

A Work Project, presented as part of the requirements for the Award of a Master's degree in Management from the Nova School of Business and Economics.

MACAU'S HOSPITALITY SECTOR: PLANNING A RESPONSE TO A PANDEMIC

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Abstract

The aim of this consulting project is to find the best strategy for Macanese Hotels to respond to a crisis like Covid-19. As such, the industry is segmented according to three business models – Hotels, Casino Hotels, and Integrated Casino Resorts – and data from one representative hotel per segment is analyzed to set a favorable response plan for each segment. Then, three scenarios – Operating normally, Joining the designated hotel quarantine list, and Joining the optional hotel quarantine list - are planned and analyzed in light of Covid-19’s pandemic and the Macau’s travel and quarantine restrictions. Results suggest that in a pandemic, Hotels should join the designated quarantine list, Casino Hotels should operate normally, and Integrated Casino Resorts should join the optional quarantine list.

Keywords (Strategy and International Business; Scenario Planning; Marketing Planning; Scenario Analysis; Strategy Consulting; Proactive Crisis Management)

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06. Conclusion

This work sets out to analyze specific actors in Macau's hospitality industry and the impact that the covid-19 pandemic had on them. To create a response plan for future pandemics, the 2020 events were evaluated to understand what industry players could have done to decrease the detrimental impact of covid-19 on their Macau operations. This evaluation is settled upon the mandatory quarantine scheme that existed in Macau during the pandemic; Hotels operating normally, hotels joining the designated quarantine list, providing quarantine stays for Macanese residents, or hotels joining the optional quarantine list providing quarantine stays for residents and non-residents.

The impact of Covid-19 on the Hospitality industry in Macau was analyzed in light of Macau's historical background, present administrative landscape, and the importance of the hospitality, tourism, and gambling sectors for the Macanese economy. Further analysis was made on Macau's environmental factors that might affect the industry.

Crisis management theory was concluded to be a beneficial lens to use for the analysis, in particular the tool of scenario planning. A response plan for future pandemics was then formulated by analyzing what hotels in the industry could have done better throughout the Covid-19 pandemic. As such, hotels operating in Macau were divided into three segments based on their business models; regular hotels, hotels with casinos, and integrated resorts with a casino – and for which segment one representative hotel was chosen to be analyzed.

Therefore, the hotels were analyzed using qualitative tools and quantitative tools, to see under which of the three operating scenarios they should have entered to be the most prosperous under a crisis such as the Covid-19 Pandemic.

Finally, recommendations were made for each hotel to be successful under the chosen scenario and for future improvement.

The following dissertation is a consulting project that uses scenario analysis as the main tool to elaborate a future pandemic crisis’ response plan for the hospitality industry in Macau.

Introduction	Background	Covid-19 Impact	Crisis Management	Analysis	Conclusion
<i>What is this work project investigating?</i>	<i>What is Macau’s context?</i>	<i>What happened during the pandemic?</i>	<i>Why do hotels need a response plan?</i>	<i>Should hotels operate in a pandemic?</i>	<i>How can Macanese hotels operate in a pandemic?</i>
Setting the problem	Analyzing the background	Assessing the impact of Covid-19	Finding a solution to the problemm	Analyzing the hotels	Deriving conclusions and final arguments
Introduction	History of Macau	Covid-19 Pandemic regulation	Crisis management in the hospitality	Environmental Analysis	Conclusion
Methodology	Macau as a SAR	Impact of in the hospitality industry	Scenario Planning as a Crisis Management Tool	Scenario Planning	Main takeaways
	Macau’s Gambling Industry	Impact of the pandemic in Macau	Future Pandemics	Segmentation	
	Macau’s Hospitality Industry			Hotel Analysis	
				The Case of Hotels	
				The Case of Casino Hotels	
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Tools

- Research
- Hospitality
- PESTLE
- Performance Indicators
- Porter’s 5 Forces
- SWOT
- Financial Indicators
- TOWS

31

People answered a survey

3

Interviews

26

People answered a Facebook Pool

Discussion Forums and Chats

- Macau Quarantine – Facebook
- HK Quarantine Support Group – Facebook
- Ovolo South Quarantine – WhatsApp
- Dorsett MK Inmates – WhatsApp
- LKF hotel neighbor – WhatsApp



Macau's journey from its humble beginnings as a quiet merchant village to becoming one of the world's largest gambling and leisure destinations sheds light on the region's complex history and its impact on the present hospitality industry.

02 Background

History of Macau	6
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Macau is an old Portuguese colony that has been operating under the “One Country, Two Systems” constitutional principle since its handover to China, in 1999.

Macau's Geography

Macau is a small peninsula in the Greater Bay Area, bathed by the South China Sea, comprising three islands: Macau, Taipa, and Coloane. Macau and Taipa are connected by three bridges while Taipa and Coloane are connected by Cotai, a piece of land “reclaimed from the sea” (The Editors of Encyclopaedia, 2021).

Macau's History

Macau was a small merchant's Portuguese colony from 1557 until 1999. It served as the primary port for international trade between Japan and China, as well as an intermediary port between Lisbon and Nagasaki (The Editors of Encyclopaedia, 2021).

Macau's handover to China

Macau's sovereignty was transferred to China on December 20th of 1999, the date agreed upon the firming the “Sino-Portuguese Declaration”. The agreement envisioned a 50-year transition period for the Macanese territory, a time during which it would operate under the “One Country, Two Systems” constitutional principle, under which Macau is not ruled by socialism with Chinese characteristics philosophy. (BBC 2019)



Figura 1: Macau's map

Gambling was legalized in the 1800s and, because the SAR has a self-ruled administrative system, it remains legal, which has severely shaped the hospitality industry in Macau.

Macau as a SAR

Throughout the 50-years of transition, Macau is set to operate as a Special Administrative Region of the People's Republic of China, being granted its own administrative system. As such, Macau has its own economic, legal, and legislative organizations, as well as its own currency and people's rights and freedom until 2049, when the transition will be complete.

Gambling Industry

In the 1850s, in efforts to find a new source of revenue, the Portuguese government legalized gambling in Macau. After the handover, gambling kept being legal due to its special administrative system, even though all forms of gambling both domestically and abroad are illegal in China. As such, although Macau only has 30km², it is 3 times larger than Las Vegas in terms of revenue, being commonly named "Las Vegas of the East". (Gaming Inspection and Coordination Bureau Macao SAR 2021)

Hospitality Industry

The volume of gambling tourism in Macau has, therefore, severely impacted the hospitality industry having a huge impact on how industry players' business models are shaped.



Figure 2: The Venetian Macao at the center, Galaxy on the right and The Londoner on the left

The Macanese gambling industry, controlled by 6 gambling concession holders, is the main source of economic activity in Macau, generating 78% of the local government tax revenue.

“The concept of gambling dates back into history and involves not only casinos with mainly table games and slot play, but sports betting on popular sports such as soccer and basketball, as well as pari-mutuel gambling which includes horse and dog racing.”
(University of Macau)

Gambling Licenses

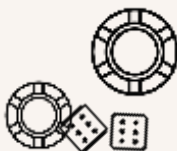
In Macau, only 6 operators are granted permission to operate casinos and gambling activities (Gaming Inspection and Coordination Bureau 2021):

- Sociedade de Turismo e Diversões de Macau (STDM), Galaxy Casinos S.A. and Wynn Resorts (Macao) were granted an exclusive gambling license
- MGM Grand Paradise S.A., Venetian Macao S.A., and Melco PBL Jogos (Macao) S.A. were allowed to sign sub-concessions with the license holders mentioned above, respectively

Gambling Industry

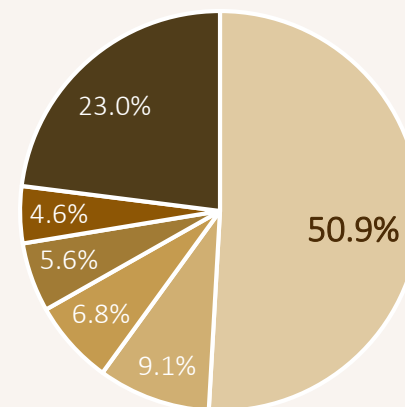
Currently, there are 41 casinos operating in Macau (Gaming Inspection and Coordination Bureau 2021):

- 22 owned by SJM
- 6 owned by Galaxy
- 5 owned by Venetian
- 4 owned by Melco Crown (previously “Melco PBL”)
- 2 owned by Wynn
- 2 owned by MGM



Gambling Importance

Macau's Economic Sectors



The gambling Industry represents **78% of the government tax revenue**

- Gambling Industry
- Real Estate
- Banking, Insurance & Pension Funding
- Retail and wholesale
- Hotels Industry
- Other

Graph 1: Industry Structure in Macau 2020 (Macau Statistics Bureau 2020)

Besides being the main driver of tourism, Macau's gambling industry generates 78% of the local government's tax revenue (Fortune. 2021. *Macau*). Together, the Tourism, Hospitality & Gaming (THG) sectors contribute more than 50% to the total GDP and employ 32% of the population (Macau Government Tourism Office 2020)



As gambling tourism grew, casinos in Macau expanded into the hospitality sector, which later fostered various unique hotel business models in the region.

Tourism in Macau

Macau is the single largest gambling hub in the eastern world and plays a crucial role in the local economy. In 2019, tourism spending for gambling purposes amounted to 81% (Government of Macao Special Administrative Region Statistics and Census Service 2020) of total visitor spending, making the sector the main driver for tourism in Macau, and consequently, the most influential industry for the surrounding sectors such as the hotel sector.

Macau's Hospitality Sector

Over time the Macanese gambling industry horizontally integrated the hotel sector, to capture as much of the visitor journey as possible, and, for many casinos, that meant opening their own hotel. These fundamental changes, lead the hotel industry to surface in Macau as a sprout of the gambling industry, changing the sector's players to exist within or around gambling. This transformation taken to the extreme is reflected in the iconic Macanese integrated resorts, which can include any facilities within, including casinos, malls, water parks, theaters, and more.



Figure 3: Galaxy Macau



December 2019 marked the beginning of a new way of living. The world got to comprehend the meaning of lockdown, state of emergency, liberty restrictions, and pandemic.

03 Impact of Covid-19

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By 2020's end, entrance in Macau was only allowed to residents and families, as well as Mainland China, Hong Kong, and Taiwan residents. Apart from a few exceptions, quarantine was mandatory for all inbound travelers.

Macau's travel restrictions and quarantine requirements have been ever-changing since the beginning of the pandemic on account of the surfacing of various outbreaks of the disease across the world. An analysis of the impact of the travel restrictions and quarantine requirements in place throughout 2020 was made to illustrate the impact of such policies on visitor arrivals and the average hotel occupancy in Macau¹.

1st Quarter 2020

No travel restrictions in place and 14 days of quarantine for arrivals from a 'high-incidence' list (Macau News Agency 2020).

2nd Quarter 2020

Travel restrictions forbade entrance to international arrivals. Residents of Mainland China, Taiwan, and Hong Kong were allowed entrance (Reuters 2020).

3rd Quarter 2020

Travel restrictions and medical observation remained identical to the 2nd quarter (Government Information Bureau of the Macao SAR 2020).

4th Quarter 2020

Foreign travelers cannot enter Macau. Arrivals from low-risk areas of China allowed without quarantine for Macanese and Chinese. Any other case requires medical observation from 7-21 days (Government Information Bureau of the Macao SAR 2020).

Medical Observation Hotel Lists

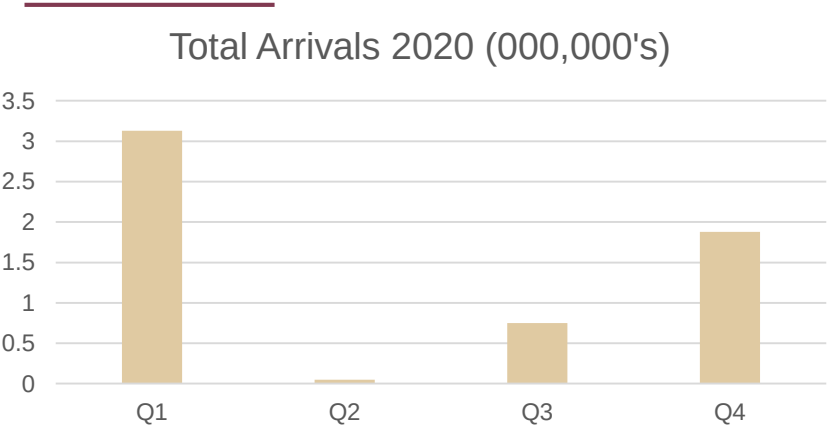
From the beginning of 2020, the Macau government began to turn hotels into medical observation facilities, where inbound travelers could quarantine for as long as they were required to. Inbound travelers could not choose in which establishments they would prefer to stay.

These hotels were part of the 'designated list' of hotels and could be appointed by the government or self-selected to become part of the list. The number of quarantine hotels changed according to expected demand during 2020.

Towards the end of 2020, travelers expressed they would like to be able to choose where to quarantine. So, from the 20th of December onwards, the previously named 'designated list' of hotels for medical observation was broken down into two new lists: an 'optional list' and a 'designated list'.

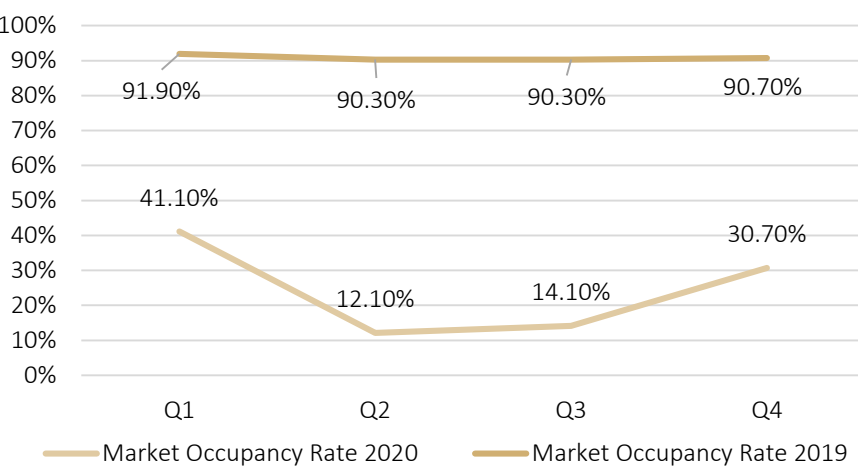
1: The information about the policies in place was derived from a certain point in time within each quarter, meaning the policies featured were not valid during the entirety of the period.

Travel restrictions and quarantine requirements led visitor arrivals in Macau to plummet and, consequently, the hospitality sector occupancy rate collapsed to 12.1% in 2020's 2nd quarter.



Graph 2: Total Visitor Arrivals In Macau per quarter in the year 2020 (Macau Governmental Tourism Office 2020)

Market Occupancy Rate



Graph 3: Comparison of 2019 and 2020 Hotel Market Average Occupancy Rate (Macau Governmental Tourism Office 2020)

1st Quarter 2020

Total visitor arrivals and occupancy rate were in decline, and, according to Nielen et al. (2021), hotels aim to have an occupancy rate of roughly 35% to break even financially, Therefore, market numbers were indicating proximity to detrimental levels for the industry.

2nd Quarter 2020

Visitor arrivals amounted to 49 thousand from April to July, while Macau sums a total of 42 thousand hotel rooms, causing the lowest average occupancy rate observed during the year 2020.

3rd Quarter 2020

In the third quarter, both indicators saw an upwards trend. However, there was still an oversupply of hotel rooms. The average Daily Room rate was 39% lower than in September 2019 indicating hotels effort in attracting more guests via lower room fees (Lee & Jang 2011)

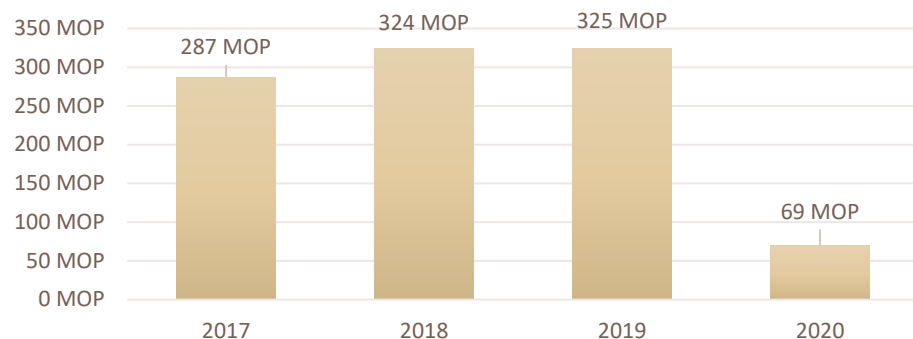
4th Quarter 2020

Total visitor arrivals and the average market occupancy rate rose linearly indicating a positive trend for the hospitality sector. However, on year-end of 2020, occupancy rates are still below the break-even point and average daily rates read 32% lower than the previous year indicating strong efforts through pricing to recuperate purchase intentions.

1MOP ~ 0.12USD

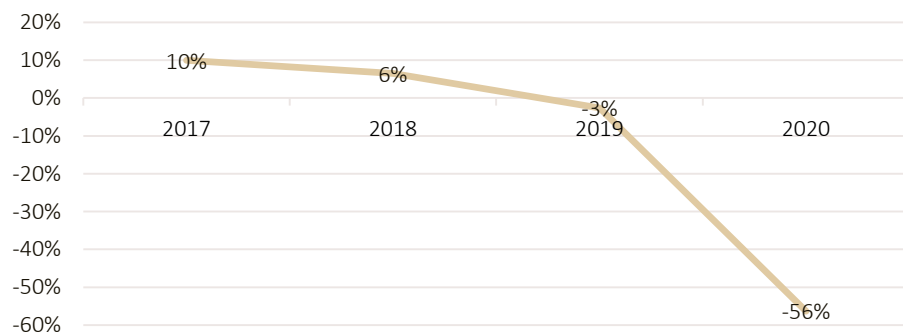
The downfall in visitor expenditure correlates with the 56% abrupt decline in the Macanese GDP, showcasing how Covid-19's impact on the THG industry deeply reflects on Macanese national accounts.

Total Visitor Spending (000,000's MOP)



Graph 4: Total Visitor Expenditure In Macau from the year 2017 to the year 2020 (Macau Governmental Tourism Office 2020)

Macao SAR, GDP growth (annual %)



Graph 5: GDP growth in Macau from the year 2017 to 2020 (The World Bank 2021)

1MOP ~ 0.12USD

Impact of hospitality in Macau

- In 2020, as the pandemic took hold of the Macanese Tourism and Hospitality industry, total visitor arrivals decreased abruptly and affected total visitor spending which fell by a disastrous 79% in comparison to 2019.
- Furthermore, data collected from the end of the year 2020 showed a total tax revenue decreased by 66% (Ceicdata, 2021) which correlates with the decrease in gross gambling revenue of 79%. (Kihara 2021)
- The impact on the tourism and hospitality industry translated into a fall in GDP of 56%. (The World Bank 2021)

In conclusion, the decrease in arrivals and total visitor spending move linearly together with the decrease of the Macanese Gross Domestic Product. Therefore, providing insight into the vast dimension of the hospitality industry in regards to its effect on the Macanese Economy.



The distress caused by Covid-19 regulation and travel restrictions on the hospitality industry players triggered the need for actionable response mechanisms to smooth the impact on hotels' financial results and performance indicators.

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To better manage the impact of a pandemic crisis such as Covid-19, hotels should use scenario analysis as an optimization tool for hotel's readiness, response, and recovery.

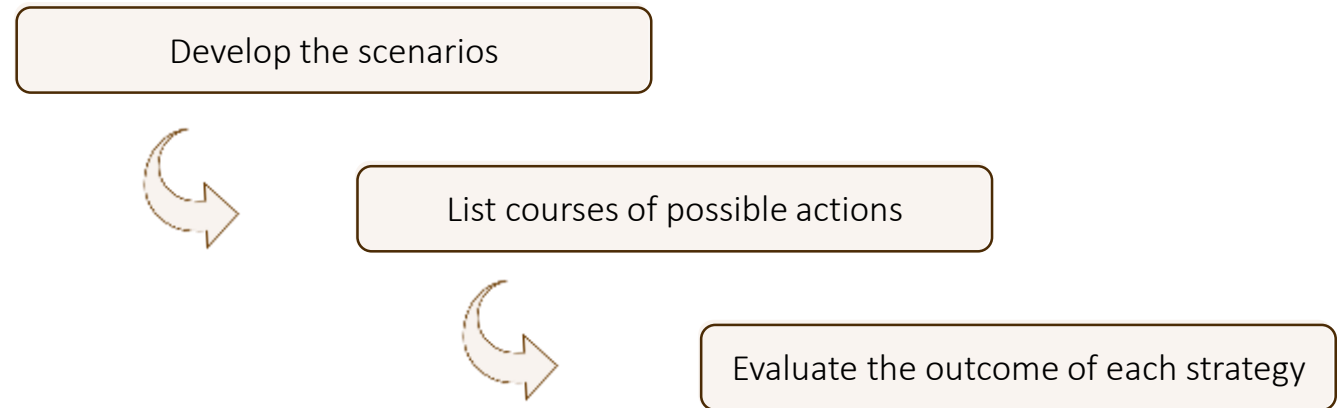
Importance of Crisis Management

Looking at the previous results from the Macanese economy and hospitality industry, it is understandable that its necessary to take action to prevent and prepare for future similar occurrences.

According to Oliver Wack and Matt Hinton (2018), partners of Crisis Management Consulting firm Control Risk, the managerial tool of Scenario Analysis does not only serve as a critical instrument to mitigate the impact of a crisis but also serves a great purpose in the use of risk readiness.

The need for scenario analysis in crisis management is further proven by Toby J. Kash and John R. Darling (1998) who emphasize that crises are to be expected and need to be managed by strategic management tools such as Scenario Analysis.

Kash and Darling highlighted three important steps of scenario analysis to be used under times of uncertainty:



In conclusion, scenario analysis is a vital part of a business crises management strategy and can help achieve greater or less detrimental results in times of high uncertainty or crisis. Therefore, to achieve greater results for the analyzed hotels, which were impacted by Covid-19's detrimental effects, scenario analysis will be applied to shed light on how to operate more successfully.

Hotels need to develop a response plan for a future pandemic crisis, such as Covid-19, as their frequency has been rapidly increasing and is expected to further increase in the future.

Future Pandemics' Frequency

Throughout history, pandemics have become more frequent. In the past century there were 5 registered pandemics, but this century, up until 2021, 4 pandemics have been registered already: severe acute respiratory syndrome (SARS), Swine flu, Middle East respiratory syndrome (MERS), and the Covid-19. Thus, realistically, the Covid-19 pandemic cannot be seen as an isolated case. (Piret and Bouvin, 2021)

"...The probability of a future zoonotic spillover event resulting in a pandemic of COVID-19 magnitude or larger is between 2.5-3.3% annually. In other words, there is a 22-28% chance that another outbreak on the magnitude of COVID-19 will occur within the next 10 years, and a 47-57% chance that it will occur within the next 25 years" (Agyarko et al, 2021)

"The study, appearing in the Proceedings of the National Academy of Sciences the week of Aug. 23, used a newly assembled record of past outbreaks to estimate the intensity of those events and the yearly probability of them recurring. It found the probability of a pandemic with a similar impact to COVID-19 is about 2% in any year, meaning that someone born in the year 2000 would have about a 38% chance of experiencing one by now. And that probability is only growing, which the authors say highlights the need to adjust perceptions of pandemic risks and expectations for preparedness" (Michael Penn, 2021)



Pandemics and epidemiologic instances do not end with Covid-19, and according to research, the frequency will increase, and pandemics will occur again. It is therefore important to plan for scenarios and possible modes of operation to minimize their impact on Hotels, products, and services related to the hospitality industry.



Figure 4: Queue for mandatory testing



To prepare a response plan, three scenarios – Operating normally, Joining the government designated hotels quarantine list, and Joining the optional hotels quarantine list – will be planned and analyzed considering Covid-19’s pandemic and the Special Administrative Region of Macau’s travel and quarantine restrictions.

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Although Macau is a SAR, it is still under the great political influence of the Chinese Communist Party, which could legalize gambling overnight setting Macau back to being a merchant's village.

Chinese Political Clout

Even though Macau is mostly autonomous as a SAR and has its own executive and legislative bodies (O A 1993) , it still operates under Mainland China, whose government has the power to completely transform the environment that surrounds the region and its industry.

China's totalitarian regime is presided by Xi Jinping, under the Chinese Communist Party (CCP). who also presides the military, describing a highly centralized political setting (The Heritage Foundation 2020). This said, Xi Jinping has full control of China and all the regions it encompasses within it. To illustrate the risk this political setting implies for the Macanese hotel industry, one can consider the following extreme (but possible) scenarios:



Limiting Chinese Visitors

The Chinese government can limit the influx of mainland visitors into the Macau SAR, as it did during 2020, by not issuing tourist visas. Chinese visitors make up the largest portion of Macau's demand



Surveillance and Prosecution

It can enact campaigns that track citizens' movements, affecting gaming in Macau, as many visitors use the casinos to undergo unlawful transactions. Such was the case of Beijing's anti-corruption campaign in 2014-2016.



Illegalizing Gambling Altogether

Even though Gambling is supposed to remain legal in Macau until the end of the 50-year transition period, China can still legalize gambling at any point, setting the region to its original merchant village status.

The impact of the Chinese political environment in the Macanese hotels translates into the Chinese government's influence over Macau's tourism sector. The industry is alarmingly dependent on Chinese visitors, but China can still limit demand and supply at a flexible rate. However, since Macau's economic activity and gambling industry are still monetarily beneficial to China, it is unlikely these threats will materialize.

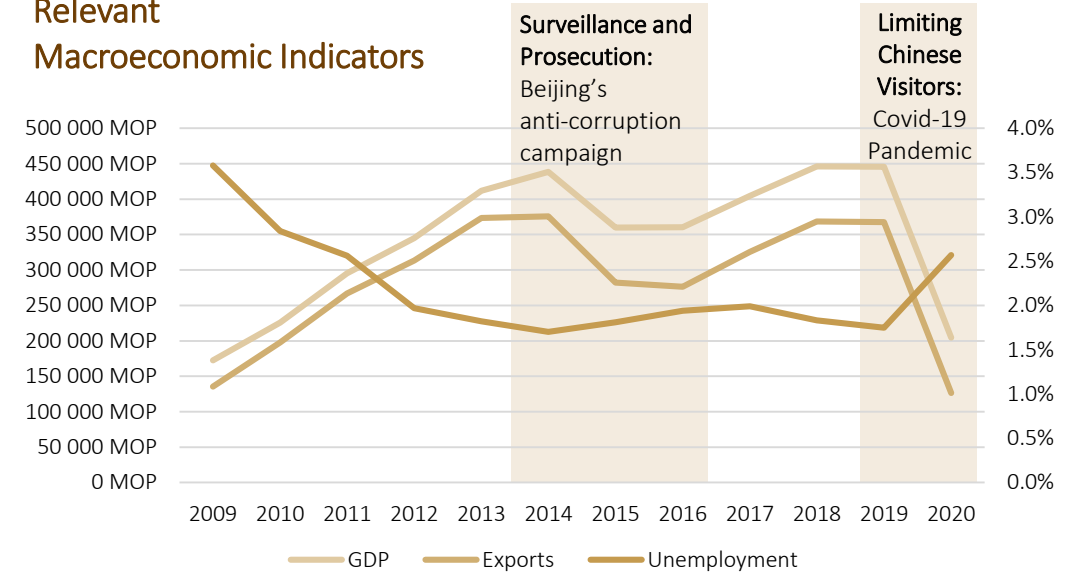
Due to the power held by the Chinese Communist Party over Macau, political movements that affect inbound tourism from Mainland China or gambling can hugely damage Macau's economic setup.

Dependency on Tourism Sector

The risks to the hotel industry associated with the Macanese economic environment are closely connected to the political risks faced by the sector. Then, the risks to Macanese hotels can arise from:

- **Limits on Chinese Visits:** visitor arrivals fall and compromise the value of tourism-related exports which In 2019 accounted for 81.5% of Macau's total exports according to Knoema and to roughly 67% of Macau's GDP (Government of Macao Special Administrative Region Statistics and Census Service 2021).
- **Surveillance and Prosecution of Chinese citizens:** gambling revenues decline, depriving Macau's economy of part of its gaming tax charge, which amounts to nearly 30% of GDP. This tax is a large contributor to the region's accumulated reserves (Huang 2020) and is often used to subsidize businesses of the THG sector during crises (Lou 2021).
- **Illegalization of Gambling:** gambling in Macau disappears, setting 22% of the Macanese workforce to unemployment. In turn, the hospitality industry crumbles when its symbiosis with the gambling industry is destroyed, putting an additional 8% of the local workforce at risk (Government of Macao Special Administrative Region Statistics and Census Service 2020).

Relevant Macroeconomic Indicators



Graph 6: Relevant Macroeconomic Indicators (Macau Statistics Bureau 2020)

The three sequences of events clearly illustrate that any shock that affects the gambling industry hurts the Macanese economy and supporting sectors. The hospitality industry enjoys a privileged position from operating around the gambling industry, but, simultaneously, is at the risk of being decimated if a shock impacts it. Given the gambling sector is exposed to a multitude of risks, this economic setup creates extensive vulnerabilities in the Macanese hospitality sector.

As Chinese nationality prevails in Macau, Guanxi, a form of favors exchange in business settings intrinsic to the Chinese social rule, can hugely benefit or damage THG industries' players.

Guanxi 关系

Guanxi is a Chinese implicit social rule that reflects the depth of feeling within a personal relationship and the moral obligation to maintain a certain relationship, but it also reflects a combination of property, prestige, and social status.

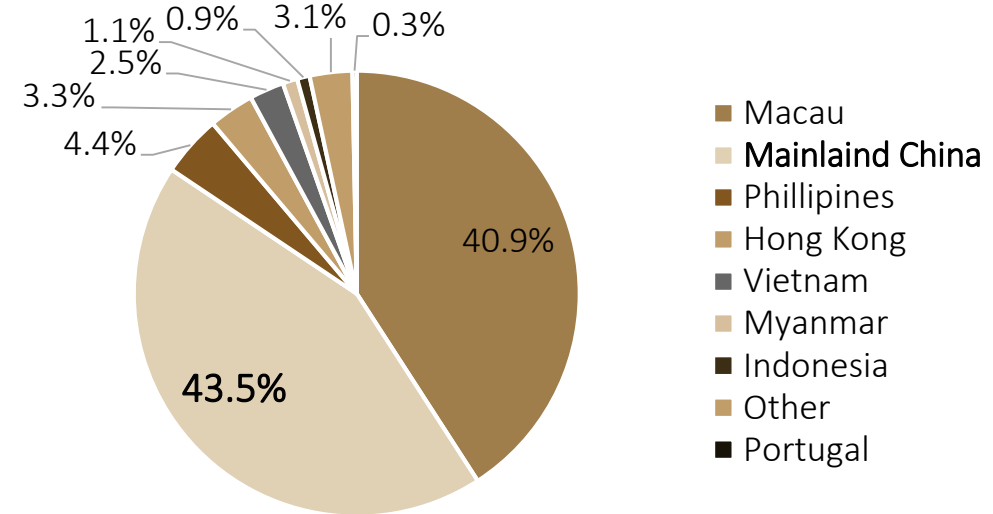
Translates as personal connections, relationships, and social networks and is based on tacit mutual commitments, reciprocity, and trust.

Guanxi plays a central role in the development of business transactions as it is implicitly entangled with individuals' interactions as the businesses implied grow together with the individual's relationship.

Guanxi plays an essential role with government officials, who can be a strategic tool for business success by allowing companies to obtain secret information and increase government regulations' knowledge. In the governmental or political context, reputation plays a crucial role in shaping *guanxi*.

However, the concept of *guanxi* raises ethical questions as the favors exchange is seen by many as government corruption. (Yin, 2017)

Nationality Diversity in Macau



Graph 7: Nationality Diversity in Macau, 2016 Population By-census Detailed Results

As the majority of the Macau population are Mainland Chinese, *guanxi* plays a crucial role in relationships, businesses, and government decisions. The THG industries' players can greatly benefit by assuring their management team is well connected and by making favors to the government. However, it can also be deeply affected by other players' benefits prevalent from *guanxi*.

The fast rise of technology can pose a threat to Macau's hospitality industry as OTA's might cause loss of control, and the rise of online gambling during the pandemic might reduce the demand for brick-and-mortar casinos.

Online Travel Agents (OTA)

The rapid development and use of technology are changing the hospitality and tourism industry as a whole.



91% internet adoption



87% of residents own a computer



89% of residents own a smartphone

- WeChat, the multifunctioning social media app that handles communication, payments, ordering, shopping, and company accounts is widely used by the population and ranks as the number one application used by smartphone owners in Macau (Seng, Mak, Li et al. 2020)
- China became, in 2018, the second-largest Online Travel Agent Market, growing 27% in revenue from 2017, a 400% larger growth than of the USA figures (Phocusright Research 2018)

The ever-growing influence from OTA's and dependence on third-party mobile applications for booking and payments will lead the hospitality industry to be dependent on third-party providers, inherently losing influence and control over distribution & profit margins (HVS 2015)

Online Gambling

According to Grand View Research (2020), the Covid-19 pandemic together with the increasing world's digitalization are boosting the online gambling sector revenue.



127,3\$ billion expected online gambling revenue in 2027

- As casinos close around the world due to covid-19 restrictions, the online gambling segment aims to expand (Sayre, 2020).
- However, strict measures are taken from mainland China to regulate gambling outside its legal zones.
- Just as recently as 2021, "Chinese prosecutors have indicated they are targeting online casinos after a growing number of operators allegedly used internet platforms to get around the country's laws against gambling" (Lau 2021).

Internet-based casinos and betting services pose an inherent threat to every conventional gambling market. However, The recent increase in anti-gambling activity coupled with Macau's increase in gambling-related tourism proves that Macau's position as China's only gambling hub.

The THG industries are subject to two main environmental risks: the rising public interest for sustainability as a differentiation method and the inevitable natural disasters that can halt tourism for short periods.

Natural Disasters

The Macanese Peninsula has an inherent propensity for cyclones and weather impact. Solely in 2020, the region was impacted by 5 cyclones and 10 weather warnings of the highest alarmism (Lau et al., 2021).

A case worth mentioning is the typhoon Hato in 2017, the largest tropical storm to hit Macau since 1964, injuring 240 people and taking a total of 10 lives. Typhoon Hato left behind damages worth 11.5 billion MOP, and it took months until the SAR was fully recovered (Chenxi and Yao 2017). As for the hotel industry, businesses were closed for weeks after the disaster, both to repair damages, but also due to water and electricity limitations imposed. Moreover, after the disaster, the government discouraged tourism in Macau and temporarily suspended group packs (Morgan 2017).

The Macanese hotel industry is vulnerable to seasonal typhoons. The damages from the storms are felt in the short run, empowering these disasters to stop the industry temporarily. With global warming intensifying these storms, the risks associated with them become even larger.

Environmental Policy

Wan, Chan, & Huang (2017) found that a sample of 31 hotels in Macau are active in their efforts towards more sustainable practices, and in fact, hotels in Macau show great environmental policies, such as operational solutions for waste management, energy-saving lighting, and mechanisms that reduce water and electricity use for hotel guests.

However, the lack of government policy and regulations on this matter restrains the hotel's trajectory towards sustainability. In this sense, it can arguably disrupt competition seeing as stricter legislation creates a more leveled playing field and evens out competitive advantages built from exploitation and limitless use of resources (Altenrath, 2021).

Sustainability policies can impact the hotel industry in the sense that they are becoming increasingly important in the customer decision process. As such, the Macanese hotel industry may be impaired by the regional government's lack of environmental action.



Hotel's risk legal disputes in case of misleading customers as well as not complying with health regulations. However, in case of a future pandemic, Macau's legal regulation allows for ease of staff costs reduction.

Through the Basic Law, Macau people have safeguarded their fundamental rights such as freedoms of speech, press, association, and assembly, procession and demonstration, religion, travel and entering and leaving Macau, as well as the rights to organize and join trade unions and to strike.

Employment

- Verbal agreements are considered valid for residents ("Doing Business in Macau: Overview." n.d.)
- Written contracts are required for minors and non-resident workers, who must hold a work permit from the Labour Affairs Bureau, which requires a fixed-term contract, which can take three to four months to be approved ("Doing Business in Macau: Overview." n.d.)

Therefore, in a pandemic scenario, such as Covid-19, staff reduction has small costs associated and is legally easy, especially if most workers are residents in Macau. However, after a pandemic, companies might deal with talent pool shortages as hiring foreigners can be legally exhausting.

Consumer Protection

- Consumers are guaranteed the right to information, health and safety protection, services quality, economical interest protection, damages indemnification, legal participation in the definition of its rights and interests, and legal protection and accessibility ("Doing Business in Macau: Overview." n.d.)

Hotels in Macau must be transparent in their offer and must comply with all government health guidelines to avoid legal disputes.

Health

- The International Health Regulations from the World Health Organization are applied directly to the Special Region (Alves, 2017).
- Macao has introduced a QR three-color code system – green, yellow, and red - needed at border checkpoints and for entering public administration premises, casinos, and other venues. Red or yellow codes may be subject to testing, hospitalization, or restrictions on their movements (Gov. UK, 2021).

All people and companies in Macau must comply with the international WHO's covid-19 regulation. Furthermore, casinos and hotels can only host people that hold a green QR health code.

The lodging facilities in Macau were categorized under hotels, casino hotels, and integrated casino resorts and will be represented by the Harbourview Hotel, Starworld Hotel, and The Parisian Macao, respectively.



For this report, a hotel will be considered an **establishment that provides accommodation and lodging services for paying guests**, being the **lodging the main source of revenue**, including guesthouses, casino hotels, and integrated resorts.

The selected representative hotel to be evaluated within this study's context is the **Harbourview Hotel**.



The hospitality industry links to the gambling industry through casino hotels. For this work, casino hotels will be defined as **premises that provide temporary lodging services, gambling services, and food and beverage services**. This segment's main revenue streams are **gaming and casino**, low-key entertainment, **overnight stays**, food, beverages, and get-together facilities (University of Macau, 2021).

The selected representative hotel to be evaluated within this study's context is the **Starworld Hotel**.



Resorts are commercial establishments, which will usually consist of a hotel and a variety of additional services and amenities, on-site. Guests will usually have access to lodgings, restaurants, bars, entertainment options, recreational activities, and shops, which can all be accessed without leaving the premises. Integrated casino resorts take it a step further and encompass **hotels, casinos, clubs, spas, food and beverage services, retail, entertainment, and MICE** (Meeting, Incentive Travel, Conventions, and Exhibitions), **profiting from diversified revenue streams**. Integrated resorts are considered to be the future of resorts and the core modern feature associated with these are casinos, especially in Asia (University of Macau, 2021).

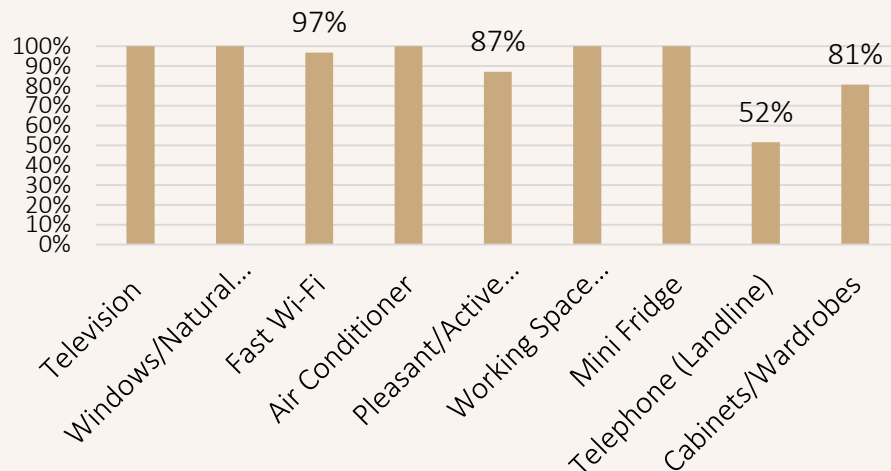
The selected representative hotel to be evaluated within this study's context is **The Parisian Macao**.

A public survey concluded that there is a consensus regarding basic features necessary for a quarantine stay, but people are willing to pay more for a range of extra features, such as food deliveries.

Survey Analysis

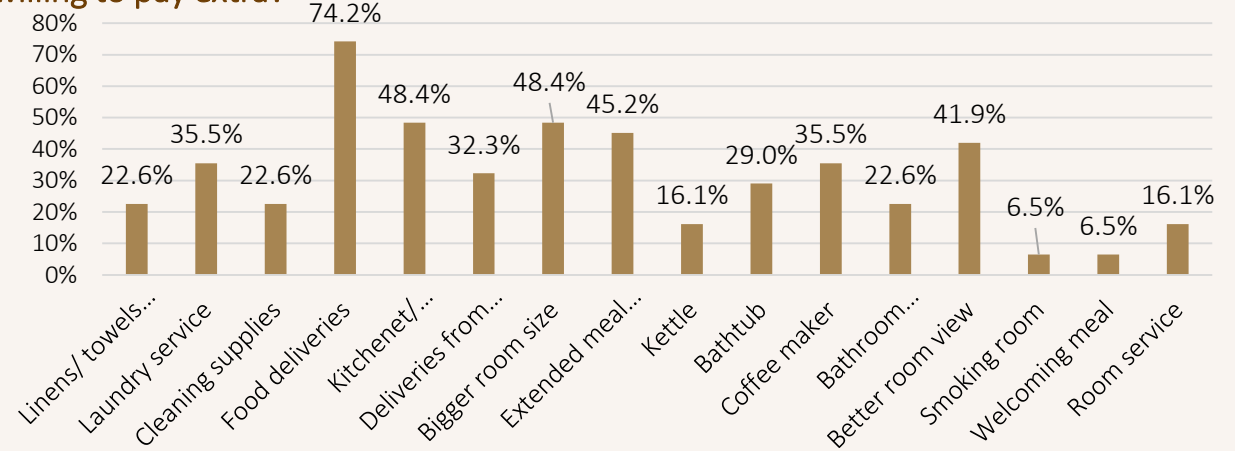
To understand how a Macanese quarantine hotel could better adjust to the basic and preferable features for a quarantine stay, 31 people answered the following questions:

Which do you consider to be the minimum basic requirements for your quarantine stays?



Graph 8: Survey Results – Basic Minimum Requirements

For which of the following room amenities/ hotel services would you be willing to pay extra?



Graph 9: Survey Results – Extra Features

In conclusion, the survey answers give insight into perceptions of what hotel room amenities or features are seen as mandatory and which has the propensity to give extra value to the quarantine guest. Therefore, through the addition of added value services and products, quarantine hotels can improve their financials by diversifying and increasing their revenue streams.

Through primary data collection, it was possible to understand that hotel management should keep other services operating and be aware of guests needs and wants.

Interviews

Most common topics interviewees referred:

- Food:** "I would advise anyone coming to Macau to bring lots of snacks and food."
- Food:** "I would like to have an option with an extended menu or better-quality food if pay more"
- Windows:** "the most important features (...) are: can you open the windows and do you have a balcony!!!"
- WhatsApp:** "All Hong Kong hotels have a what's app group set up for 'inmates'. Macau does not have this for some reason."

Discussion Forums

Most frequently raised topics (14-week period):

- Inquiries about restrictions, regulations, news, changes (92)
- Conversations about specific hotels, their standards, and amenities (28)
- Wellbeing during quarantine: Information, exercise and support groups (18)
- Topics about food and hotel food offering (13)
- Lack of delivery services (10)
- Lack of hygiene products (8)
- Lack of hotel room amenities (8)
- Conversation and Complaints about Wi-Fi connection (6)

Survey Analysis

To understand which services should remain functioning in each scenario, 31 people were asked:

Would you feel comfortable...

	"Yes"	"No"
• ...staying at a hotel in which some of the rooms are being used for quarantine stay?	19%	81%
• ...playing in a casino in which the rooms are being used for quarantine stay?	42%	58%
• ...shopping at an integrated resort in Macau if its hotel was being used for quarantine stay?	65%	35%
• ...using the entertainment facilities (waterparks, exhibits, clubs etc.) at an integrated resort in which the rooms are being used for quarantine stay?	55%	45%
• ...eating in at a hotel's restaurant in which the rooms are being used for quarantine stay?	55%	45%

The survey answers conclude that there is a considerable percentage of revenues that can be salvaged if the hotels join one of the scenarios. Therefore, hotel management, in both scenarios can decide to keep other services operating if there are conditions to securely isolate the quarantine ward.

To design the 3 scenarios, several common assumptions regarding time frame, hotel management, and quarantine settings were depicted.

The three scenarios to be analyzed were planned in light of Covid-19 impact and regulation and light of Covid-19's pandemic and the SAR Macau's travel and quarantine restrictions, comprising hotels joining or not the mandatory quarantine scheme. The scenarios were designed through logical assumptions either obtained through research or inferring, resulting from the lack of available data. The three scenarios – Operating normally, Joining a Quarantine Hotel List, and Joining the optional quarantine hotel list – will then be analyzed through a quantitative and qualitative lens.

Assumptions

- The first medical observation hotel opened on January 30th, 2020 (Macao News 2020). As such, during January, hotels will operate normally.
- In the mandatory quarantine scheme scenarios, hotels join on February 1st, 2020, and stay at least until the end of December 2020.
- Even though the optional quarantine list only started on December 20th, 2020 (Government Information Bureau of the Macau SAR 2020), optional list numbers will be applied to 2020, as a proxy to what would have happened if both lists were active since February 1st, 2020.
- Quarantine is assumed mandatory for all residents from Mainland China high-risk areas' (here considered Xinjiang, Liaoning, and Qingdao), Hong Kong, Taiwan and Macau, Macau residents' families, and Macau's non-resident workers.
- Only arrival by air from February 1st, 2020, onwards will be considered for demand calculation as at certain moments of 2020, land borders were closed, and ferries activities were shut (seaports arrivals) (The Parisian Macao 2021).
- If the hotel facilities reserve the capacity of isolating the rooms ward, management can choose whether to close or continue operating those services.
- For ease of forecasting, the average length of stay per person in quarantine is assumed to be 14 days long.
- The average number of people per room is assumed to be 1,27 (see appendix 1).

To plan the scenarios, mandatory quarantine scheme regulations will be complemented with a few assumptions, being the major difference between the scenarios the demand, price, and market share.

The scenario analysis that will be performed is based on the mandatory quarantine scheme that was in place in Macau during the pandemic. Therefore, the following analysis will comprise three scenarios: operating normally, joining the designated quarantine list, joining the optional quarantine list.

Scenarios Definition

Operating normally

This scenario corresponds to the actual operations of the year 2020, therefore the financial results of the chosen hotel will be analyzed as is.

Designated hotel quarantine list

- The hotels in the 'designated list' for medical observation are only available for Macau residents and relatives, and non-resident workers
- Inbound travelers staying at designated hotels still have no choice regarding the hotel they are staying at, but part of the costs incurred while quarantining are partially subsidized.
- Residents and relatives pay 400 MOP daily per person to quarantine at designated hotels. Macau residents and relatives can apply for an exemption of payment on their first time traveling to Macau (subsequent returns do not allow for such application) (Moura 2020).

Optional hotel quarantine list

- The 'optional list', or 'self-selected list' is available for residents and relatives, and non-residents
- Inbound travelers staying at optional hotels can choose in which establishments they would like to quarantine at but must bear the costs of their stay.
- At optional hotels, the price for a full quarantine is defined by the establishment (Moura 2020)

Assumptions

- Room rate is at 400MOP per person per night, independently of how many people are sharing a room.
- Hotels can choose the number of rooms offered to the government for quarantine stays.
- Guests are distributed through hotels the designated list, proportionally to the relative number of rooms offered by each hotel.

Assumptions

- Hotels are free to define their own room rate as well as extra person rate.
- Rooms rates will be defined through consumers' willingness to pay and market analysis.

A Work Project, presented as part of the requirements for the Award of a Master's degree in Management from the Nova
School of Business and Economics.

MACAU'S HOSPITALITY SECTOR: PLANNING A RESPONSE TO A PANDEMIC
The Case of Integrated Casino Resorts – The Parisian Macao

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Abstract

This consulting project aims to strategize the best response plan for Macau’s hospitality industry players to activate in a pandemic crisis similar to Covid-19. As such, the industry is segmented in three, according to hotel’s business models. For the Integrated Casino Resorts segment, data from The Parisian Macao, representative hotel, is analyzed qualitatively and quantitatively through Scenario Planning and Analysis that comprise three hypothesis – Operating normally, Joining the government designated hotels quarantine list and Joining the optional hotels quarantine list. The study suggests that in a pandemic crisis similar to Covid-19, Integrated Casino Resorts, such as The Parisian Macao, should join the optional quarantine list.

Keywords (Strategy and International Business; Scenario Planning; Marketing Planning; Scenario Analysis; Strategy Consulting; Proactive Crisis Management)

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Figure 6: The Parisian and Eiffel Tower Replica

The Parisian Macao Analysis

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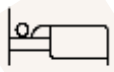
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The Parisian Macao is an Integrated Casino Resort, pegged as an “affordable luxury” destination who aims at capturing the mass marketing by holding a wide offer of services besides gambling and lodging.



2333 rooms and suites and **208** Paiza suites¹



265 MOP billion in 2020



27.3% occupancy rate in 2020

The Parisian Macao’s Facilities

Paris Theme

- Eiffel Tower
- Esmerald fountain inspired by Fontaine de Mers
- The dome inspired in L’Hotel National des Invalides
- Place Vendome recreation
- The Arc de Triomphe de L’Etoile recreation
- Avenue des Champs-Elysees recreation at Shoppes in the Parisian

Entertainment

- 1200 seats theatre
- Qube –kingdom
- Aqua world

Retail

- 295 963 sq. feet
- 130 stores
- 24 restaurants and food outlets

Gaming

- 248 000 sq. feet
- 273 table games
- 761 slot machines

Meetings, Incentives, Conferences, and Exhibitions (MICE)

- 63 000 sq. feet meeting room complex

The Parisian Macao is an Integrated Casino Resort that comprises several casino and entertainment amenities.

The Integrated Resort is one of four Cotai Strip’s interconnected integrated casino resorts owned by Sand China LTD – The Venetian Macao, The Londoner Macao, and The Plaza Macao.

“Entertainment is at the heart of our business” (Sands China LTD, 2021)

According to a press conference statement from Sand’s China President, The Parisian Macao aims at capturing the mass market. The focus of the integrated resort is to appeal to the Chinese emerging middle-class that looks for affordable luxury by holding a wide offer that fits different segments such as MICE people, middle-market and families. (Fang 2016)

The strategy of the Sands Groups regarding integrated resorts does not lay on gambling but rather on aesthetics and themes, family entertainment, convention facilities, and shopping, according to Ruth Boston, the vice-president of destination marketing and sales from Sands China. (Fang 2016)

1: Term that refers to Sands China’s VIP or premium players and guests’ targeted services and areas.

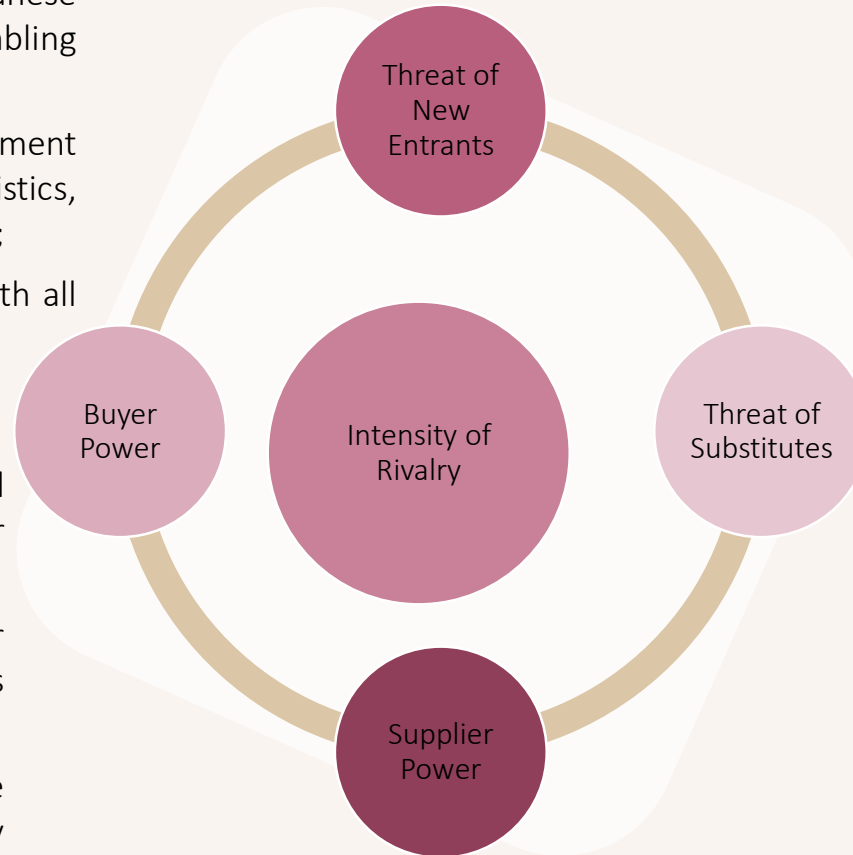
The Macanese pandemic travel restrictions shifted the hospitality focus from Chinese guests to local guests, which are less willing to spend, conferring more power to buyers.

Low Threat of New Entrants

- Extremely high entry barriers as there are only 3 casino concessions provided by the Macanese government and 3 sub-concession for gambling operations (The Parisian Macao 2021, 25);
- Multi-millionaire capital investments for government parcel concessions, construction, logistics, partnerships, etc (The Parisian Macao 2021, 31);
- Highly regulated industry as it must comply with all regulation from different activities.

Medium-High Buyer Power

- Huge market mainly composed by mainland China, Asian gamblers and Macao people for not many competitors;
- Being Macau visitors mostly Chinese, higher paying guests, the pandemic travel restrictions obliged the industry to focus locally;
- Regarding room operations, clients are price sensitive as almost all hotels are luxury quality with similar price.



High Threat of Substitutes

- Very similar offer – all integrated resorts offer across-the-board the same services, being only distinguished by the entertainment provided. (The Parisian Macao 2021, 53);
- Not a very high number of competitors in Macau, but a significant number all over Asia (The Parisian Macao 2021, 25).

Low Supplier Power

- The Parisian Macao enjoys the supplier power conquered by Sands Macao, the owner of 3 other huge integrated resorts;
- The group maintains a good relationship with their suppliers, through programs such as the F.I.T program, giving no reason for supplier to wish to vertically integrate (sandschina.com 2021).
- The group bets on small and medium suppliers, as well as, “made in Macao” and young Macau entrepreneurs, which due to their dimension have low power (sandschina.com 2021).

The Parisian Macao operates in a highly competitive industry in which revenues are concentrated on gambling and competitive advantage is reached through differentiation leadership

Competitive Set

Direct competition

- The Parisian Macao is interconnected with Sands China's 3 other integrated resorts: The Venetian Macao, Four Seasons Macao and The Londoner Macao.
- The Sociedade de Jogos de Macau ("SJM"), the most experienced casino operator in Macau has recently opened Grand Lisboa Palace on Cotai Strip.
- MGM Grand Paradise owns MGM Macau and MGM Cotai.
- Wynn Resorts (Macao) S.A. operates the Wynn Macau and its second tower the Encore, as well as Wynn Palace in Cotai.
- Melco Resorts operates the City of Dreams and Studio City, one of the most irreverent integrated resorts in Cotai.
- Galaxy Casino S.A. operates a 4 phases megalomaniac integrated casino resort, The Galaxy Macau, in Cotai.

Indirect competition

- Competes for overnight stays with 131 other hotel premises.
- Competes with the other 40 casinos in Macau for gambling revenue.

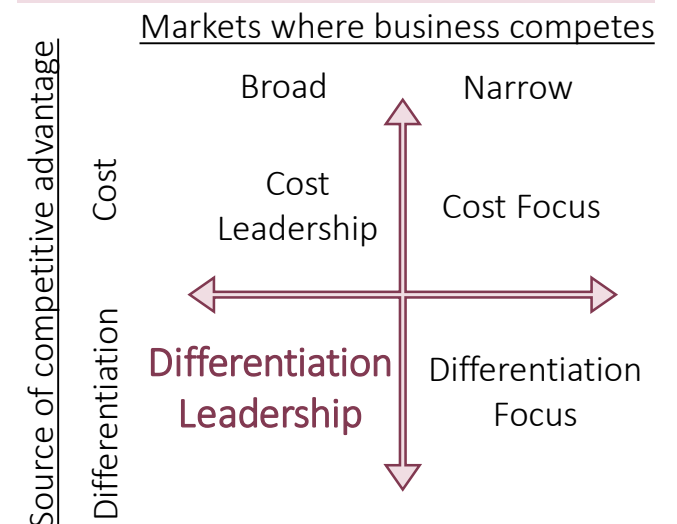
Intermarket competition

Competes with event, entertainment, MICE, retail, etc providers. The integrated casino resort industry is rising in Asia, being the industry leaders located in Singapore, India, South Korea, India, Philippines, etc.

High Industry Rivalry

- High number of competitors given the small dimension of Macau and the growing number of developments.
- There are only 3 concessions and 3 sub-concession holders for gambling activities operations.
- Competition very concentrated around casino revenues and entertainment.
- Very similar operations within all integrated casino resorts. Integrated resorts differentiate themselves apart mostly through entertainment and facilities.
- The Parisian Macao uniqueness is pertained by their unique entertainment offers.
- Exit barriers are extremely high due to high sunk costs, high asset specificity and illiquidity. Investments are irreversible.
- High-tier casino clients (Paiza) tend to be loyal to their preference hotels and casinos mostly due to Guanxi.
- Consumers experience almost null switching costs when preferring other hotel over The Parisian Macao.

Porter's Generic Strategies



Graph 10: The Parisian Macao's Porter's Generic Strategy

The Parisian Macao is highly reliant on foreign tourism which steeply declined due to the pandemic, however some overnight stays might be recovered by joining the SAR Macau's quarantine scheme.

Strengths

- Diversified sources of cash-flow from multiple operations (gaming, restaurants, shopping mall, MICE facilities, theatres, entertainment, ...) (Sands China Ltd 2021, 31)
- Owned by Sands China (subsidiary of the Las Vegas Sands Corporation) - experienced management team with proven track record (Sands China Ltd 2021)
- Served by Sand's China complementary transportation services (Sands China Ltd 2021, 23);
- A very spacious integrated resorts, where rooms are located from level 7 to 37 and all other casino services are located from the ground floor to level 6 (Sands China Ltd 2021).

Opportunities

- Macaú is expected to have a meaningful long-term growth in the post pandemic period creating growth opportunity as Macau's visitors increase (Sands China Ltd 2021, 21)
- The integrated resort industry as well as the gaming industry were growing at a fast pace all over Asia up until 2020.
- Macau's government has created a designated hotels' list for Macau residents and families or non-resident workers to comply with their mandatory quarantine stay when arriving to the SAR;
- An optional hotels' quarantine list has also been created for visitors arriving to the SAR to comply with their mandatory quarantine time.

Weaknesses

- Highly reliable on overnight stays of foreign tourism;
- Overnight stays reliable on gambling and entertainment guests (Sands China Ltd 2021, 18);
- Extremely affected by government regulations that led to a decline of visitors (Sands China Ltd 2021, 49);
- Affected by the suspension of the Ferry operations between Macao and Hong Kong on Feb 4th 2020 (Sands China Ltd 2021, 24);
- Currently operating under a gaming concession that is set to expires in June 2022 (Sands China Ltd 2021, 54).

Threats

- Subject to every risk associated with the hospitality industry such as natural or man-made disasters, customers willingness to travel, reductions in consumer spending, downturns in economy, etc (Sands China Ltd 2021, 50);
- Subject to extensive government regulations both on casino and hotel operations, as well as entertainment (Sands China Ltd, 50);
- Sands China extends gambling credit to a large portion of customers, accepting the risk of not collecting the gaming receivables (Sands China Ltd 2021, 53)
- Gambling license expires in June 2022. If not renewed will impact tax arrangements with the Macao government (Sands China Ltd 2021, 56)



By joining the mandatory quarantine scheme, The Parisian Macao would be able to capture new high spending guests, create strong customer relationships and strengthen its *guanxi* with government bodies.

A Tows analysis is an extension of the SWOT analysis that aims at avoiding threats, cease opportunities, eliminate weaknesses and leverage strengths.

Opportunities

Threats

Strengths

Exploiting strengths to cease opportunities:

Sands China should consider investing in expanding within not only China and Macau, but also Asia, re-creating conceptual hotels such as The Parisian Macao but also creating new-concept hotels, given their global experience (Macegroup.com, 2021)

By presenting a caring and excellent service that predicts and attends consumer’s needs, The Parisian can create strong relationships costumers and foster the path to customer loyalty.

Using strengths to mitigate threats:

Because the hotel rooms can be fully isolated from the rest of the services, The Parisian Macao could continue providing non-quarantine stays at a reduced capacity while receiving quarantine guests, as well as it could keep every other service operating normally guaranteeing activity in all sectors of business.

Weaknesses

Ceasing opportunities to remove weaknesses:

By joining the mandatory quarantine scheme, The Parisian Macau would have an opportunity to capture new clients that otherwise would not have considered staying at The Parisian Macao, as well as it would be able to increase overnight stays.

By joining the optional quarantine list, The Parisian Macao would be able to receive guests from Mainland China, Hong Kong, and Taiwan, having the opportunity to create a strong customer relationship from high spending guests.

Reducing weaknesses while mitigating threats:

To be able to smooth the impact caused by future pandemics on its income statement, The Parisian Macao should join the optional quarantine list, setting its own prices and service level.

By joining one of the quarantine lists, The Parisian Macao would strengthen its *guanxi* with government bodies, setting itself to a better position for a gambling license renewal.

Joining the optional quarantine list would yield the highest room revenue to The Parisian Macao due to higher demand, fewer competitors, higher average daily rate and a stable high average length of stay of 14 days.

Performance Indicators

1. Hospitality Industry's Performance Indicators

	Standard	Designated	Optional
Total Room Revenue ('000,000MOP)	265	155	563
Occupancy Rate	27.30%	22.66%	46.76%
Average Daily Rate (ADR)	1164	826	1417
Revenue per Available Room (REVPAR)	313	187	662
Room Sold	227,586	187,246	386,368
Average Length of Stay	1.9	14	14
Number of Bookings	119,782	13,375	27,598

- The hotel average occupancy rate in Macau fell to 28.4%, in 2020, according to Statista. The Parisian Macao performed just below average.
- When joining the designated list, both demand and market share are limited, therefore, the occupancy rate would drop, as The Parisian would not be able to hold competitive advantage through differentiation focus. As the government established price per person, per night, of 400MOP, the designated ADR is much lower than 2020's and is also undiscriminated per room, the ADR and REVPAR will also drop.

Joining the optional quarantine list allows The Parisian Macao to compete against very few hotels for a high but limited demand for whom staying at a hotel of the list is an obligation and not a choice. Therefore, by competing through leadership differentiation with few competitors, The Parisian Macao would increase occupancy rate. Also, because in this scenario the hotel can choose its room rate and differentiate it by room type (Appendix 10), the ADR and REVPAR would considerably increase, having a direct effect on the quarantine room revenues.

When joining all factors - higher demand, higher market share, competing through differentiation, higher ADR and the higher average length of stay of 14 days that impacts rooms sold – the total room revenue from entering the optional list becomes more than twice the standard operations' room revenue.

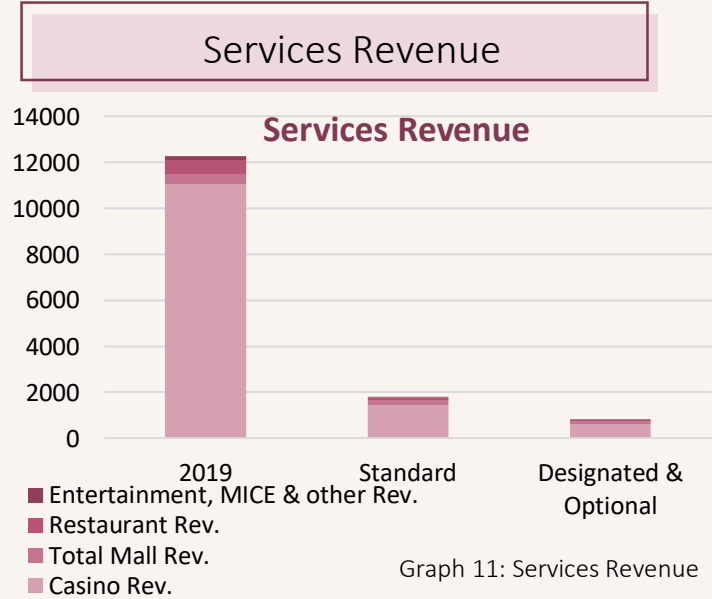
Room Revenue

2. Room Revenue

('000,000MOP)	Standard	Designated	Optional
Quarantine Room Rev	0	49	457
Non-Quarantine Room Rev	265	106	106
Total Room Rev	265	155	563
Room Rev 2019		1043,9	
Difference to 2019	-779	-889	-481
Decrease from 2019	-75%	-85%	-46%

- As The Parisian has enough dimension to fully isolate certain floors for quarantine purposes, by entering any list of the mandatory quarantine scheme, it would keep providing regular stays for those who feel comfortable. As such, the difference in room revenue between joining the designated and optional lists lays on both room rate and demand.
- With lower ADR as well as lower demand, operating in the designated list would cause a drop of revenue of 10p.p. more.

Because operating in the mandatory quarantine scheme decreases the services revenue, net revenue of the standard scenario is higher than other but when compared to 2019 the difference in revenue drop is small.



3. Services' Revenue Decrease from 2019

From 2019	Standard Decrease	Quarantine Scheme Decrease
Casino	-87%	-95%
Mall	-49%	-67%
Restaurant	-83%	-90%
Entertainment, MICE & others	-76%	-87%
Total Other Revenue	-85%	-93%

As The Parisian has enough dimension to fully isolated certain floors for quarantine purposes, by entering the mandatory quarantine scheme, it would keep operating its other services normally. It is assumed a drop in revenue as large as people's discomfort in using the services if the hotel joined the quarantine scheme. Overall casino revenue in Macau fell 79%, according to Bloomberg, but The Parisian Macao fell 8p.p. more. A possible explanation is residents preferring to gamble in smaller casinos with less people as it would fall even further under the quarantine scheme

Total Revenue

4. Total Revenue

('000,000MOP)	Standard	Designated	Optional
Net Revenue	2,080	984	1,377
Net Revenue 2019	13,250		
Decrease from 2019	-84%	-93%	-90%

- The weight other services revenue have on net revenue is far greater than the room revenue alone
- Because casinos are the biggest source of revenue of The Parisian Macao, on the overall, joining the optional list yields 6p.p. less net revenue than operating normally.

At first sight, the drop in other service revenues, especially casinos, leads to believing The Parisian Macao would be better-off operating normally as the optional quarantine hotel losses in other services' revenue largely offset the revenue gains from rooms operating in the optional list.

Operating in the designated yields lower costs than any other scenario, however, it is mostly due to lower business volume while the optional list confers 1p.p. more costs for a higher business volume.

Costs Analysis

To study the costs of the other sectors of activity, costs were assumed to be proportional to revenue volume, according to 2020’s standard scenario impact.

5. Services’ Revenue Impact on Costs		Casino	Mall	Restaurants	Entertainment, MICE & other
Standard Scenario	Revenue Impact (2019)	-87%	-49%	-80%	-76%
	Costs Impact (2019)	-71%	-25%	-52%	-77%
	Costs	1840	59	234	63
Designated & Optional	Revenue Impact (2019)	-95%	-67%	-89%	-87%
	Costs Impact (2019)	-78%	-35%	-58%	-87%
	Costs	1440	51	2062	45

As it is expected, the casino costs are the most impacted, as so were casino revenues.

By comparing revenues impact with costs impact, it is understandable that costs are not being dilluted as fast as revenues which indicates a possible loss in economies of scale as fixed costs are less spread when revenues are lower.

The cost of rooms were estimated proportionally to the number of rooms sold taking into account the average length of stay of customers, assuming these can only be cleaned and maintained at the end of the guests’ stay.

6. Room Costs	Standard	Designated	Optional
Average length of stay	1,9	14	14
Number of bookings	119,782	13,375	27,598
Bookings as share of 2020		11%	23%
Cost of Rooms Sold	188	21	43

Besides yielding higher room revenue, the room costs of operating in the optional list scenario are lower than the costs obtained in 2020.

However, the scenario that yields the lowest costs is the designated.

7. Total Costs		
(‘000,000)		Decrease (2019)
Standard	2,572	-66.2%
Designated	1721	-77.4%
Optional	1,742	-77.5%

Although the designated scenario leads to lower costs than any other scenario, it is mostly due to the overall lower revenues when compared to the standard scenario, and due to the much lower room revenue when compared to the optional scenario. The optional scenario would produce less 1p.p. decrease in costs then the designated scenario.

When staff reductions and associated costs, as well as reduced advertising and promotion costs and general and administrative expenses are considered, the optional scenario returns the highest operating profit of all scenarios

Gross Profit Margin

The gross profit margin of operating in the optional list is, as expected through the room revenue and costs analysis, higher than the other scenarios. Due to the heavier weight of services revenue, gross profit is diluted into a total loss of 28MOP for each 100MOP invested.

Staff

As the rate of people that would be comfortable using The Parisian Macao's services is lower when joining the quarantine scheme, so is the staff needed, reducing the salaries costs by the same proportional amount in both quarantine scheme scenarios.

The hotel room staff needed, however, differs according to number of rooms sold, being that in an optional scenario more are needed than in 2020. By operating in the designated list staff could have been reduced by 52% and by 38% in the optional list.

Staff meals

Staff meals are far less in both scenarios due to the reduced number of people working in each scenario. High-risk workers' right to three meals a day was taken into.

Advertising and Promotion

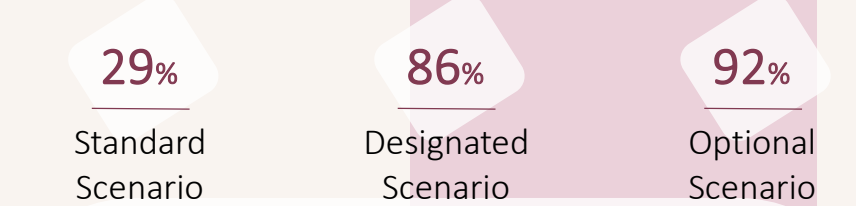
As an hotel joins the designated quarantine list, the marketing efforts are close to 0 for quarantine purposes as guests are allocated without choosing the hotel.

For both scenarios the marketing efforts that affect other services revenues decrease proportionally as it is assumed that other services usage would have been also a result of marketing investment.

Operating Profit

Due to the mentioned expenses reductions for joining the quarantine scheme, it ends up being slightly more financially favorable to operate in the optional list as the difference in gross profit is offset by the operating expenses

Rooms Gross Profit Margin



8. Summarized Operating Profit

Operating Profit ('000,000)	2019	Standard	Designated	Optional
Total Revenue	13250	2080	984	1392
Total Costs	7605	2384	1763	1786
Gross Profit	5644	-304	-779	-393
Operating Expenses	2511	4086	3934	3905
General and Administrative	1050	651	612	626
Corporate	194	2458	2486	2407
Pre-Opening	1267	977	836	872
Employee Benefits	1222	942	803	838
Wages, salaries & others	315	249	120	153
Staff Meals	16	13	2	4
Pension Costs	458	279	279	279
Other	434	402	402	402
Advertising and Promotion	14	2	1	2
Other	32	32	32	32
Operating Profit	2775	-4390	-4713	-4298
Decrease from 2019		-258%	-270%	-255%

Integrated Casino Resorts should operate in the optional quarantine list to guarantee higher operating profits, spillover effects, new clients capture, stronger customer relationship and could take advantage of guanxi

Response Plan

After evaluating The Parisian Macao qualitatively and quantitatively as a representative hotel for the Integrated Casino Resorts segment the following conclusions were retrieved:

Higher Operating Profit

As observed in the quantitative analysis, the operating profit estimated for an integrated casino resort joining the optional quarantine list is higher than for any other scenario, mostly due to increased room revenue and lower operating costs, even though services revenue such as casino and entertainment would decrease

Deepening Guanxi

By entering one of the quarantine lists, the integrated casino resort would be, in practice, doing the government a favour by easing inbound arrivals and quarantine rules compliance. Therefore it would be able to further its *guanxi* with government bodies.
In the present case, The Parisian Macao would be setting itself to a higher position to see its gambling license renewed at expiration.

Spillover Effects

By offering self-selected quarantine stays, the hotel would mostly foster the quarantine stays of foreigners, especially from Taiwan, Hong Kong and Mainland China, which are high spending guests, which could cause spillover effects to other secondary revenues such as room service.

Capturing New Clients

By operating in the mandatory quarantine scheme, prospect customers would have very low number of offers from which to choose a quarantine hotel, therefore integrated casino resorts would be able to capture new clients that otherwise would have chosen a hotel they are loyal to or even clients that would never consider staying at the hotel.

Differentiate Offer

By operating in the optional list, the integrated casino resort has the liberty to define the features of the quarantine stay to better adjust to guests and having, therefore, a chance to foster strong relationships with guests.

Joining the optional quarantine list is the most financially and strategically beneficial scenario for integrated casino resorts operations as a response plan to a future pandemic crisis, as well as it creates several positive externalities.

To enjoy future revenues from quarantine guests, The Parisian Macao has to step several ladders such as listening to the customer, improve quarantine stays, anticipate guests’ needs and secure guests loyalty.

In the following pages a marketing plan contemplating several small marketing strategies is formulated to better leverage quarantine stays, using The Parisian Macao as the representative hotel for integrated casino resorts.

Marketing Strategy

Segmentation

Since The Parisian Macao will be joining the Optional Quarantine List, there three interesting segments to be explored:

Residents and non-residente workers willing to pay extra to quarantine at an optional hotel;

Mainland China, Taiwan, and Hong Kong arriving to the SAR Macau - Target

Wealthy luxury guests who ultimate comfort and luxury

Objectives

Since The Parisian Macao will be joining the Optional Quarantine List, the marketing efforts will have as main goals:

- Capturing more market share within people arriving to Macau to quarantine;
- Securing guests loyalty;
- Securing higher future revenues – positive externalities.

Value Proposition

For those arriving in Macau who want to quarantine with the maximum comfort, The Parisian Macao provides a quarantine stays where every need is anticipated so they can feel at home.

Recommendations

The optional quarantine list has a limited selection of hotels. The Parisian Macao would, therefore, be able to capture high-spending guests that otherwise might not have considered staying at the hotel.

During isolation times, customers tend to feel more anxious and overwhelmed (Appendix 11), for which providing an excellent service will incentivize these customers to come back once the pandemic is over (Appendix 12), creating revenue for the present and the future.



The Parisian Macao should look at Ovolo South Hotel, in Hong Kong, as a best in class example regarding predicting and exceeding customers' expectations during quarantine stay.

Listening to the client

Provide customers with more food delivery options

According to the survey, 74.2% of people would be willing to pay extra to have more food delivery options (see slide 25).

Allow customer to open bedroom windows

The interviewees have mentioned that one of "the most important features" for quarantine hotel choice is if you "can open the windows".

Anticipating clients' needs

Letting several equipments to facilitate quarantine stay

The Parisian Macao should have available for rent several devices and equipments that would not only facilitate customers' quarantine stays, but also strengthen service excellence as well as increase revenue.

- Ovolo South Hotel, has been renting treadmills, microwaves, coffee makers, and other equipments to clientes that request it.
- 36% of surveyed people would be willing to pay extra to have a coffee maker in the room.

Securing customer loyalty

Making the best out of quarantine time and being attentive

- **Entertainment:** At Ovolo South Hotel, every Friday at 5pm there is a zoom yoga class for guests. The Parisian Macao should take the lead into organizing similar online entertainment.
- **Small treats:** At Ovolo South Hotel, a weekly happy hour is gifted to customers together with supportive postcards (Appendix 13)
- **Last Supper:** Ovolo South Hotel prepares a special meal for the last night of the customers, giving them something to look forward to (appendix 14)

Improve quarantine stay

Creating a sense of community

In Hong Kong it is rather common for guests to organize themselves into social mediagroups to support each other through quarantine – ex: "Ovolo South Quarantine", "LKF hotel neighbors", etc (Appendix 15-17).

By setting similar guests groups, The Parisian Macao, could not only be associated with a more pleasant, less lonely quarantine stay but also be able to interact with customers and better anticipate their needs.

By creating a luxury quarantine experience for high-tier guests, The Parisian Macao would be able to tackle an unexplored niche of the market capturing high present and future revenues.

Marketing Strategy

Targeting

Wealthy luxury guests who prize for ultimate comfort and luxury

Objectives

Marketing efforts main goals:

- Catering a high paying overlooked market niche;
- Capturing higher revenues;
- Securing guests loyalty;
- Securing higher future revenues – positive externalities.

Value Proposition

For those arriving at Macau who want to quarantine in luxury, The Parisian Macao creates a unique sumptuousness experience so they feel like vacationing splendourously in Paris.

Capturing higher revenues

Create a Paiza guests quarantine offer

- None of the Macau medical observation hotels is offering high-tier luxury suites to wealthier guests.
- The highest priced quarantine room is a 114sq meter suite at Lisboaeta Hotel at a rate of 3000MOP per night.
- The Parisian Macao counts with 208 Paiza suites ranging from 109 to 396sq meters.

The Parisian Macao should create a luxurious quarantine experience to serve its Paiza customers, as well as to attract new Paiza guests, guaranteeing huge profit by capturing an entirely uncatered niche.

Positive externalities

Securing future positive externalities

By being the only luxury option offer to quarantine in Macau, The Parisian Macao will have the opportunity to serve other hotel's loyal guests, possibly scooping them into their loyalty therefore enlarging its Paiza guests network by building strong relationships through a magnificent luxury quarantine stay. By doing so, The Parisian Macao would be securing future revenues.



The consulting project suggests that in a pandemic crisis similar to Covid-19, Hotels should join the government designated quarantine list, Casino Hotels should operate normally, and Integrated Casino Resorts should join the optional quarantine list.

06 Conclusion

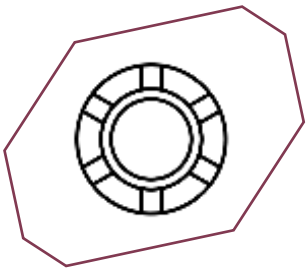
Conclusion

78

The hotel's operational constraints and long-term strategy led each segment to diverge regarding the most suitable course of action for the response plan, in case of a future pandemic similar to Covid-19.



Casinos play a big part in the Macanese hotel's ability to attract guests and differentiate themselves on the market. **However, Hotels and Lodging facilities have little to no other revenue streams**, depending heavily on accommodation. Therefore, the analyzed hotel segment benefited from operating in the **Designated Hotel list**, seeing how it distributes incoming travelers equally among hotels, **eliminating the need for hotels to differentiate their offer** and compete over market share. Conclusively, the hotels should aim marketing strategies at becoming a great quarantine stay for Macanese residents to **leverage the time as a quarantined hotel to gain attractiveness and higher market share post-covid**.



Contrarily, the best course of action for **casino hotels is to operate as usual**, since their main source of revenue stems from their **gambling services**. This conclusion follows the realization that casino hotels in quarantine lists **lose part of the demand for their casino** due to visitors' concerns about its environment amidst a pandemic. It was found that, even though being part of a medical observation list may increase these hotels' occupancy, that is **not nearly enough to make up for the loss in gambling revenues**. Instead, casino hotels shall focus on their ability to **differentiate themselves outside of the quarantine lists** to gain market share during the crisis. The primary strategy to achieve this goal is to promote the **perception of casino hotels as safe environments**, while still conveying the hotel's value proposition of superior gaming services.



Integrated casino resorts follow an alternative path and join the **Optional Hotel list**. Although hotels would be able to secure higher gross profit by operating normally, the operating profit from joining the optional hotel list is slightly higher than the other two scenarios. This is mostly due to the lower need of staff and the lower investment in marketing efforts following the reduction in services' revenue and the number of bookings for operating in the quarantine list. This scenario further creates positive externalities by securing future revenues from capturing new customers. By providing a suitable quarantine stay, integrated casinos resorts also have a shot at securing customer loyalty. Lastly, by joining the optional hotel list, the integrated casino resorts would improve their *guanxi* with government officials, setting themselves in a more **favorable position to see their gambling licenses renewed**, for example.

HK Quarantine Support Group

Private group · 62.9K members



Joined

+ Invite



About

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Questions



Catarina Salgado created a poll.

10h · 🌐



Hi everyone! 🙄 Are you all quarantining alone or are you sharing?



Added by you
Alone



20 votes



Added by you
4 people sharing the room



2 votes



Added by you
2 people sharing the room



1 vote



Added by you
3 people sharing the room



Add an option



Like



Comment

About

If you are in isolation and looking for help from a buddy please email hkstaysafe@gmail.com and we will get back to you ASAP

If you would like ... [See more](#)



Private

Only members can see who's in the group and what they post.



Visible

Anyone can find this group.



Hong Kong



General

Appendix 1 – Facebook pool, number of people per quarantine stay

	2017	2018	2019	2020
Hotel/F&B/Others	475 MOP	462 MOP	475 MOP	102 MOP
Room Revenue			282 MOP	77 MOP
F&B and Others			193 MOP	25 MOP
	4.5%	3.7%	4.2%	4.4%
Net Gaming	10,051 MOP	12,009 MOP	10,715 MOP	2,183 MOP
	95.0%	95.9%	95.3%	94.7%
Mall	49 MOP	53 MOP	55 MOP	20 MOP
Total Revenue	10,575 MOP	12,524 MOP	11,245 MOP	2,304 MOP
Occupancy Rate	99%	100%	100%	28%
Hotel Rooms	497			
Rooms Available	181405	181405	181405	181405
Rooms Sold	179591	181405	181405	50793
Average Daily Rate	-	-	1,553 MOP	1,509 MOP

Assumption 1	The average daily rate of Starworld is unknown. The metric was assumed to be equal to its most similar competitor - Grand Lisboa.
Assumption 2	Mall revenue is not considered for this analysis as it pertains to the revenue from a temporary pop-up store.

Appendix 2— Starworld Hotel Available Data

	Rooms Available	Occuoancy Rate	Rooms Sold	Average Monthly Revenues
January	15407	80%	12326	19 MOP
February	14413	23%	3354	5 MOP
March	15407	23%	3586	5 MOP
April	14910	23%	3470	5 MOP
May	15407	23%	3586	5 MOP
June	14910	23%	3470	5 MOP
July	15407	23%	3586	5 MOP
August	15407	23%	3586	5 MOP
Septembe	14910	23%	3470	5 MOP
October	15407	23%	3586	5 MOP
Novembe	14910	23%	3470	5 MOP
December	15407	23%	3586	5 MOP
Total	181902	28.0%	51074	77.1 MOP
Average occupancy rate in Macau during January				80%

Appendix 3 – Starworld Hotel
Designated Quarantine List Scenario Revenue Analysis

Decrease in Room Revenue	-28.5%
Decrease in gaming Revenue	-58.1%
Decrease in F&B Revenue	-45.2%

Appendix 4 – Starworld Hotel
Designated vs Standard Scenarios

Starworld Hotel - Income Statement	
Revenues	
Room revenue	77,067 MOP
F&B and others	25,325 MOP
Nte gaming	2,182,570 MOP
Special gaming tax and other related taxes to the Macau Government	-851,202 MOP
Raw materials and other consumables	-209,643 MOP
Other income	179,694 MOP
Other expenses	-520,853 MOP
Staff costs	-1,200,858 MOP
EBITDA	-317,899 MOP
Adjustments	42,899.0 MOP
Adjusted EBITDA	-275,000 MOP
Depreciation	
Property, plant, and equipment	-348,373 MOP
Amortisation	
Gaming license	-24,237 MOP
Computer software	-4,924 MOP
Finance costs	-12,448 MOP
Joint ventures	81,007 MOP
Associated companies	13 MOP
Loss/ Profit before taxation	-583,962 MOP
Taxation charge	-70,075 MOP
Loss/ profit	-654,037 MOP

	Rooms Available for Quarantine	Number of Rooms Occupied	Occupancy	Overnight Stays	Deluxe Room	Executive Room	Premier Suite	Starworld Suite	Revenue
January	15407	12326	80%						19 MOP
February	11526								
March	12760								
April	12349								
May	12760								
June	12349								
July	12760	41740	27%	52977	14 MOP	8 MOP	7 MOP	4 MOP	33 MOP
August	12760								
September	12349								
October	12760								
November	12349								
December	12760								
Total	152890	54065	32%	52977	14 MOP	8 MOP	7 MOP	4 MOP	51.3 MOP

Casino Revenues	
Rolling Chip Win	492 MOP
Mass Table Win	663 MOP
Electronic Gaming Win	19 MOP
Total GGR Win	1,175 MOP
Net Gaming	915 MOP
F&B and Others	14 MOP
Total Hotel Revenue	980 MOP
REVPAR	248 MOP

Decrease in Room Revenue	-33.4%
Decrease in gaming Revenue	-58.1%
Decrease in F&B Revenue	-45.2%

Appendix 6 – Starworld Hotel Optional Quarantine List Scenario Revenue Analysis

Appendix 7 – Starworld Hotel Optional vs Standard Scenarios

Starworld Hotel - Income Statement

Revenues	
Room revenue	51,323 MOP
F&B and others	13,888 MOP
Net gaming	915,271 MOP
Special gaming tax and other related taxes to the Macau Government	-356,956 MOP
Raw materials and other consumables	-209,643 MOP
Other income	179,694 MOP
Other expenses	-559,002 MOP
Staff costs	-1,200,858 MOP
EBITDA	-1,166,283 MOP
Adjustments	42,899.0 MOP
Adjusted EBITDA	-1,123,384 MOP
Depreciation	
Property, plant, and equipment	-348,373 MOP
Amortisation	
Gaming license	-24,237 MOP
Computer software	-4,924 MOP
Finance costs	-12,448 MOP
Joint ventures	81,007 MOP
Associated companies	13 MOP
Loss/ Profit before taxation	-1,432,346 MOP
Taxation charge	-171,881 MOP
Loss/ profit	-1,604,227 MOP



Starworld suites, located at the highest floors of the property, and the most expensive and luxurious rooms of the hotel (108sqm).



Premier suits, located on the floors 33 through 38 (72sqm).



Executive rooms, which can be found from the 30th floor until the 38th (36sqm).

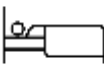


Deluxe rooms, present from the 18th floor until the 29th (36sqm)

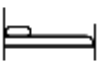
Appendix 8 – Starworld Hotel Optional Quarantine List
Scenario Income Statement Estimation

Appendix 9 – Starworld Hotel Room offer with room size and details.

Appendix 10 – Prices Charged by The Parisian Macao in Optional Lisys

 **57,14%**

57,14% of the Macau residents surveyed said they would consider staying at The Parisian Macao if it was part of the optional quarantine list, including their first quarantine stay.

 **79,17%**

79,19% of the surveyed non-residents from Hong Kong, Taiwan and Mainland China said they would consider staying at The Parisian Macao if it was part of the optional quarantine list.

 **<775MOP**

The surveyed population willing to stay at The Parisian Macao is, on average, willing to pay per night: 775MOP for a Deluxe Room, 820MOP for an Eiffel Tower King Room, and 960MOP for a Famille Room.



Deluxe Room (140)

 33 sqm
 7F – 29F
 Standard View
 **775MOP**



Eiffel Tower Room (250)

 33 sqm
 7F – 29F
 Eiffel Tower View
 **820MOP**



Famille Room (40)

 47 sqm
 11F – 25F
 Standard View
 **960MOP**



Cannes Suite (20)

 47 sqm
 7F – 25F
 City View
 **1000MOP**



Lyon Suite (350)

 72 sqm
 7F – 29F
 (110) Garden
 **2000MOP**



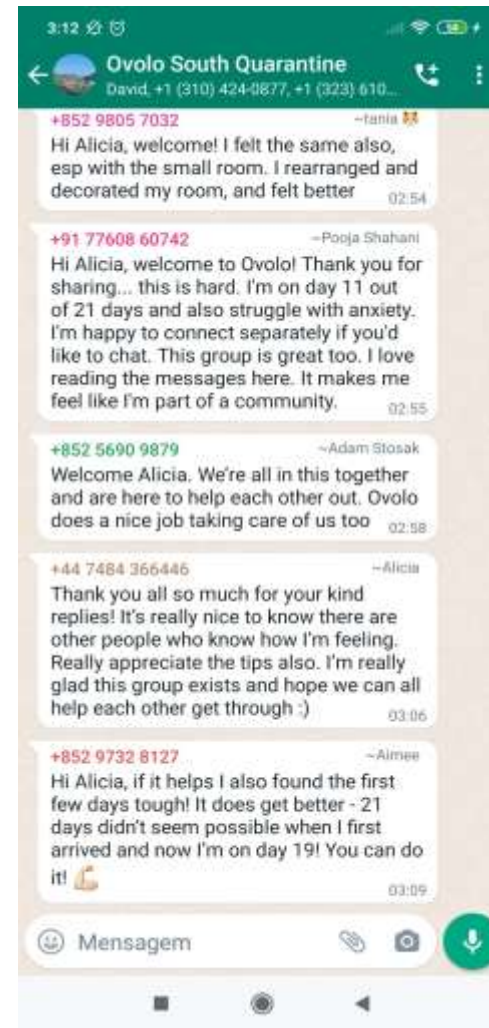
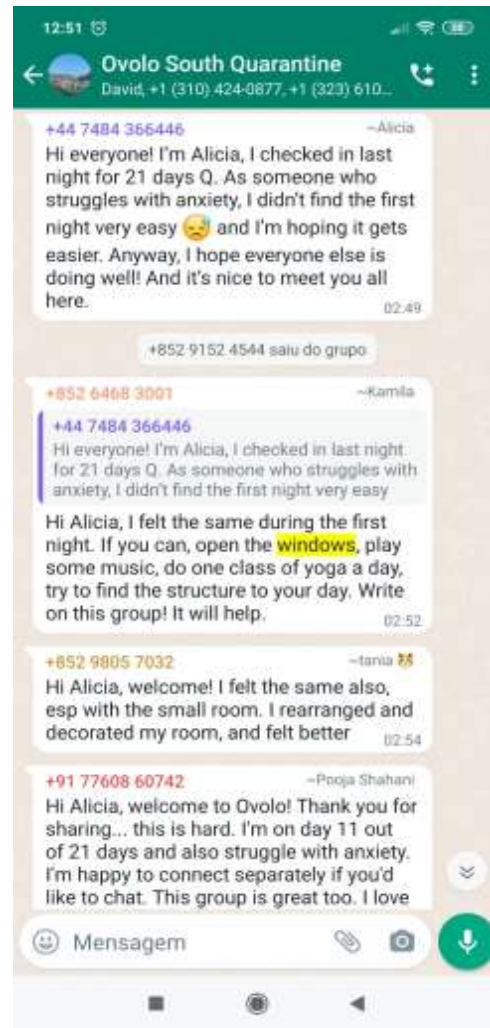
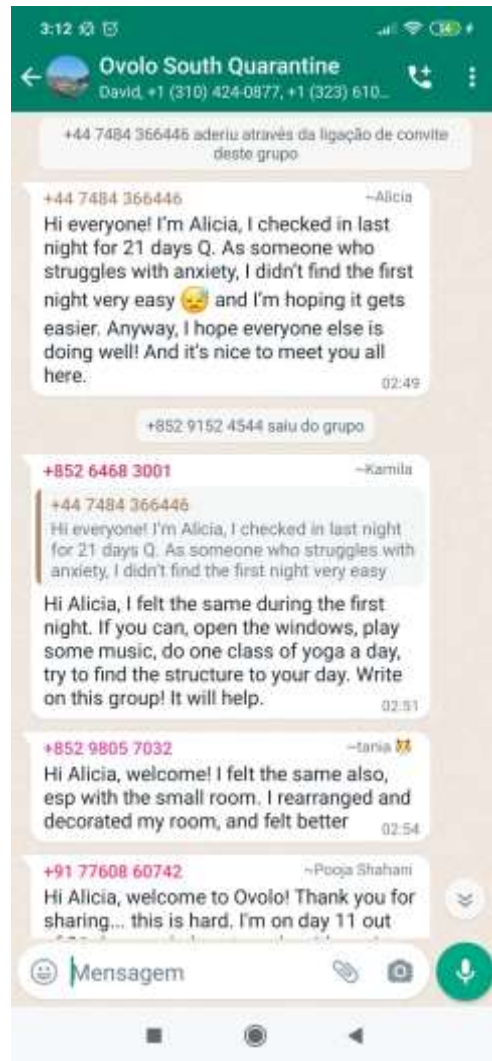
Champagne Suite (210)

 72 sqm
 7F – 29F
 Eiffel (130)
 **2100MOP**

Consumers' willingness to pay, taking into account their willingness to pay extra for a better view

Benchmarked to the Grand Sheraton Macao

Appendix 11 – Guests support on quarantine groups.



Appendix 12 – Trip advisor comments on quarantine stay at the Grand Sheraton Macao



travelerintaiwan
Shenzhen, China

16 9

Medical stay quarantine package

Review of Sheraton Grand Macao

Reviewed 11 March 2021 via mobile

I'm currently entering my second week of the 2 week quarantine stay and I chose to do Macau this time due to the hotel selection opportunity as opposed to other Mainland cities where they put you in any hotel that's available on the day of entry. I wasn't expecting too much before coming here but I am taking time to write this review because it has been a top-notch hotel and one of the best I have stayed in with or without quarantine. And I stay over 150 nights a year in hotels on average.

The rooms are decent, slightly aged but very well-kept. Their service has been top-notch, including welcome amenity, the food they provide daily, and any requests that you may have are always answered with sincerity and a real sense of care. I have stayed another quarantine hotels and the difference is beyond night and day.

When I come back to Macau on weekends in the future, I will be back at this property for sure!

Show less

Date of stay: March 2021



Sagar Shrestha wrote a review Oct 2021
Macau, China • 33 contributions • 2 helpful votes



5

"Quarantine package at Sheraton Hotel"

"Recently, Due to the covid case at macau, I got call from Health bureau macau, that we are ride same bus with covid passenger but we don't have symptoms but for the security reason they are request to stay quarantine for few days. After that we follow rule and regulation according to government and Luckily we got Sheraton hotel stay for the quarantine till October 8 at room number 2-3430. Recently we are stay quarantine, so I want to share most memorable memories while stay this hotel at Tripadvisor because everyone know the service of that hotel while they need to stay at quarantine. we are not expect excellent service compare to before. When I was enter the room everything is perfect and it's "wow". Room each and every decoration is perfect and bed is more comfortable compare to other hotel. They provide more water more then 24 bottles, more bath amenities, towels, toilet amenities etc which is enough for almost 1 week. We got breakfast, lunch, dinner at accurate time. Just I want to say thank you for your excellent service while we are stay quarantine. We hope we will come back to stay here as soon as possible with our friends and family. Thank you Sheraton hotel for excellent service."

Read less

Date of stay: October 2021

Trip type: Travelled solo

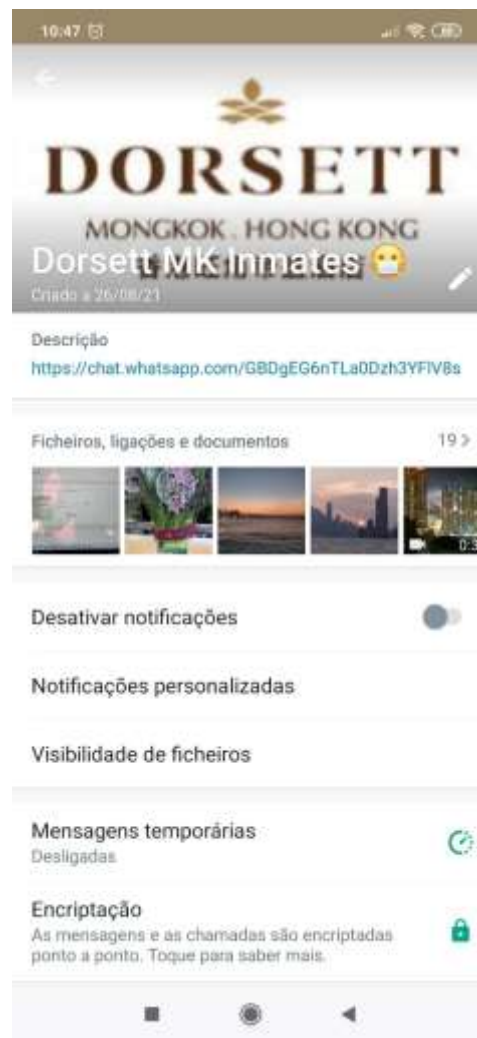
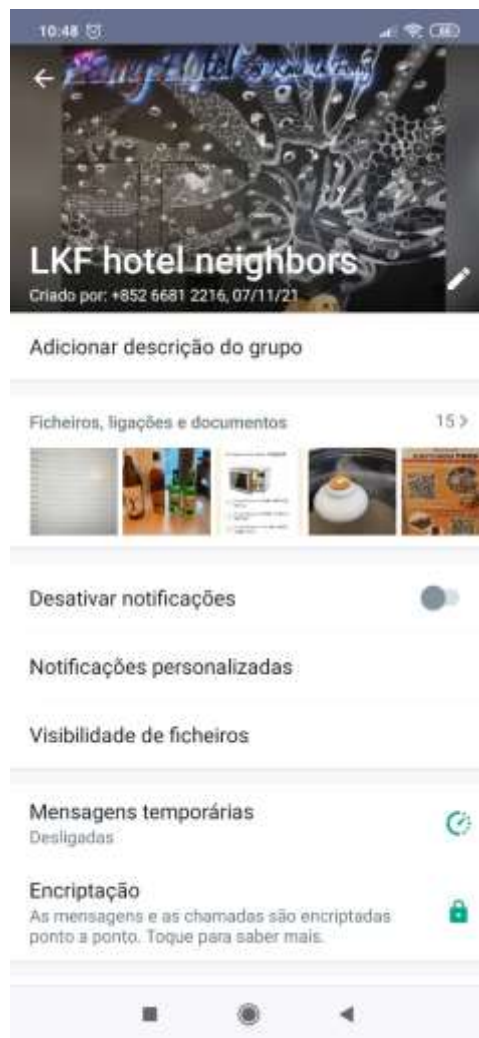
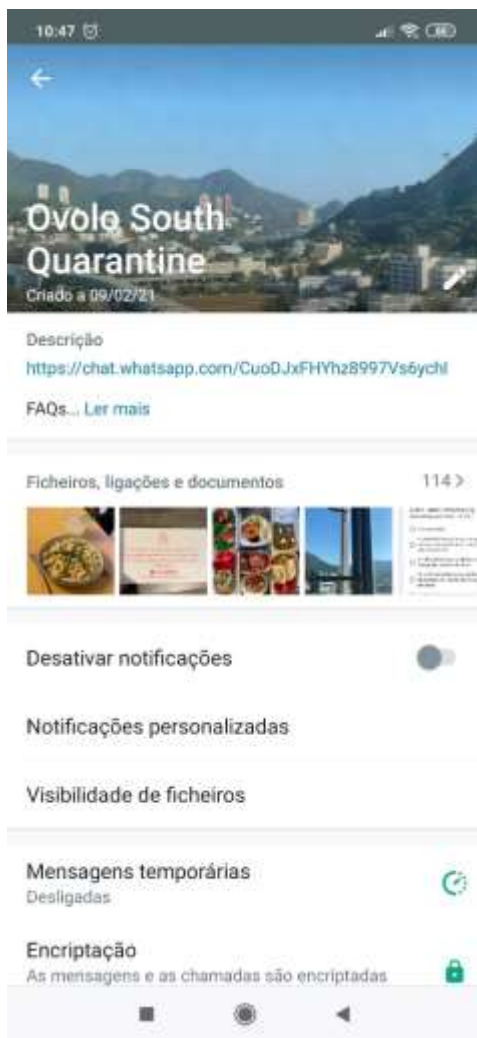
Appendix 13 – Quarantine Hotel's marketing efforts and meals.



Appendix 14 – Ovolo South Hotel “Last Supper”



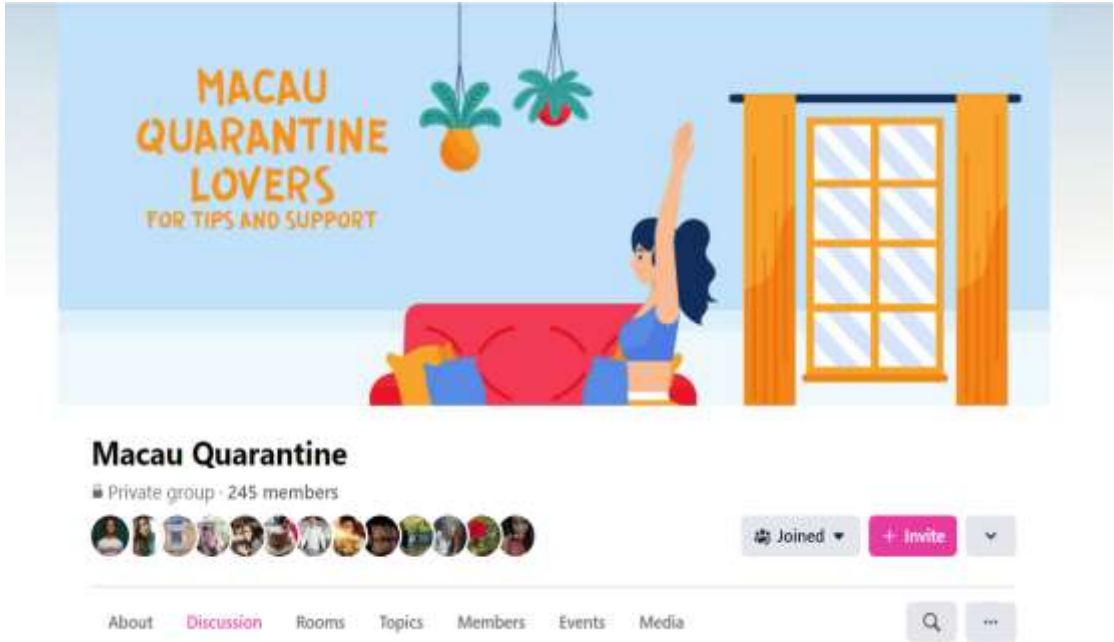
Appendix 15 – WhatsApp Hong Kong Quarantine Support Groups.



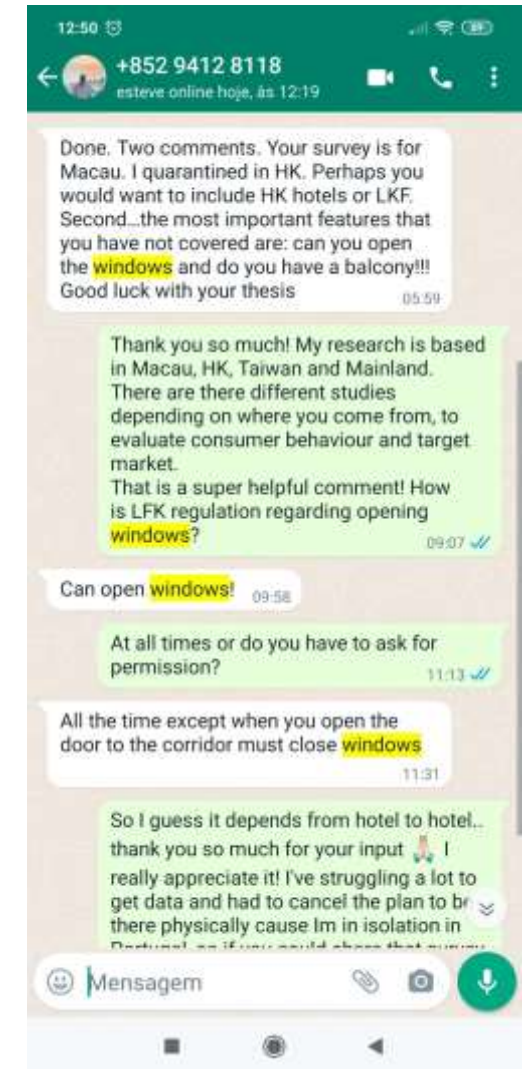
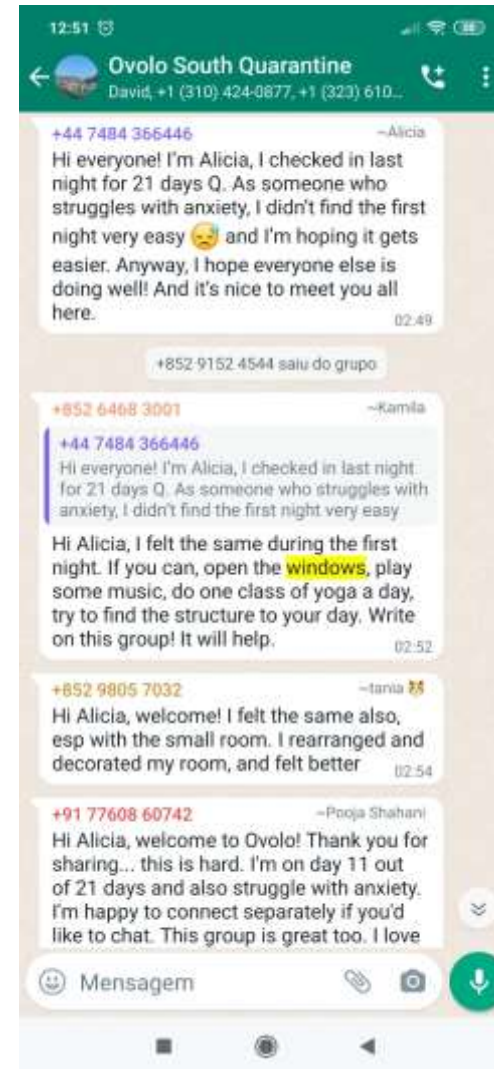
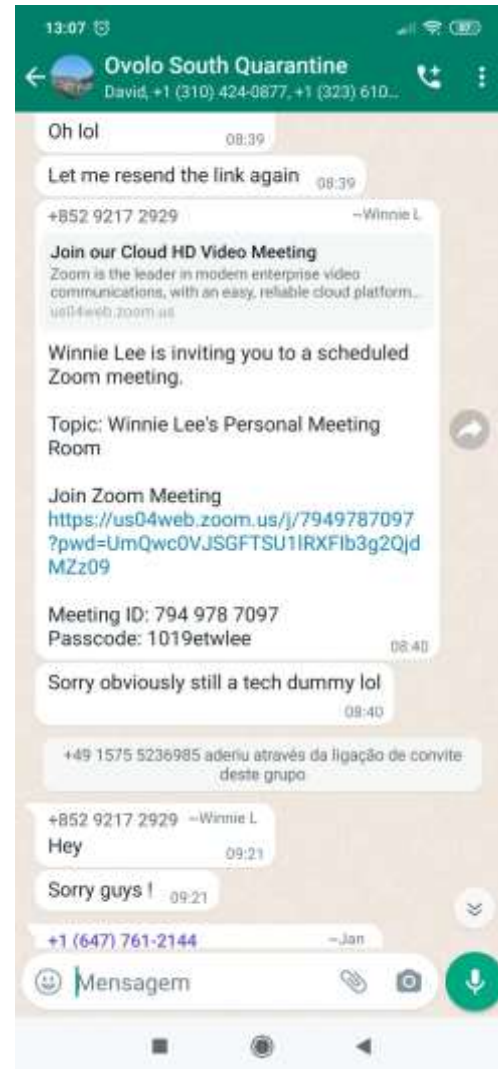
Appendix 16 – Facebook’s HK Quarantine Support Group



Appendix 17 – Facebook’s Macau Quarantine

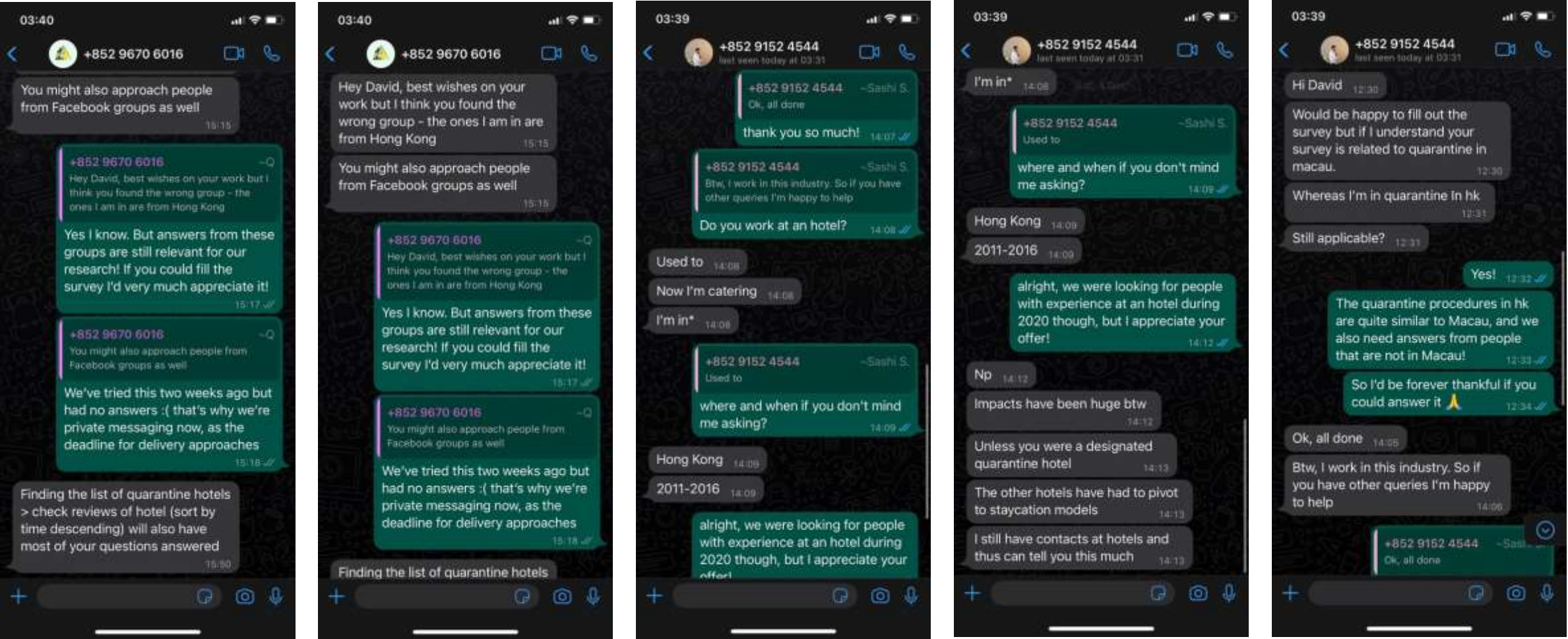


Appendix 18 – Customer insights

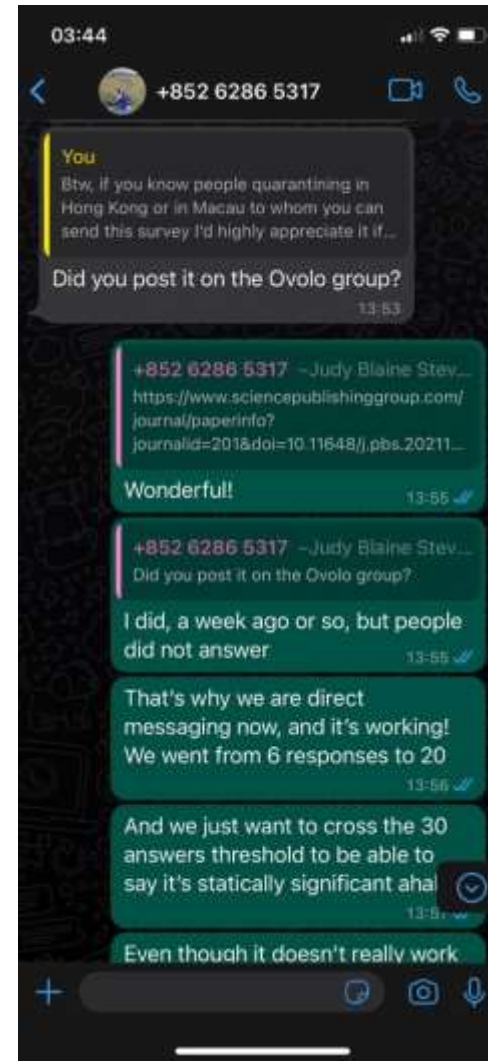
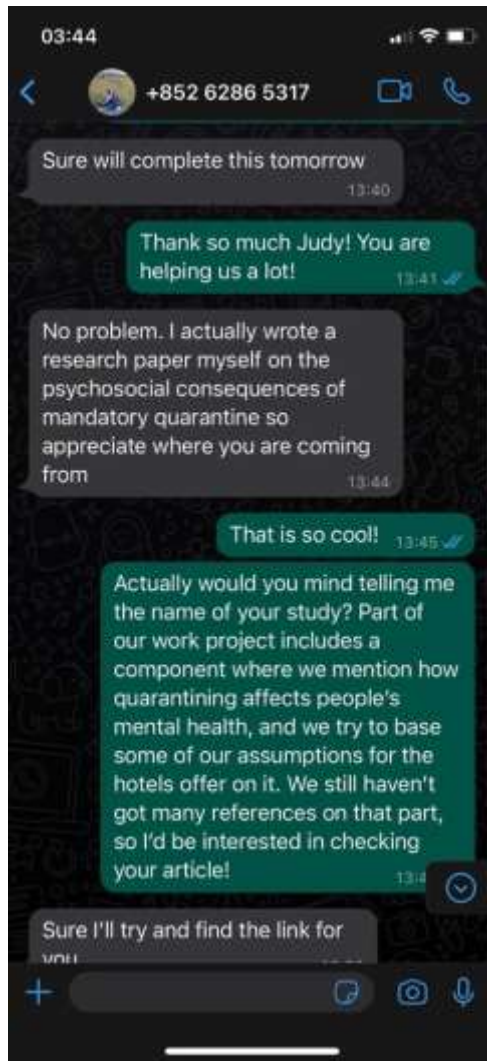


Appendix 19 – Customer insights.

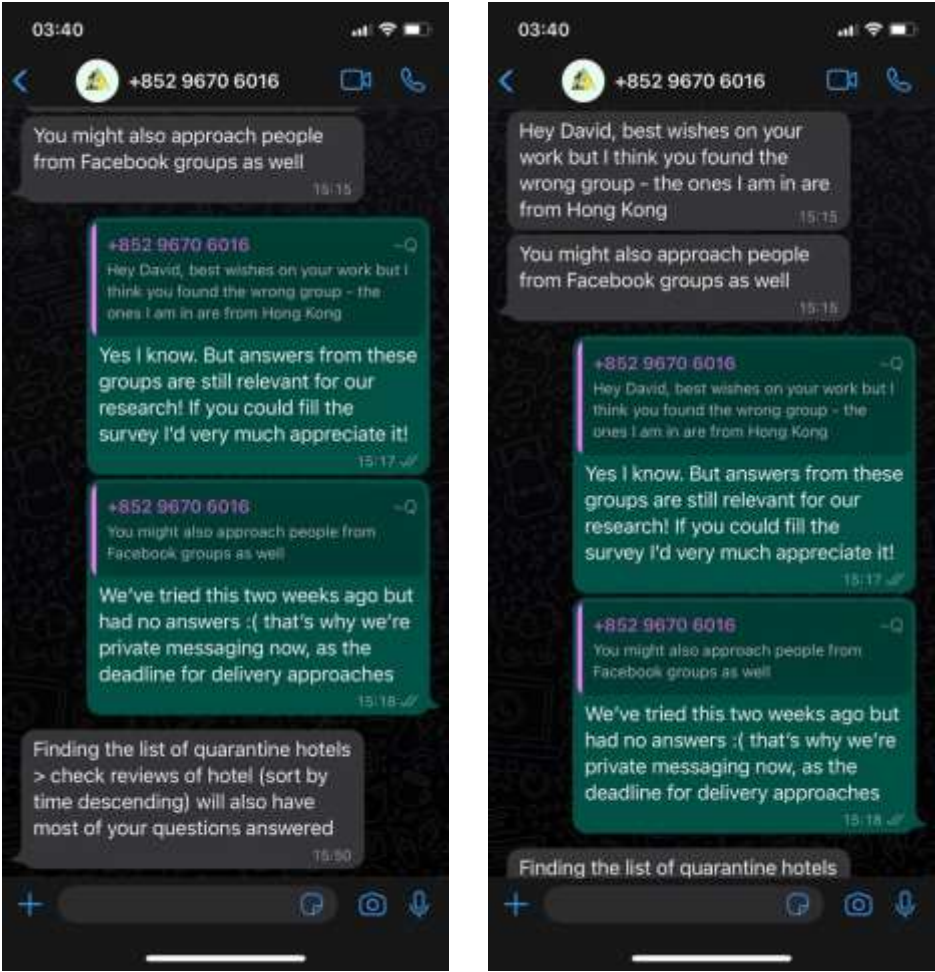
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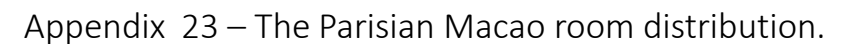
Appendix 20 – Customer insights.



Appendix 21 – Customer insights.



Appendix



Appendix 24 - Performance Indicators

<i>The Parisian Macao</i>	<i>2020 (MOP)</i>	<i>2019 (MOP)</i>	<i>Impact</i>
<i>Total Room Revenue</i>	<i>264 990 000</i>	<i>1043900000</i>	<i>-75%</i>
<i>Occupancy Rate</i>	<i>27,30%</i>	<i>97,20%</i>	<i>-72%</i>
<i>Average Daily Rate</i>	<i>1164,35</i>	<i>1276,77</i>	<i>-9%</i>
<i>Revenue per available room</i>	<i>313,17</i>	<i>1244,65</i>	<i>-75%</i>
<i>Total Number of Rooms</i>	<i>846154</i>	<i>838710</i>	<i>-</i>
<i>Rooms Sold</i>	<i>227586</i>	<i>817610</i>	<i>-72%</i>

Appendix 25 - Standard Scenario 2020 Revenue Discrimination

Standard Scenario 2020				
Month	Rooms Available	Occupancy rate	Rooms Sold	Approx Monthly Revenue
January	72323	80%	57858	67367428
February	63213	22,51%	14229	16567162
March	69986	22,51%	15753	18342215
April	67728	22,51%	15245	17750530
May	69986	22,51%	15753	18342215
June	67728	22,51%	15245	17750530
July	69986	22,51%	15753	18342215
August	69986	22,51%	15753	18342215
September	67728	22,51%	15245	17750530
October	69986	22,51%	15753	18342215
November	67728	22,51%	15245	17750530
December	69986	22,51%	15753	18342215
	826364	27,3%	227586	264990000

Note: Average occupancy rate for Macau hotels in January is 80%

Rooms available deducted from Rooms Sold accounting for rooms under maintenance, being therefore diferente than the total numbers of rooms

Appendix 26 - Designated Scenario 2020 Revenue Discrimination

Designated Quarantine List									
Rooms used for quarantine					Rooms not used for quarantine				
Rooms available for quarantine	Rooms Sold for quarantine	Occ Rate	Overnight Stays	Revenue	Rooms available for non-quarantine stays	People that feel comfortable staying at the hotel	Rooms Sold for non-quarantine purposes	Occ Rate	Revenue
0	0	0	0	0	72323		57858	80%	67367428
30362	96537	24,58%	122528	49011099	32851	19,4%	2754	8,38%	3206547
37135		24,58%			32851		3049	9,28%	3550106
34878		24,58%			32851		2951	8,98%	3435587
37135		24,58%			32851		3049	9,28%	3550106
34878		24,58%			32851		2951	8,98%	3435587
37135		24,58%			32851		3049	9,28%	3550106
37135		24,58%			32851		3049	9,28%	3550106
34878		24,58%			32851		2951	8,98%	3435587
37135		24,58%			32851		3049	9,28%	3550106
34878		24,58%			32851		2951	8,98%	3435587
37135		24,58%			32851		3049	9,28%	3550106
392685				49011099	433679		90709	20,92%	105616958

Appendix 27 - Optional Scenario 2020 Revenue Discrimination

Scenario B											
Rooms used for quarantine						Rooms not used for quarantine					
Rooms available for quarantine	Max Rooms for quarantine per day	Rooms Sold for quarantine	Occ Rate	Overnight Stays	Revenue	Rooms available for non-quarantine stays	People that feel comfortable staying at the hotel	Min Rooms for non-quarantine per day	Rooms Sold for non-quarantine purposes	Occ Rate	Revenue
72323	0	0	0	0	0	72323	80%	1866	57858	80%	67367428
30362	2235	295659	75,29%	375260	456930325	32851	19,4%	98	2 754	8,38%	3206547
37135	2235		75,29%			32851	19,4%	98	3 049	9,28%	3550106
34878	2235		75,29%			32851	19,4%	98	2 951	8,98%	3435587
37135	2235		75,29%			32851	19,4%	98	3 049	9,28%	3550106
34878	2235		75,29%			32851	19,4%	98	2 951	8,98%	3435587
37135	2235		75,29%			32851	19,4%	98	3 049	9,28%	3550106
37135	2235		75,29%			32851	19,4%	98	3 049	9,28%	3550106
34878	2235		75,29%			32851	19,4%	98	2 951	8,98%	3435587
37135	2235		75,29%			32851	19,4%	98	3 049	9,28%	3550106
34878	2235		75,29%			32851	19,4%	98	2 951	8,98%	3435587
37135	2235		75,29%			32851	19,4%	98	3 049	9,28%	3550106
392685			69,02%		456 930 325	433679			90709	20,92%	105616958

Appendix 28 - Other Services Revenue

	Standard Scenario (USD)	Standard Scenario (MOP)	Percentage of people who wouldnt be comfortable using the services	Designated	Optional	Loss
Total Casino Revenue	180 000 000	1 445 400 000	58%	606135483, 9	606135483,9	839 264 516
Total Mall Revenues	27 000 000	216 810 000	35%	139877419, 4	139877419,4	76 932 581
Food and beverage	14 000 000	112 420 000	45%	61649677,4 2	61649677,42	50 770 323
Convention, ferry, retail and others	5 000 000	40 150 000	45%	22017741,9 4	22017741,94	18 132 258
						985 099 677

Appendix 29 - Standard Scenario 2020 Cost Discrimination

The Parisian Macao Costs	2020 MOP	2019 MOP	Impact
Casino	1 839 653 415	6 414 501 098	-71,3%
Rooms	188 233 423	357 643 503	-47,4%
Mall	58 791 071	78 866 071	-25,5%
Food and beverage	234 367 119	486 650 336	-51,8%
Convention, ferry, retail and other	62 843 478	267 757 834	-76,5%
Service Costs	2 383 888 506	7 605 418 841	-68,7%
The Parisian Macao Operating Expenses	2020 MOP	2019 MOP	Impact
General and Administrative expenses	650 929 793	1 049 971 730	-38,0%
Corporate Expenses	2 458 265 135	194 049 217	1166,8%
Pre-opening Expenses	575 338 649	34 597 922	1562,9%
Operating Expenses	3 684 533 576	1 278 618 869	188,2%
Total	6 068 422 082	8 884 037 711	-31,7%

Appendix 30 - All Scenarios Cost of Rooms Sold

	2020	2020A	2020B
Rooms Sold	227 586	187 246	386 368
Average lenght of Stay	1,9	14	14
Number of bookings	119782	13375	27598
Impact on costs	-47,4%	11,2%	23,0%
Cost of Rooms Sold	188	21	43
	(to 2019)	(to 2020 scenario)	

Appendix 31 - All Scenario Other Services Revenue and Expenses Impact

Growth Rates	Scenario Standard		Designated		Operational	
	Revenue Impact 2019-2020	Expenses Impact 2019 - 2020	Revenue Impact 2019 - Designated	Expenses Impact	Revenue Impact	Expenses Impact
Casino	-86,9%	-71,3%	-94,5%	-77,6%	-94,5%	-77,6%
Mall	-49,1%	-25,5%	-67,1%	-34,8%	-67,1%	-34,8%
Food and beverage	-80,0%	-51,8%	-89,0%	-57,7%	-89,0%	-57,7%
Convention, ferry, retail and other	-80,0%	-76,5%	-86,9%	-83,2%	-86,9%	-83,2%
General and Administrative expenses (Net Revenue)	-84,3%	-38,0%	-92,6%	-41,7%	-89,6%	-40,4%
Corporate Expenses (Net Revenue)	-84,3%	1166,8%	-92,6%	1281,3%	-89,6%	1240,2%
Pre-opening Expenses (Net Revenue)	-84,3%	1562,9%	-92,6%	1716,2%	-89,6%	1661,3%

Appendix 36 - Absolute Other Services Costs All Scenarios

Costs	Scenario Standard	Designated	Operational
Casino	1 839 653 415	1 439 866 315	1 439 866 315
Mall	58 791 071	51 393 708	51 393 708
Food and beverage	234 367 119	205 883 530	205 883 530
Convention, ferry, retail and other	62 843 478	45 059 053	45 059 053
General and Administrative expenses (Net Revenue)	650 929 793	611 794 099	625 823 165
Corporate Expenses (Net Revenue)	2 458 265 135	2 486 276 939	2 406 674 190
Pre-opening Expenses (Net Revenue)	540 740 726	593 773 406	574 762 654

Appendix 32 - All Scenarios Operating Profit

Operating profit				
	2019	2020	Designated	Optional
Room Revenue	1 043 900 000,00	264 990 000,00	154 628 056,69	562 547 283,32
Room Costs	357 643 503,10	188 233 422,68	21 017 875,39	43 368 856,46
Room Gross Profit	686 256 496,90	76 756 577,32	133 610 181,30	519 178 426,87
Room Gross Margin	66%	29%	86%	92%
Services Revenues	12 205 600 000	1 814 780 000	829 680 323	829 680 323
Services Cost	7 605 418 841	2 195 655 083	1 742 202 606	1 742 202 606
Services Gross Profit	4 600 181 159	-380 875 083	-912 522 283	-912 522 283
Services Gross Margin	38%	-21%	-110%	-110%
Total Revenue	13 249 500 000	2 079 770 000	984 308 379	1 392 227 606
Total Costs	7 963 062 345	2 383 888 506	1 763 220 481	1 785 571 462
Gross Profit	5 286 437 655	-304 118 506	-778 912 102	-393 343 856
Gross Margin	40%	-15%	-79%	-28%
General and Administrative expenses	1 049 971 730	650 929 793	611794099,2	625823165,4
Corporate Expenses	194 049 217	2 458 265 135	2486276939	2406674190

Pre-Opening Expenses				
Employee Benefits				
Wages, salaries, bonus and termination costs	314600840	249236402	120475469	153485293
Staff Meals	15661352	12638986	1979891,1	4490824,7
Pension Costs - defined contribution plan	457710000	279018410	279018410	279018410
Share-based compensation, net of amount capitalized	321200000	120450000	120450000	120450000
other employee benefits	112420000	281050000	281050000	281050000
Total Employee Benefits	1221592192	942393798	802973770	838494528
Advertising and Promotion	13 538 317	2 465 643	1228676	1636798
Contract labor and services	24 090 000	16 060 000	16 060 000	16 060 000
Utilities and operating supplies	0	16 060 000	16 060 000	16 060 000
Other support services	8 030 000	0	0	0
Total Pre-Opening Expenses	1267250509	976979441	836322446	872251326
operating expenses	2511271456	4086174369	3934393484	3904748681
	2 775 166 199	-4 390 292 874	-4 713 305 586	-4 298 092 537
Operating Profit				
Decrease from 2019		-258,2%	-269,8%	-254,9%

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