

LAB University of Applied Sciences
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Nguyen Phat Tai

**The Future of Budget Accommodation Post
COVID-19**
Case study: Cheapsleep Hostel Helsinki

Thesis 2020

Abstract

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The Future of Budget Accommodation Business After COVID-19

Case study: Cheapsleep Hostel Helsinki, 39 pages, 1 appendix

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Instructors: Mr Ilkka Lehtola, Senior Lecturer, LAB University of Applied Sciences

The study aims to explain how the future of budget accommodation business could be developing and refer to future actions that could help to improve budget accommodation business's performance post COVID-19.

The thesis consists of a literature study from multiple journals, articles supporting main idea of thesis, analysing budget accommodation business in current market together with its impact on customer trend. Moreover, thesis evaluates devastating impact of COVID-19 to tourism industry in general and chosen budget accommodation organization in specific. Impact on case study company was also analysed in different aspects in order to see clearly COVID-19's hit.

Case study research about Cheapsleep Hostel Helsinki as a case company was made by qualitative research methodology, revealing a big picture how heavily company was affected, its plans to cope with current pandemic and forthcoming strategies. Interview conducted with Cheapsleep Hostel Helsinki general manager Mr Gleb Pripachkin opens a deeper perspective with real impact caused by COVID-19 pandemic. The case study is a good example proving that COVID-19 is a disastrous event, coping with and surviving through it would be an unsurprisingly difficult task that hospitality industry will have headache whilst solving, more importantly, the future of budget accommodation business depends on players like Cheapsleep Hostel Helsinki.

Keywords: Budget Accommodation, COVID-19, Accommodation Business, Hostel.

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1 Introduction

Coronavirus pandemic is one of the most popular problems arose in the last few months. Not only does it put human beings into danger but also slows the economy down in every way possible. Hospitality industry makes no exception. Universal hospitality field data were collected during coronavirus pandemic and were released. The statistics from Visit Finland show that hospitality situation is getting worse due to COVID-19 with travel ban, loss of customers in the UK, Spain, Russia, Italy, France. Therefore, post coronavirus pandemic is a potential topic to analyze, especially in hospitality field, which depends heavily on customers (Visit Finland, 2020).

A lot of studies have indicated the impacts of Coronavirus pandemic on industries around the globe, especially tourism field. However, no exact figures or estimations are made due to the increasing level of loss. While the world is fighting against this pandemic, contribution can be made by studying and giving suggestions on possible strategies for budget accommodation business towards the current situation

Budget accommodation is no longer a new concept in tourism industry. The topic is intently associated to author's interest in how COVID-19 has made its impacts on hospitality field. Moreover, as an employee of the current case budget accommodation business, the author decides to conduct a study at case company to analyze the ongoing situation about the pandemic.

1.1 Main aims of the research

Main aims of this thesis topics are to find out expectations and opinions of budget hotel staff after Covid-19. The author will describe Covid-19 effect on case budget accommodation business. Moreover, strategies and methods of surviving and coping with Covid-19 are studied. The author will give suggestions to case study accommodation business for possible future plans according to current situation in Finland. Lastly, result of the study is shown after information is collected towards the current situation.

Given the situation of analyzing such circumstance, the author expects to bring out a practical summary of the current situation describes how coronavirus affect the case budget accommodation business. The author aims to carry out suggestions on how budget accommodation business will position itself in the future.

Moreover, the study's result also brings out the insights of case study accommodation business in the tourism industry post coronavirus pandemic. Possible predictions or anticipations are expected to be given to case study company.

1.2 Delimitations

The thesis studies about future of case budget accommodation business and its strategies in order to exist during the current situation. Therefore, the research will focus more on the case company than provide plans for budget accommodation in general. In other words, the thesis results would benefit only the case budget accommodation.

Also, the thesis aims at describing the predictions about case budget accommodation business post COVID-19. Therefore, it cannot cover all aspects of COVID-19 impacts but it will focus more on possibilities of utilizing the resources that the case company has, and suggestions based on current situation.

2 Implementation of the thesis

2.1 Research methodology and collecting data

Research and collecting data methodology are explained as below

2.2 Case study research approach

As mentioned earlier, case study is chosen as the research strategy for the thesis, studying and describing the ongoing situation of how coronavirus pandemic affected the case company.

A case study consists of different data that practically analyzes such current occurrence within its real-life situation (Saunders, L & Thornhill, 2009). Researchers own possibility to conduct comprehensive study while analyzing a case study,

which can acquire complexities, interrelations and processes of the problem itself. A case study is strongly supported by usage of multiple data collections methods and multiple sources of data. Moreover, the flexibility of the study margin allows us to adjust level of time and context to a more suitable standard (Robson, 2007).

Exploratory, descriptive and explanatory divides case study into three sub-types. Explanatory focuses on providing explanation to relationships and involvements with different variables while studying the case (Saunders, L & Thornhill, 2009). Exploratory research aims at creating a certain path for development to an initial idea or insight and to explore possible approach for future study. On the other hand, descriptive case study, as its name states, is created to describe the process of the considered concern, providing answers to the question of what is happening rather than focus on the reason for the happening (Wilson, 2003).

In accordance with mentioned definition and category, the author decides to conduct his thesis with descriptive and explanatory method.

2.3 Research methods

In this research, the author employs qualitative methodology in thesis's empirical part.

2.4 Qualitative research method

Qualitative research method consists of an unstructured approach, in which seeks to propose philosophical knowledge of behavior, motivations and characters that are not statistics based. Small number of people, who are picked according to certain criteria, is chosen for sampling. However, individuals are selected base on serious consideration due to effort needed to conduct research on each of them. (Wilson, 2003)

Qualitative research method is being employed in this thesis with goal is to provide valuable and detailed description, followed by insights into case company's situation and solution in the current circumstance. Unstructured as qualitative method is, it is particularly advisable for descriptive research, which has been chosen as the approach for this case study.

In order to carry out a summary of how budget accommodation can manage to smoothly run their business, and to give suggestions for possible plans for the upcoming future for budget accommodation, the author believes that Cheapsleep Hostel Helsinki can be a perfect illustration to the study matter.

When it comes to the interview, stratified sampling method is used to select participants. The chosen budget accommodation businesses are classified into different segments depending on their positions within the business. Stratified sampling methods are used due to its selectiveness, Case company General Manager Mr Gleb Pripachkin, is selected as the interviewee in this thesis. Mr Pripachkin is the core personnel in Cheapsleep Hostel Helsinki who holds operation, finance and personnel knowledge that makes it sufficient for him to run the business.

2.5 Data collection

Methods of data collecting used in this thesis are analyzed below. A themed interview is expected to occur with Mr Pripachkin, General Manager of Cheapsleep Hostel Helsinki. However, due to current situation, an online meeting is recommended instead of face-to-face interview. Aim is to prevent spread of COVID-19 and ensure safety for participants as well as follow government's guide.

2.6 Interview

While collecting data for qualitative research, semi-structure interview is conducted as a mean to support the process, with the interviewee is the general manager of the case company. The interview seeks for analysis of the current situation, how the company is fighting against COVID-19 impacts and their plans for the long run. Comments on ongoing circumstance, organization's actions and practices as well as future plans will also be discussed.

Semi-structured interview aims at creating opportunities to set comprehensive focus and main areas of the subject being studied in advance to the actual interview, but allowing, in the meantime, freedom of question wording to be created which could lead to different sequence of the interview (Robson, 2007). A list of questions is prepared beforehand but there is no need to follow it strictly, which

supports the free flow of the interview, hence, emboldens informative and valuable answers.

Interview questions are divided into three main sections requiring different answers. The first part aims at getting an overview of how COVID-19 or coronavirus pandemic affected the organization, in this case, the case company in every aspect (financially, customer flow, occupancy rate, group bookings, etc.). The second part asks the interviewee to mention about the organization's management plans/actions during the ongoing situation. While the final part is designed to collect information on the organization's future plans when the pandemic reaches its end, how can Cheapsleep Helsinki gain back their customers as well as position on the market.

2.7 Reliability and validity

Reliability analysis defines the consistency of the study, which shows response's dependency, whilst not remaining stable to the consequent occasion when being studied or interviewed (Saunders et al. 2009). A research with high reliability means that its questions are designed to collect respondent's opinions towards a certain problem and the responses are simultaneously collected within given period of time. However, due to changes happen at a very fast pace, which is the character of hospitality industry, the results of the study do not remain highly reliable over time.

Validity analysis is another aspect to be viewed at, with the purpose to measure the accuracy of the responses. Thesis results conducted through validity methodology are comparatively legitimate due to its honesty and straightforwardness answers from respondents.

General Manager of Cheapsleep Hostel Helsinki Gleb Pripackin is the core person of case study accommodation business. He holds information regarding different aspects of the hostel including operation, finance, personnel, bookings, etc. Therefore, the author suggests interviewing Mr Pripachkin so that all needed information could be mentioned by him in the interview. This way creates convenience for both interviewer and interviewee as it only needs 1 meeting.

Moreover, a 30-minute meeting is sufficient to discuss towards problems mentioned by the author.

Reliability and validity are sufficient, according to mentioned theoretical information, themed interview questions meet the criteria of reliable response, whilst accuracy of response is absolute true. Reasons that author believes thesis meet requirements regarding reliability and validity because interviewee is one of the core figure of case study company. Therefore, interviewee provides accurate and specific information because Mr Pripachkin himself is undergoing such situation and only he can explain the situation with its authenticity.

3 Budget Accommodation

Budget accommodation has been growing to one of the most trending vogues. It fits in most of people's taste. Budget accommodation attracts also a large number of customers, the author will collect information from the case company and show the result of the study towards the upcoming future of budget accommodation.

3.1 Definition

Budget accommodation is a challenging term when it comes to definition. It can be defined as a private building or any other forms of private property that are used to host paying guests overnight, continental breakfast is commonly provided (Stankus, 1986). Most of budget accommodation businesses have a standard appearance and they offer basic services as well as food and beverages. Budget accommodation provides not only essential facilities for customers, but also with a touch of luxury, it creates extravagance yet cozy atmosphere with competitive price. However, different budget accommodation business has different offerings regarding service/facilities. A minimum facilities and amenities provided for a lower price range which only need to meet customer's basic needs. Extra service requires extra payment. Moreover, people could define budget accommodation as lodging providers who offer accommodation with less than 50 euros per night (Landman, 2020).

3.2 Target segments

Due to limited services provided, budget accommodation offers a lower price range comparing to other types of accommodation businesses. Therefore, budget accommodation main target group is identified differently, targeting a major customer sector since it fits most of people's taste. Travelers with limited budget or so-called budget travelers whose traveling requirements budget accommodation businesses are designed to meet. Studies have shown, families take more trips than business travelers do annually (Sakakeeny, 2013).

Traveling families suits budget hotels the most since they are often budget conscious. Moreover, their requirements are quite simple, a family-friendly atmosphere and facilities are sufficient. Millennials are another target group for budget accommodation. Similar to families, they often travel but with the purpose to gain cultural and work experience (Chapman, 2013). With their limited budget, it is unlikely that the millennials would choose budget accommodation business as their place to stay. Young travelers now represent 20% of international tourism (Chapman, 2013). Young people have tendency to travel further, spend more, integrate with overseas communities, this helps to broaden the industry, creating opportunities for businesses to take advantages of. Spending by millennials on travel increased 40% since 2007 (Chapman, 2013). Therefore, it is an opportunity for budget accommodation business to attract their target customers.

3.3 Budget Accommodation's position in the market

The low-cost budget sector continues to grow with both leisure and business guests who acknowledge the provision of basic facilities namely a decent bed, shower and Free Wi-fi. (Garrahan, L, 2015). Similar to any other businesses, budget sector also has competition. Accommodation businesses provide same products no matter brand or category they are in. Therefore, it rises the big questions: how budget accommodation business can outstand in offering its products, not to mention the competitiveness within the industry itself. Change or improvement from a company can be quickly copied or replicated by competitors. However, tourism consumers do perceive the distinction of products offered by different parties. There are certain strategies in hospitality field have been listed out to

which budget accommodation can define its position in the current market: Product feature, Price/quality, consumer benefits, usage and user (Bowie, D & Buttle, F, 2004).

3.4 Demand Analysis

According to Global Data reports, the global budget hotel market industry grew in 2015 because of the demand for economical lodging. Statistics shows that budget accommodation businesses had been in great demand. Budget Hotels segments in the United States figure were 874591 rooms in 2015. UK and China came in second and third position in the demand in budget accommodation. In the Asian market, Hongkong led with 87% in 2015, on top of Singapore and Japan while Malaysia was known as the fastest-growing market with CAGR of 12.2% (Global Data, 2017).

With estimated of 130 million tourist arrivals yearly by the year 2020, China would be the world's number one tourist destination, according to Research and Markets. In China market, Chinese travelers who had been increasingly travelling but have limited income, budget accommodation businesses were a more affordable option. The number of budget accommodation rooms had rocketed in the past several years from zero to over 100,000 with more than 100 brands competing in China's rapidly expanding domestic market, said Samuel Shen from Reuters report (Research and Markets, 2020).

Indian market had expected to witness a 9.5% growth in revenue per available rooms in 2019, with demands outweighed supply in accommodation business, according to a new study in Arabian Business report. Total transaction volume had reached \$800 million by the end of 2019, study by HVS Anarcok, said.

These figures emphasize that budget accommodation business worldwide had been and possibly continue to be in great demands.

3.5 Future prediction

Budget accommodation has always been focused on the attractiveness of its price range, according to Budget Travel Report of Steven Lek. However, the world is changing every day. Budget travelers make no exception, with changes

in preferences and expectation of customers, budget accommodation business will elevate itself out of the position of being the cheaper alternative and move into a new category where it provides an interactive and immersive experience. Consumers are forecasted to be more demanding; they will expect functional benefits and look for participative benefits as a criterion when deciding for a travel. Budget accommodation companies will shift from offering non-essential facilities into full-service accommodation businesses with more authenticity and personalization that better fit customer's need (Lek, 2020).

When coronavirus pandemic ends its impact on tourism industry, it is expected to take around 18 to 24 months before we can witness daily tourism activities to continue as it normal (Farr, 2020). However, our millennials are eager to explore and travel (Siteminder, 2020). The new generations live for the opportunity to discover and experience life-enriching experiences. They will bring a new focus to travel. Additionally, together with the power of Social media - the power that influenced travelers across the globe – inspire others to take a trip. Travelers are expected to travel again, and their demands will make impact on the future of budget accommodation (Siteminder, 2020).

4 Coronavirus pandemic

Coronavirus (COVID-19) is an infectious disease caused by newly discovered coronavirus. The COVID-19 spreads easily through droplets from mouth or nose between humans, causing mild symptoms that begin gradually (WHO, 2020). There social distance protocols issued by governments in the world to prevent spreading of coronavirus. Therefore, economy impacts are foreseeable, especially tourism field, a customer-based industry.

4.1 Tourism development

1.5 billion international visitors traveling were recorded in 2019. An increase of 4% was witnessed comparing to 2018, and same rate is forecasted for the upcoming years (UNWTO, 2020). Tourism industry worldwide were on the rise current in 2019, analyzed by the latest UNWTO report, this is the tenth consecutive year presenting development. Hospitality industry stood strongly although

uncertainty and difficulties cover globally. Whilst other industries witnessed economic decline, downturn in international trade, tourism field remained outpacing the world economy and expect to develop even better. (UNWTO, 2020).

Worldwide tourism business recorded growth with the Middle East was reported as the fastest-growing area in international tourism arrivals with +8%. While Asia and the Pacific showed signs of slowing down, however, the growth rate remained +5%. Europe led in number of international arrivals with 743 million international visitors in 2019, accounted for 51% of the global market, however, it showed slow development with only +4%. One of the largest markets in the world, The Americas presented even a slower rate with +2% due to 2017 environmental setbacks, social and political disturbance, while Africa showed they were performing better with +4% (UNWTO, 2020).

Tourism all over the globe were expecting strong growth, outpacing global economy within the near future and even in the long run. However, as we have seen, COVID-19 pandemic appeared and interfered with the growth of worldwide tourism.

4.2 Coronavirus global effects

Coronavirus pandemic, firstly known to happen in China, later on, spread out to another 188 countries, putting economies around the world into stagnation. Its effect has resulted in losses for many businesses.

The foremost problem which can obviously be seen is that companies have been laying off a certain number of their employees, causing unemployment rate to boost up in the past several months. For instance, more than 1.9 million workers in the U.S filing for unemployment benefits due to coronavirus pandemic (Isidore, 2020).

World economies struggling with rising unemployment

Yearly unemployment rate change, 2019-2020

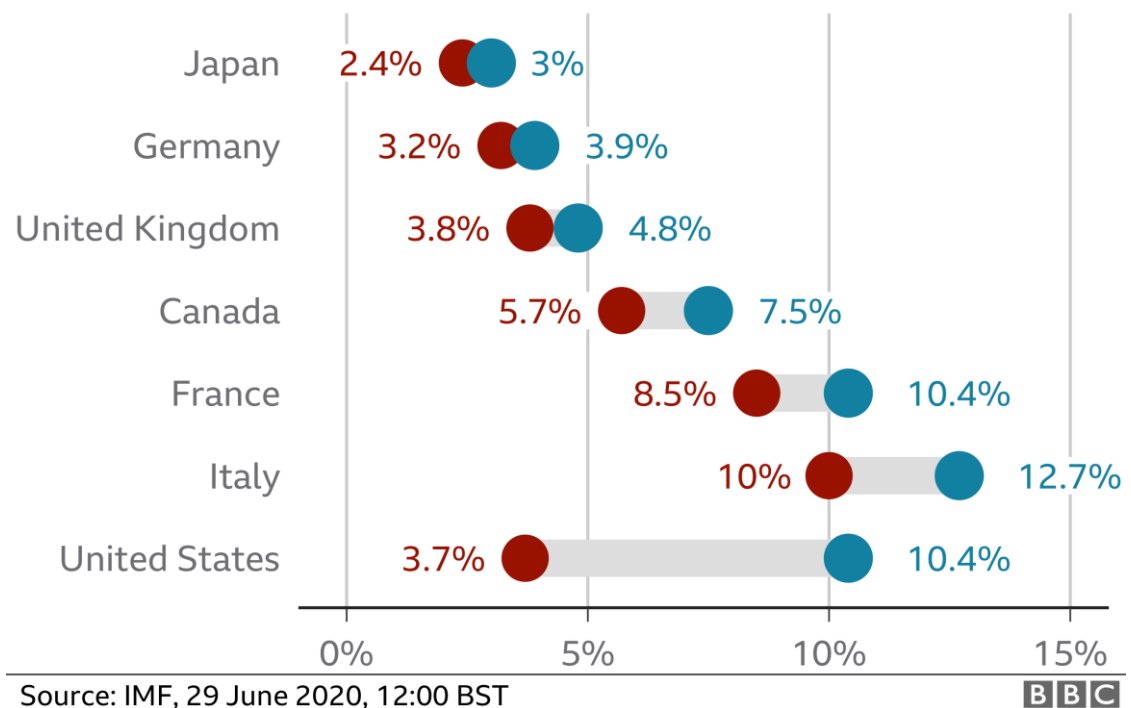


Figure 1: Yearly unemployment rate change, 2019 – 2020

The yearly unemployment comparison (figure 1) demonstrates COVID-19 impacts on economies around the world. While Japan, Germany and the UK with less confirmed infected cases of coronavirus than the other nations shows slight increase of unemployment rate. Countries with more confirmed cases specially Italy or the U.S – countries with most cases of infected – shows that millions of workers were laid off, which affect directly to both the government, the economy and also worker's normal life. Figures from France, the U.S and Italy remains the highest of the compared countries with 10.4% and 12.7%. Laid off employees are

subject to file their application for unemployment benefits, which is from the state budget. Overloading applications could lead to a loss in countries resources.

LinkedIn hiring rate by country

Year-on-year percentage change

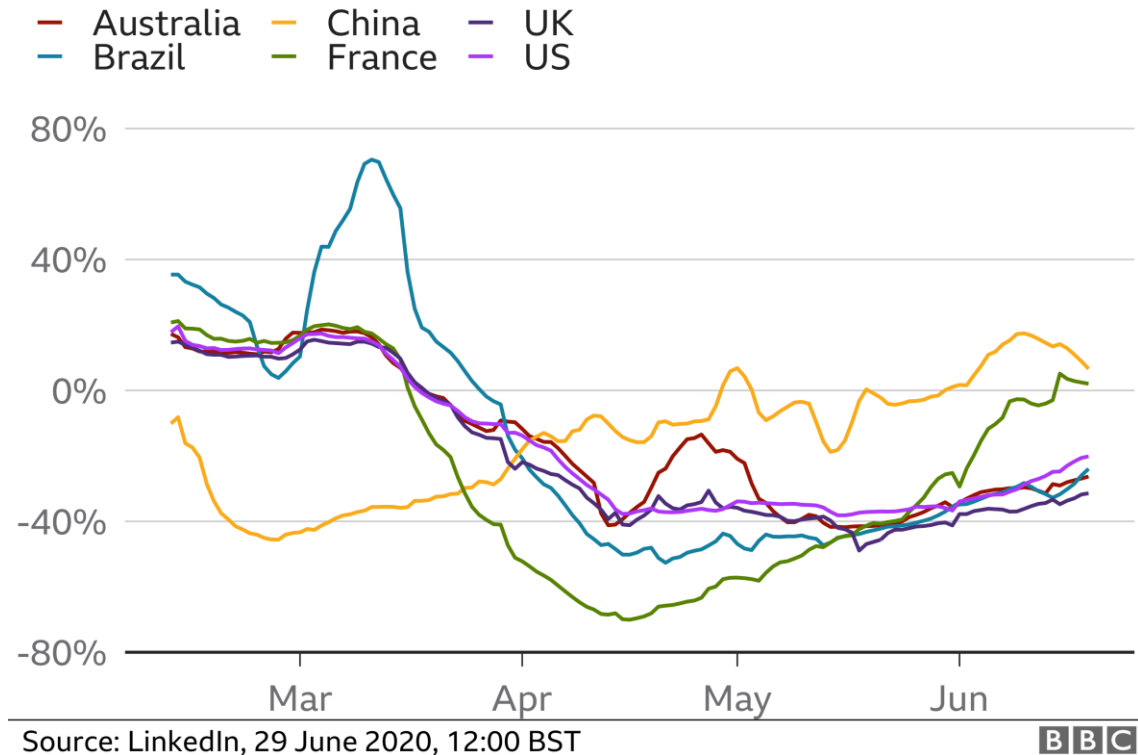


Figure 2: LinkedIn hiring rate by country. Year-on-year percentage change

Figure 2 proves that economies are heavily affected by coronavirus pandemic. Nearly 80% decrease in most of the listed countries. Companies are focusing more on surviving during the rigorous situation. Therefore, it is unsurprising that more and more workers are laid off.

With the increasing number of confirmed cases around the world, especially Italy or the U.S. An inner fear raised among people, they become aware of how easy it is to have this disease. Hence, it resulted in an unusual increasing number of sales in medication.

The rise of pharmaceutical companies

Percentage change in share value



Figure 3: The rise of pharmaceutical companies

Figure 3 shows the development level of pharmacies. People tend to make multiple purchases of pharmacy goods with the purpose being prepared for COVID-19 symptoms such as headache, tiredness or high fever. Moreover, hand sanitizers and medic masks are on top purchases in the past few months.

Until medical interventions are available, no country is safe, said the IMF. During the current circumstance, no confirmed cure for coronavirus. Therefore, sales and shares of pharmaceutical companies are expected to still be on the increase. AstraZeneca, an illustration in the figure, whose share price reach record highs. In addition to the development, the drug company indicates will produce billion doses of vaccine.

4.3 Coronavirus impacts on tourism industry

Due to increased globalization, impact of Coronavirus pandemic has influenced the world in every way possible (Mensah, 2020). COVID-19 has caused loss of

lives, jobs and economy in general. Ishmael Mensah stated tourism industry has always been the industry that gets hit hardest by the pandemic. The hospitality field is in unique situation due to the fact transportation is believed to be the means of virus spread. Traveling increases the risk of being infected. Moreover, coronavirus outbreak lessen destination attractive to tourists who are reluctant to risk-taking. Travel restrictions, border closures, quarantine and social distance are instructed by the government in attempt to minimize the spread of coronavirus. World Health Organization also starts to raise people's awareness with travel advice to discourage tourism actions. These result in fear of travel, flight cancellations, hotel cancellations and other scheduled events. During Coronavirus pandemic, activities related to tourism are disturbed either by the government or customers themselves, except the environment.

As a result of massive cancellations in tourism industry namely flights, hotel reservations, events, tours. Hospitality field experience a downturn in both domestic and international travel, hotel occupancy rates, revenue per available room, room rates, affecting profit margins. According to a report (Mensah, 2020), approximately 90% of hotel bookings in Rome were cancelled. Even Ghana, a small tourist destination witnessed a decline from 70% to 30%. Accommodation industry in the United States noticed a 11.3% fall on 7th March 2020. Another report by Fieldfisher (Campbell, 2020) states over the last month, the United States suffered of 22 million job losses. China could be facing its worst crash, with GDP witnessed a decline of 10%. Moreover, with 50% decline in accommodation bookings, tourism field witnessed nearly 9.4 million of international tourists' arrivals decrease, estimated loss around 30 million to 50 million dollars (Romashko, 2020).

The impact comes as a result of lockdowns and social distance protocols issued by the government in attempt reduce infection of virus. The fear of travelling and prosecution of social distance protocols are not fading away in anytime soon. COVID-19 will leave tourism industry, especially budget accommodation deeply in loss. Therefore, it is essential for budget accommodation businesses to study and adopt to survival strategies during COVID-19 pandemic.

4.4 Coronavirus pandemic effect on case company under employee's perspective

Coronavirus pandemic is known to have affected not only tourism industry, but also world's economy. Cheapsleep Helsinki makes no exception. Considerable loss has been witnessed in case company performance from time to time.

There is certainly a decrease in price per room/bed in Cheapsleep Hostel Helsinki offer, for instance, one slot in 4 bed-dormitory is priced at least 30 euros before pandemic, while on website, the cost per night is now 24 euros. Private room prices are affected also as it drops from more than 60 euros per double room per night to at the moment 45 euros. As seen from the website and through comparison, there is a 15-20% decline in general price. This theoretically will result in a 15-20% cutback in sales per period of time.

Occupancy rate is likewise another factor "influenced" by COVID-19 pandemic. 97% is the average occupancy rate in summer 2019 and 70% of the same figure in spring 2020. As an intern during summer 2019, it is essential that I verify the busyness during summer holiday as there was barely a free bed in a dormitory, not to mention private room. Most of the rooms are booked roughly 4-5 months in advance in order to receive low rate. On the contrary to the busy scene in previous year, 15% is the current average occupancy rate during COVID-19 pandemic at Cheapsleep Hostel Helsinki.

Occupancy rate slowly drops from around 14% to 10% and even lower than expected number. It remains such low during the next two weeks of September. Doing business during Corona-time is extremely difficult, Cheapsleep Hostel Helsinki occupancy rate proves it.

Personnel shortage is a concern to notice since Cheapsleep Helsinki has to lay current employees off, including full-time/part-time receptionists and housekeepers. It is vital that hostel cuts back on its cost and operate with minimum expenses, said the hostel owner Lewis Oliver. Therefore, open-ended lay off decision has been given to current staff. Shortage of staff as the hostel is, smoothness level of operation and also cleanliness are factors that to be kept as top priorities. Management team has emphasized aspects that are helping the hostel to reach

its current position and hope that Cheapsleep team will continue to provide such performance despite difficulties.

Cheapsleep Hostel Helsinki, as a lodging and service provider for tourists and travelers, depends greatly on customers. Therefore, it is understandable that operation might witness decrease in activity due to loss of customers. In Mr Pripachkin's thought, this has affected heavily on the business

4.5 Recovery plans

Hardly a day passes by without Coronavirus information and its negative impacts on hospitality industry. Budget accommodation businesses yet have to cope with different difficulties and uncertainty. As Coronavirus pandemic is impermanent, it is expected to end in 6-10 months (Mastrogiacomo, 2020). Therefore, it is vital accommodation businesses in general continue to plan for the long term.

Post coronavirus pandemic will be an interesting situation budget accommodation business have to deal with. Moreover, it shows the accommodation organization managing skills and tactics. It is advised to divide the situation into a three-phased approach: travel hesitation, initial rise and enhanced demands (Mastrogiacomo, 2020).

Whilst people are hesitating in traveling, which results in low demands, causing budget accommodation and hotels are remaining closed. Budget accommodation and other accommodation businesses should stay connected to customers, through social media, emails with promotions or entertainments in order to maintain strong relationship. After certain time, people are eager to go out and continue to explore the world, demand will start to bloom, bringing the tourism industry to the second phase.

It is undeniable that travel demands will increase when secure level reaches to a certain standard. Therefore, tourism industry should be prepared for the foreseeable future. Research were collected by ADARA, states that flights in China (domestically and internationally) witnessed a 29% increase in the beginning of March when social distance protocols were lifted. Situation in South Korea also spectated upward trend in direct bookings due to increase in domestic travel.

Demands are starting to advance in the upcoming future. However, not everyone will start traveling as soon as restrictions are lifted. Accommodation businesses should firstly build trust between provider and consumers, ensuring their clients that their destination of travel is totally reliable. Furthermore, flexible cancellation policy should be considered. Accommodation businesses could reassure guests and hand them incentive for reservations. This way accommodation brand will maintain strong and customers will follow. Using customer relationship management program or emails to follow up and update guests is a smart way of not only driving bookings as travel demands increase, but also easing the stress of travel for upcoming customers. As initial rise occurs, it is unsafe to say that tourism industry has been recovered as its primary state. There is still another step to prepare in order for hospitality field to be fully functioned. Enhanced demands would be a problem to face. As more people are planning to travel, marketing efforts will be used to deliver the right message to the right target segmentation.

5 Cheapsleep Hostel Helsinki

Cheapsleep Helsinki is a friendly and affordable hostel with dorms, private rooms and family rooms. Free, fast Wi-Fi is provided, kitchens with full equipment plus a grocery store right underneath. (Cheapsleep Helsinki, 2020).

With all the mentioned amenities, free lockers are included in the rate and 24/7 receptions, Cheapsleep Helsinki has its own way of operation and offer. Moreover, hostel is also famous for its location. It lies on busy street Sturenkatu with 10 minutes away from City center of Helsinki. Opening hours are 24/7, Cheapsleep Hostel welcomes every guest who chose to spend the night there, even the late ones arriving in the early morning. The hostel offers basic facilities yet sufficient and with an extra touch of coziness and friendliness, not only Cheapsleep Hostel Helsinki reassures guest's experience, but also it generates a homely atmosphere, ensuring customers feel at home during their stay. Decorations are designed with simplicity as the most important factor. Simple yet relaxing, warm and cozy. During high season, Cheapsleep can accommodate up to 275 guests with ensured comfort, not to mention a small bar and the arcade lobby.

Not only does Cheapsleep receive individual booking, but group reservations are also welcomed. The hostel always strives to ensure comfort to groups when it comes to group booking. Many group bookings have been made, many great feedbacks from those reservations also

Being graded averagely 8.3 out of 10 on booking.com website, Cheapsleep Helsinki remains one of the top choices when it comes to accommodation service in Helsinki, which resulted in its sales reached a million euros on 2018 (Finder.fi, 2020). During mentioned time, there were many days that the hostel was fully booked throughout the summer and early fall. Overbooking rate reached nearly 2% of total capacity every day, there were customers transferred to another accommodation provider due to inability to offer accommodation.

This year, coronavirus pandemic resulted in financial loss of Cheapsleep Hostel Helsinki. Turnover rate was 535,000 which is -49% compared to last year. Net sales witnessed a decrease of 1.5%, while the operating profit margin was -7.7%. It is obvious that coronavirus pandemic has made quite an impact on operation and Cheapsleep's financial result.

The reason for author's choice is that this hostel meets the criteria given about budget accommodation provider. Cheapsleep Hostel Helsinki, as many other budget accommodation providers, is facing one of the most controversial issues, coronavirus pandemic. Despite the fact that it is not a big player in hospitality field, Cheapsleep Hostel Helsinki is famous for its location, facilities, but most importantly, its price range suits many traveler's budget.

6 Result of the interview

The interview was conducted on September 2nd, 2020 after the author finished writing his theoretical part. Interviewer was Mr Pripachkin Pripachkin who has been working as a General Manager of Cheapsleep Hostel Helsinki for three years. Interview was made online through Facebook messenger call with the author recording the conversation for academic reason. Main aim of the interview is to find out how Cheapsleep Hostel Helsinki has been doing in Corona time and what plans they are having in order to minimize impact of COVID-19 on the

business as well as their future plans when current crisis is over. The results of interview are displayed as follows.

6.1 Personnel

According to Mr Pripachkin, Cheapsleep Hostel Helsinki has given furlough to 90% of current staff. There are only few workers remained in order to keep the hostel clean and tidy. Shifts are shorter, reducing from 8 hours to 6 hours per shift. Managers have to perform work-from-home campaign since it is a good way to lower spread level of virus. Therefore, an obvious disadvantage would be that problems, matters and inquiries cannot be solved in a short period of time or face-to-face in that moment, but have to wait for either management team come to hostel or communicate through message.

Free continental breakfast has been one of the highlighted points at Cheapsleep Hostel Helsinki according to Booking.com or Expedia customers. However, as the business is suffering from severe loss financially, breakfast staff was also given furlough as most of others. This resulted in disappointed comments/ratings about not having breakfast.

According to Pripachkin, laid off workers creates mass impact on the hostel, hence, worst problems come from lack of service that these staff are providing, which led to a decrease in satisfaction, decline in average rating on websites, this could lead to lower in reputation and finally result in fewer customers come to Cheapsleep Helsinki.

6.2 Finance

90% loss from occupancy rate, said Mr Pripachkin. It has been a really bad situation, a big blow on all aspects. This resulted in big loss in cash flow as well as revenue.



Figure 4: Business's revenue through time

2019 was evaluated as one the most successful year financial wise and also operation wise. Occupancy rate was always high, at least 85% during summer 2019. Dormitory room price went up to 40 euros per bed in 24 bed-dorm for more than a month in summer. Hostel was fully booked on a daily basis. Therefore, it is imaginable that sales went up to nearly 550,000 euros in a year. At the moment, according to Mr Pripachkin and figure 4, which was taken one day before the meeting with General Manager, sales is expected to drop nearly 80% during same period last year. Moreover, monthly rent is one the most concerning factor because Cheapsleep Hostel did not get any rent reduction although they have applied according to Mr Pripachkin, hence, it suddenly becomes a burden that Cheapsleep has to take care of even though they are suffering from enormous financial loss.

According to figures recorded in 2019, It is obvious that Cheapsleep Hostel Helsinki management team would be looking forward to such well situation. Mr Pripachkin commented that management team is predicting 2020 turnover would be

twice as much as 2019 because of strong growth in budget accommodation section all over the world. Demands were expected to continuously increase in 2020, especially in the summer. Moreover, the hostel is still one most popular booking venues for groups since there are dormitories room that can accommodate large number of people. In 2019, usually there were 4-5 group bookings per month, which locates in most of the dormitories. In 2020, management team are striving to strengthen their marketing aspect in order to attract more bookings and therefore, increase sales.

Price room reduction (both privates and dormitories) also leads to shortage in revenue. As current idea is to make the most out of the current situation with the awareness of putting safety preparation as top priority, Mr Pripachkin has to lessen dormitory capacity by placing people in different corners of the room with assured distance to each other in order to keep them healthy and away from coronavirus spreading. Hence, Mr Pripachkin tries to put as few people in a room as possible. This turn, for example, 18 bed-dormitory into room for only 6 people, which resulted in loss of income. However, it is advisable because Mr Pripachkin is still following instructions and guidance from government about helping to stop COVID-19.

Breakfast is one of the opportunities to increase sales because not only Cheapsleep Hostel has free breakfast, but they also offer variety of paid breakfast that includes many other options and more custom. For example, different types of hot, freshly baked sandwich with different fillings offer distinctive tastes are offered to customer with minimum price of three euros per sandwich. Mr Pripachkin suggests 2 sandwiches for a guest is sufficient nutrition-wise and stomach-wise for breakfast. Therefore, giving away the opportunity to perform upsells to customers is throwing away chances of increasing your revenue.

Cheapsleep Hostel used to have a bar with an arcade game floor plus board game every night starting from Wednesdays or Thursday depending on the occupancy till the weekend. Many people, mostly tourists and backpackers gathered around for drinks, games and conversations. Many of them come from different parts of the world, bringing diverse cultures and lifestyles that could enrich each other experience by talking or having a drink together. Sales of alcohol/non-

alcohol drinks and snacks of those events were surprisingly good. However, again due to COVID-19, the hostel has to limit their capacity, avoid crowd gathering according to government's restrictions and therefore, cancel such events. Not only it affects Cheapsleep financially as sales from drinks and snacks could be a helping hand during current situation, but also liveliness of a crowded, diverse Cheapsleep is also lost.

6.3 Present plans

As COVID-19 is affecting heavily on Cheapsleep budget accommodation business, it is vital that management team give plans as temporary solutions to deal with ongoing crisis. Details of strategies as Mr Pripachkin described are mentioned below.

"The general plan is to stay open as long as we can and hope the situation will change", said by Mr Pripachkin. Fixed cost is certainly a type of fee Cheapsleep has to pay monthly, therefore, closing or shutting down the hostel will not help to tackle the problem. On the other hand, Mr Pripachkin suggested to stay open and find additional sources of revenue that would help to better the financial aspect. Different plans/options have been looking into for example student accommodation, quarantine rooms, etc. Aim is to diversify the business whose profit is taken the best way possible from.

As suggested earlier, besides the idea of turning 18 bed-dormitory into for example 6 person-dormitory, there is one possibility of turning dormitories into private rooms because according to Cheapsleep's general manager, private sector is surprisingly increasing in number of rooms sold. This circumstance is understandable due to COVID-19, no individuals will want to share his/her room with others with feasibility of being infected. Therefore, Cheapsleep hostel might be able to increase revenue by being flexible in their offerings.

Companies policies, including booking rights, non-refundable reservations, cancellations policies, etc. have been adjusted so that they could create comfort and assurance for customers when booking. Cheapsleep hostel are offering customers a safe offer for those who are not sure they can travel that they can make payment whenever they can be certain about their trip. Reason for the change in

policy, according to Mr Pripachkin is that the biggest problem for accommodation business once COVID-19 pandemic started, Cheapsleep hostel has to refund to most of the pre-bookings since Corona prevents customers from traveling and it is certainly not anyone's fault. Moreover, refunding takes time and causes bad effect on financial report. Another choice Cheapsleep hostel is offering is to move customer's reservation into different time next year, reassuring them that they can modify their reservation without any fees and the business can avoid refunding process. Both solutions are stating that customers are the hostel's first priority.

For the moment, it is rational to continue figuring current situation out slowly because new restrictions, rules can be given out by the government anytime. Moreover, it is sensible to hope that ongoing circumstance will be over soon, and staffs could be hired back to run the business more smoothly and thoroughly. Diversifying their offerings is also a must due to changeable status during COVID-19 pandemic time. No permanent plans are being given or even thought of because as said earlier, everything could change in short period of time.

Domestic travel are accounting more than 80% of current occupancy rate at Cheapsleep, therefore, Mr Pripachkin mentioned to focus on increasing travel rate domestically initially, in order to better the hostel financial wise, then he and management team will think more about international guests since restrictions are not lifted yet.

6.4 Future plans

Currently, considered actions have been limited because restrictions and rules are still valid, and changes can happen at any time. Therefore, only temporary suggestions are given to staffs by management team.

Different strategies are listed below as author's suggestions in order to give a helping hand to Cheapsleep Hostel Helsinki, in the condition of travel restrictions and rules are lifted, tourism around the world is coming to its original state.

The author will go through his suggestions in order from factors inside of organization to outside elements that would help Cheapsleep to better their performance as well as to reassure their position on the current and future market.

7 Recommendations

7.1 Internal factors

Various aspects could be developed in order to better Cheapsleep Hostel's performance in the future regarding internal elements. Suggestions according to the author are mentioned as below.

7.1.1 Staff

At the moment, it is vital and essential that the hostel cut down 90% of its workers in order to cut as much cost as possible, leaving interns and part of management team to be present. Furlough staffs includes full-time/part-time receptionists and also housekeeping staffs. However, as mentioned earlier, it is their top priority to maintain clean and tidy environment that is Corona-free and create comfort for current customers.

After COVID-19 pandemic passes away, management team will need to re-plan about human resource. In other words, the hostel should hire those laid off staffs that has been cut down in different departments. Main aim is to provide smoother and better service to future customers rather than current services with limited human resource and budget. A full team of managers with different knowledge about aspects of a hostel will be much more helpful regarding Cheapsleep's performance. Therefore, it would be important to have everyone on board. Moreover, receptionists should be coming back to work since their experiences, services they provide, or their problem-solving skills are more versatile than current interns. This tackles undesirable problems regarding different situations about re-funding, answering inquiries, etc.

Breakfast staffs are one of the most crucial part of the team, since they and breakfast service create great experience for customers. As mentioned earlier, there are figures stating that rating on booking.com website dropped because breakfast was not served. Therefore, it is essential to recognize customer's desire and tackle the problem. Housekeeping staffs should witness an increase in number due to the fact that Cheapsleep is a hostel that could accommodates many people (up to 275 guests), hence, it is understandable that common area and

common bathrooms get dirty really quick. Housekeeping staff need to perform cleaning constantly without hesitation that will keep the hostel as clean as possible.

7.1.2 Staff training

One aspect the author thinks is important to the budget accommodation business but has been missing, staff training. There was no systematic training when the author was working at Cheapsleep, procedures were learnt mostly during work hours with colleague or a manager as mentor. This helps employees get hands-on experience on the spot, however, cause lack of confident because mistakes once are made will affect directly to the system. The author suggests Cheapsleep should develop a precise systematic training for their workers, especially receptionists, who will be coping with many different situations every day. A training that would balance between guest's fulfillment and worker tasks.

Generally, staff training affects directly on staff's development by developing their skills and improving their performance at work. Therefore, the organization, in this case, Cheapsleep Hostel Helsinki would benefit from increased efficiency, smooth operation performed by trained staffs. Mistakes and faults are expected to decrease in terms of frequency, which results in employees spend less time and energy to fix the problem. (Hayes & Ninemeier, 2009, 172.). Giving less effort in the output but getting greater efficiency, it can be seen clearly that the accommodation provider is helping themselves by helping their employees.

Team training is becoming as one of the most vital part of an organization's strategy (Delise et al. 2010). An organization with its team members striving to achieve the final goal with their own strengths and support others is a strong organization. Training workers not as individuals but as a unit will benefit the organization in working culture aspect, also getting higher overall productivity.

7.2 External factors

Disappointed by the current situation as it is, tourism industry is expected to improve within the next few months, said by Mr Pripachkin. Hence, the hostel has to be prepared for the upcoming events where COVID-19 is behind our backs.

Promotions and campaigns are predicted as advertising and marketing tools in order to get old customers back and new customers. However, there are few aspects they have to look at before running new campaigns.

7.2.1 Loyal customers

Initially, there is nothing more important than to take care and to keep in touch with loyal customers. Keeping them updates with information, promotions and offers is a wise way to remind them. It is understandable that companies nowadays are striving to enlarge their loyal customer network as much as possible. It is also more expensive to collect new loyal customers since the offerings and customer service must be at a certain quality standard. However, statistics show that once a business has regular customers, it is not only cheaper to keep them but also benefit the company in many aspects.

According to Yotpo research, 60% of customers who are loyal to a certain brand are more likely to refer it to their family and friends, while 36% of those tend to spend more. When trusted by a customer regarding products or services that provider has invented, 41% of consumers have tendency to shop with brands within their preference, while in terms of buying goods as a gift, 15% of customers will purchase from their loyal provider. However, not a company can have loyal consumers if they do not put effort in their strategies. Statistics from Loyalty360 shows that 33% organizations lose their customer due to poor service/good experience, whilst quality experience with products or services provided determine the stay of 67% of customers

Therefore, according to the author, Cheapsleep should firstly use emails and customer database to follow up with loyal customers, creating better relationship between parties. By having a solid background of support with such loyal guests, it will not be a problem for the hostel to attract new customers.

7.2.2 Online Travel Agencies (OTAs)

After Coronavirus pandemic had passed, potential clients will mostly be at home using their phones or laptop, go online and find themselves suitable destination with contented accommodation business that they assume is the best. Such no

platform has more usages other than Online Travel Agencies (OTAs) (Pripachkin, 2020). It is extremely vital to be present on online travel agencies, namely booking.com, Expedia, Hostelworld, Hotelbed, etc. According to the author, his suggestions are that Cheapsleep has to earn their place on OTA platform. Top three listings on each platform is already a massive advantage towards other accommodation businesses as OTAs can help to generate maximum revenue by connecting the hostel offer to potential customer's need. Convenience seems to be one of the priorities of users on Internet. Being outside of top three in Google search engine is considered as a failure in marketing strategy because nowadays, smartphone, due to its limit in length, shows only three top pieces of information needed by users. Hence, with billions of Internet users, being a top list on such platform as booking.com might generate huge revenue.

It is necessary to be top listed on OTAs, in order to achieve such goal, a more obvious way is to improve hostel rankings affected by different factors such as cleanliness, service, breakfast, Wi-Fi, parking, etc. Therefore, the author recommends hostel to focus on rankings only, all other elements affecting ratings will increase as a result. Various components account for overall rating on OTA platform. For instance, booking.com requires information about staff, location, cleanliness, comfort, etc. from users in order to output an overall rating for Cheapsleep. Staff is considered one of the top factors affecting directly to general rating on Booking.com, hence, ensuring your workers can create memorable experience for customers is a must. Whilst securing persistent performance implemented by staff, the hostel should also consider other factors as well, most importantly, in author's opinion, is comfort. It is absolute crucial for guests to at least feel comfortable while staying in the property. Moreover, not only bed condition or cleanliness will affect customer's comfort, but also the atmosphere created by staff. As mentioned earlier, Cheapsleep used to have an arcade floor together with a small bar where guests can enjoy their time while having a drink and conversation with different people from parts of the world. Therefore, it will be vital to create such atmosphere.

7.2.3 Marketing campaigns and promotions

Hardly a day passes by without seeing multiple advertisements and offers on Internet. Online network has been one of the most effective platforms for promotions and campaigns for companies. Advertisement has made up more than 70% of companies through Google search engines (Clement, 2020). It is undeniable that online and offline campaigns is expected to lift Cheapsleep up after COVID-19 pandemic, which has been disastrous worldwide event, is over. The author advises management team to run different marketing schemes both online and offline to reach as many customers as possible.

Offline marketing refers to any type of advertising that is carried using traditional offline media. Even though the digital world has been developing in a surprisingly fast pace, offline marketing still holds its important with its benefits.

Registering Cheapsleep on local newspaper as one of the initial steps. More than 80% of current customers staying is domestic guest, hence, domestic market is undeniably potential. Moreover, creating impact on current clients, generate such good experience and services will initiate Word of Mouth (WOM) marketing strategy that will greatly benefit the organization. Customers who experienced quality service will recommend their potential connection that might advantage Cheapsleep. Moreover, survey usage in paper form from local customers or domestic guests will assist in process of bettering the hostel.

There are multiples methods regarding online marketing that Cheapsleep can harness in order to catch user's attention. As mentioned earlier, it is crucial to be reachable on the Internet. Customers emphasizes convenience, as long as it is easy to reach to Cheapsleep using Google or another Internet search engine. Therefore, being shown on digital world is already a huge advantage towards other accommodation businesses. In addition, running ads around different platforms of social media will boost opportunity to get more customers. Advertisements are expected to be running on various social media platforms including Facebook, Instagram, Twitter, etc. Online survey used on such platforms like Google form or Facebook form will be a huge influence towards current service provided by Cheapsleep Helsinki.

8 Conclusion

Budget accommodation business has been receiving great attention during the past few years due to its features that fit in major need of customers. The thesis has developed a different perspective towards chosen budget accommodation provider during and after current situation, one of the most controversial problem, COVID-19 to analyze how the pandemic has affected hostel industry in general, and Cheapsleep to be specific.

Coronavirus pandemic has not only caused devastated effect towards hospitality field but also to the world's economy. Many people are laid off, thousands of employees lost their jobs due to cost minimization. Restrictions and rules are given by government around the world in effort to stop spreading of COVID-19.

Key findings in this thesis determine importance of budget accommodation business in hospitality industry, despite various competitors in various scales. Moreover, data also show destructive effect of Coronavirus pandemic. Cheapsleep Hostel Helsinki was having its own standing on current market with its own target segmentation. However, interview with the hostel general manager has revealed many aspects heavily affected by COVID-19 and management team is working to cope with ongoing circumstance. Future of case study budget accommodation is according to the current situation is potential, there are many promising opportunities to be exploited once COVID-19 is over. The management team realizes it and will soon act upon how things change.

The author suggests that Cheapsleep follows its current plans, continue analyzing and perform upon the unexpected happening in the near future. Moreover, after the interview with Mr Pripachkin, the author believes in his ideas and strategies in order to go through this circumstance and improve better in the future.

List of figures

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Appendix 1: Interview themes and questions

Interview themes

1. Coronavirus effect on budget accommodation business in different perspectives
 - Finance
 - Personnel
 - Operations
2. Solutions that Cheapsleep used to cope with the situation
3. Long-term plans for survival/development of Cheapsleep Hostel after COVID-19 ends.

Interview questions

1. Can you tell me your position and main role within Cheapsleep Hostel Helsinki?
2. How Coronavirus pandemic has affected Cheapsleep Hostel and to which aspects?
3. What are your actions in order to deal with current pandemic and helps the hostel to survive?
4. What are the hostel recovery and future plans after the pandemic?