construct to provide venues and facilities for youth activities (Chen, 2015). In 2006, the China Youth Corps Youth Activity Centre and the Chinese Taipei Youth Hostel Association (CTYHA) become member of International Youth Hostel Federation (IYHF), officially integrating Taiwan youth hostel industry into international extent (Chen, 2008).

Currently, the youth hostels in Taiwan can be divided into two groups, member of Taiwan Youth Hostel Association which mostly are general hotels that getting the membership to attract different customer groups. The other is youth hostels that never joined any organization, but they are actually the majority of the industry.

Besides, currently there does not have specific category of regulations for youth hostels in Taiwan, youth hostels can only choose between hotel or homestay licenses to run the business, even though they are differences in the point of business methods and facilities and services that provided (Fu, Zhang, Hsieh, 2016). Therefore, there does not have any statistical data that precisely reflected the development situation of youth hostel industry in Taiwan.

## METHODOLOGY

This research adopts the qualitative research method. Qualitative research is a process of begin from a holistic point of view, after comprehensively constructing to achieve deeply comprehension in social phenomena. Researchers need to finely study the participants' life world in the natural situation, closely interact with them, and collect data through one or more methods, in the process of research to observe and learn the cognitions and views of the participants, as well as recognize and tolerate, and have a more comprehensive and in-depth understanding of the social phenomena or behaviours studied (Pan, 2003).

Covid-19 pandemic is a world crisis the likes of which hasn't been seen in 100 years. The crisis has forced to the shutdown of economy activities globally. Even though Taiwan government have reacted quickly in the crisis management and recovery, but operators from hospitality industry may have expressed different opinions, which is difficult to make in-depth statements through quantitative methods. Therefore, it is reasonable to use qualitative research to discuss such issues.

In-depth interview method was adopted during the research, through the conversation between the researcher and the participants to achieves the exchange and construction of opinions, deeply analyses the impacts of the Covid-19 pandemic on Taiwan's youth hostels and the coping strategies of youth hostel operators, data was collected and compiles for analysis. Through qualitative in-depth interviews, we can explore facts, causality, individuality and particularity. This research method is a face-to-face social interaction process between the interviewer and the interviewee, and the interview data is the product of social interaction (Hu, 2008)

The selection of research participants is an extremely important part, research participants should have experience, willingness and expression ability, so as to grasp the validity and complete the data collection. Therefore, research participants chosen are current managers or person in charge of youth hostels in Taiwan, whom have experienced the changes in various stages of the pandemic and dealing with the impact due to the pandemic. During interviews with the participants, through their sharing and discussion, the study can better understand the real face and actual situation of the youth hostel industry.



## RESULTS

### *Background of youth hostels and business conditions before and after the pandemic*

#### *Youth Hostel A*

Mr. Chen is the owner of Youth Hostel A, who was employed in the civil engineering industry before starting the business at the end of 2017. The hostel is located at commercial district near Taipei Main Station, equipped with 20 beds, which is a typical small model of youth hostel. Due to the strategic location, around 80% of the guests of Youth Hostel A were foreign tourists, of which round 30% were from western country, the rest were from China, Hong Kong, Japan, South Korea and Southeast Asia, while only about 20% were local Taiwanese. Youth Hostel A lost all foreign guests during the pandemic, and only able to maintain around 10~20% of accommodation rate and most of whom were local Taiwanese regular guests.

Mr. Chen said that he had underrated the treat from Covid-19 when the virus was first introduced, because there was never happened with such a worldwide pandemic in his experienced, and the impact seem to be mild as there were still a lot of foreigners staying in Taiwan at the moment, he took a "wait and see" approach and think that the pandemic won't last for long, until boarder control policy was implemented and instantly prohibiting tourists to enter Taiwan.

Since Taipei is a metropolis-type city, most guests of Youth Hostel A travel to Taipei are due to participating activities such as concerts or exhibitions, interview or examinations, business meetings or conferences, rarely in view of tourism purpose.

#### *Youth Hostel B*

Youth Hostel B is a sharing brand which has 6 youth hostels operating as in coalition in northern and eastern Taiwan. It was first operated in Taipei Beitou area in 2013, followed by Jiufen (2014), Hualien (2015) and Taitung (2016). Coalition members at Yuli and Duran start to operate after the outbreak of the Covid-19 (February 2020 and April 2021). The size of the coalition members are varies, ranging from small-sized hostel which able to host around 10 guests to medium-sized hostel with 40 or 50 beds space.

Mr. Kuo is the founder of Youth Hostel B with more than 10 years of experience in managing youth hostel. Since 2011, he had put in efforts urging the policymakers to improve youth hostel management regulations and standards. Later in 2014, with his influence, the "Taiwan Youth Hostel Entrepreneurship Alliance" was established as a platform for industry players to share entrepreneurial experience and accelerate the development of the youth hostel industry in Taiwan.

Before the Covid-19 pandemic, customer group of each alliance store was differed from each other. More than half of Beitou store's booking was made by domestic tourists. Jiufen store was having more than 70% of domestic tourists in summer, but in winter, on the contrary, over 70% were foreign tourists. And in the east coast, domestic tourists are always the majority since it is very popular for local group to participate in round island tour, peak and off-peak season is clearly on the basis of festival and holidays. Besides, Youth Hostel B were

able to maintain a higher proportion of direct orders of about over half of the total number of reservations, which shows that Youth Hostel B has already achieve a certain level of brand awareness in the market.

Mr. Kuo reveal that the impact of the pandemic could be extreme at different stages of the pandemic. For example, Hualien and Taitung store had recorded busiest summer in 2020 as the government began to relax the pandemic prevention policy. This makes manpower scheduling getting tricky, he was forced to cope with a higher workload under the situation of manpower shortage. It was on the other way in 2021, when the alert level throughout the country was raised to level three in the four-tier system, that making people avoiding to travel.

Another major change in practice is that the booking or reservation lead time has become very short. Before Covid-19 pandemic, as the demand is higher in general, travellers will need to make accommodation reservation in advance to guarantee the booking. However, the situation had change, and making it getting difficult to use floating pricing strategies to attract guests.

#### *Youth Hostel C*

Youth Hostel C was founded in 2010 and has two stores located in Kaohsiung and Taichung presently, both of which are self-owned properties with around 80 and 120 beds respectively. The founder Madam Liu, formerly service in information technology industry. Due to her background in the technology industry, Madam Liu emerge modern technology to manage the hostel such as keyless check-in and online remote monitoring system.

With the idea to make use of innovative technology, in 2016 Madam Liu work together with hostel operators from Tainan and Chiayi, co-founded the "I See You Taiwan Hostel Alliance" (hereinafter referred to as "I See You"). Currently, members of the alliance had increased to a total of 17 high-quality youth hostels around Taiwan, including hostels from outlying island. Through the use of a dedicated mobile app, "I See You" has launched an online membership system that allow members to collect points through direct booking, using the mobile app to obtain benefits such as special accommodation promotion packages, points redemption of free nights and special gifts.

Madam Liu said that in addition to the cash flow difficulties caused by Covid-19 pandemic, the major problem caused is the different understanding of hostel culture in the nature between domestic tourists and foreign customers. Taiwanese guests have misunderstood youth hostels as low-cost hotel, and do not realize that youth hostels are different to ordinary hostels, that is, a kind of accommodation that need to share room with others, and also the needs of sharing bathrooms and other public spaces. That's why since Covid-19 pandemic, they often receive complaints and even negative comments from guests on social media platforms on sharing of facilities.

### *Youth hostel crisis handling and response strategies*

In order to cope with the impact of the pandemic, following methods and strategies was comply by the youth hostel operators.



### 1. Cost Reduction

This is the most common method that was complied by the youth hostel operators. Due to the inaccessibility of foreign tourists, youth hostels facing dramatic drop of booking rate and turnover. In order to survive, operators trying to cut down employee cost with reducing working hours and changing rosters, enforce annual leave by encouraging employees to take their annual leave instead of accumulating it. Besides, reduce material expenses, cutting overhead fees, and postpone maintenance schedule which is lower priority are also helpful to reduce routine operation cost.

### 2. Reducing prices

In order to strive for the customers from limited market demand during the pandemic time, price slashed competition happened amount the hospitality industry. Youth hostel operators have no choice but to follow and reducing prices. Due to the result is not as good as expected since peoples are avoiding to travel, price slashed was not lasting for long.

### 3. Modification of booking and cancellation policy

Before the pandemic, in order to avoid loss caused by the no-show of guests, most youth hostel adopted credit card login system on the reservation platform. In order to encourage and increase guests' willingness to make reservations, operators have made changes on the booking and cancellation policies with allowing guests to book without using a credit card, remove collection of advance deposit, and accept cancellations without charges.

### 4. Develop new customer group segments

In order to make up for the loss of foreign tourists due to the pandemic, youth hostel operators have inventing potential new customers group segments. For example, in consideration of the fact that instead of leaving beds empty, Youth Hostel A has launched a long-stay package that is different from the previous rate calculation on a per-stay day basis to win over guests who originally long-stayed at low-cost hotels. In addition, Mr. Chen also actively contacted the participating groups of the events held in Taipei City, and provided corresponding accommodation packages. As a result, Mr. Chen had successfully obtained reservation from long-stay guests and event participant groups. Besides, Madam Liu had also discovered accommodation demand from elderly groups.

### 5. Revitalize of space

The so-called revitalize of space is to make value-added intervention on existing space resources of the hostel to create revenue. For example, Youth Hostel B making attempt at Beitou store tried several times with freeing up the public area at lobby area for merchants to set up temporary market or pop-up store for a few days. Few groups of merchants participated, and some of them did achieve some results. Hualien store also used to work with baristas setting up a weekend coffee pop-up shop program.

### 6. Expand the alliance effect

During the pandemic, youth hostel with alliance such as "I See You" which allying numbers of hostels, being working together with members revealing several marketing promotion activities. For example, both Youth Hostel B Youth Hostel C had launch promotion program with accommodation vouchers which allow voucher holder to enjoy discounted price for second night staying at alliance hostels. Furthermore, "I See You" had also actively developed and improved the functions of the mobile app system, to establish cross-industry alliance projects, working with partner from other industry such as Tiger Airways and Ubus to provide vary of promotional packages and value-added services for consumers through the system.

### *Prospects for youth hostels in the post-pandemic era*

#### *Relies on the government's epidemic prevention policies*

Mr. Chen believes that under the pandemic, Taipei's economic activities largely depend on the tightening or relaxation of the government's epidemic prevention policies. If the relevant authorities allowing organize of concerts, exhibitions and other events, it can significantly improve commercial activities and increase the demand and booking rate of hostel in Taipei.

If the relevant authorities further open the border to allow international tourism activity and no longer prohibiting foreign tourists from entering the country, the epidemic prevention strategy will also need to be revised to effectively help the youth hostel industry recover from the pandemic.

#### *Recovery is in doubt and uncertain*

Mr. Kuo is less optimistic about the overall recovery of the youth hostel industry after the pandemic, believing that will involve a lot of uncertainty.

First of all, Mr. Kuo felt that comparing to the global situation, although Taiwan's local impact on the pandemic is relatively mild, but the relevant authorities have mainly used the budget and resources to give subsidies, rather than making good use to improve and enhance Taiwan's tourism resources and facilities such as strengthening the mass transportation system.

Moreover, Taiwan authority is very cautious with deregulation the epidemic prevention policy, it is difficult for the tourism industry to gain the dividends of early opening up of international tourism. The recent relative strength of the Taiwan currency has increased the cost of foreign tourists to travel to Taiwan, which has further weakened the competitiveness of Taiwan's tourism industry.

The factors such as air tickets do not return to low fares in the short term, or even because of social distancing factors, making Mr. Kuo is in doubt with how much was the consumer behaviour of travellers had changed after a few years of interruption during the pandemic? Carvalho (2020) points out the same point in his research, that is, as the epidemic slowly progresses, the behaviour pattern of tourism has slowly changed.



### *Surviving from the crisis with transformation*

At the beginning of the pandemic, Madam Liu realized that the tourism industry would receive a major blow and the impact would last for some time. She points out that in order to survive from the pandemic, the operators should put more effort to find out and strengthen their strong points, at the same time making improvement to rectify the weaknesses. However, since the pandemic had indirectly made elimination with those who was lack of competitiveness, Taiwan hospitality industry would be benefit from the significantly improved in overall quality.

Taking "I See You" as an example, even though the pandemic had causing them to postpone the plans of making expansion allying with youth hostels from other countries, "I See You" actively conceived plans to expand the alliance during the pandemic, including inviting potential high-quality youth hostel partners to join the alliance; developing cooperation proposals with different industry, such as F&B and souvenir outlets, to provide consumers more value-added services. The alliance not only survive from the pandemic, but continue growing and getting stronger.

### CONCLUSION AND DISCUSSION

The three youth hostels participating in this study have different business scale and operating models, including common private youth hostel in the northern area; youth hostels operating as in coalition with several allied member in northern and eastern region; and co-founder of the youth hostel alliance which consist of member from Taiwan main island and outlying islands.

Researcher have found that in the early stage of the pandemic, youth hostel operators do not have immediate effective method to response to the impact other than relying on their past experience. The research result showing that youth hostels are lacked of awareness and had underrated the impairment of the crisis, especially Mr. Chen from Youth Hostel A once thought that the pandemic would end in a short time. This is corresponding to Zhou (2007) research which had pointed out that tour operators are generally react slow in responding to crisis due to the lack of awareness, it show that tourism industries are vulnerable to unexpected crisis such as natural disaster or regional conflict.

Youth hostel operators need to put effort to establish an effective crisis management system with enhancing their awareness of crisis and risks, so that they can handle crisis in a timely manner to avoid irreparable consequences. Youth hostel operators should also standardize crisis management with standard operation procedures so that they can ensure effective implementation, and can apply latest technology to improve the management capabilities.

Due to the loss of foreign tourists, youth hostels can only rely on local tourists, especially regular customers. In this case, only by establishing a positive image and branding to get the favour of guests to come back again. Therefore, improving the service level will help maintaining consistent income. Developing customer from different categories and create diversified customer groups is a topic that youth hostel operators must look into to avoid over relying on single customer group. From the case that Mr. Chen and Madam Liu

had successfully obtained new customer groups like long-stay guests, event participant groups and elderly groups, it shown that youth hostel still remain as a popular option for traveller even in the need of keeping social distance during the pandemic.

From the case of Youth Hostel B and Youth Hostel C, we can find that setting up co-working relationship through alliance, making clear result on organizing marketing programs to create branding effects, improve the revenue and performance of organization members, the result to work with peers is greater than being solo player.

Researcher believe that the youth hostel industry needs more attention from the policymakers, as Huang (2018) pointed out in his research, the Taiwan authorities need to analyse the demand for tourism in Taiwan from a different perspective. It is important to face up to the fact that the youth hostel is different from ordinary hotel and homestay, which are highly different in terms of business philosophy, services provided and targeted customer groups. It is hoped that the relevant authorities will formulate appropriate regulations so that both operators and consumers can receive the rights and protections they deserve.

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