

Force Majeure: Impact on the Occupation Level of the Hospitality Industry in Palu City

*Occupation Level of
the Hospitality
Industry*

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ABSTRACT

The hospitality industry in Palu City experienced rapid growth until it was abruptly disrupted by two major force majeure events: a series of natural disasters in 2018 and the global coronavirus pandemic beginning in 2020. These events caused significant physical and economic damage, particularly to star-rated hotels. This study aims to examine the impact of force majeure on hotel occupancy rates in Palu City, focusing on the periods preceding, during, and following both crises. Using a descriptive comparative method, the research analyzed data collected through interviews, observation, and documentation from ten selected star-rated hotels in Palu City. Quantitative data were supported by visual figures and tables that showed changes in hotel units, room availability, and occupancy levels over several years. The results indicate a sharp decline in hotel operations after each event, followed by a gradual recovery during the new normal period. Occupancy rates dropped

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as low as 15 per cent in 2020 but rebounded to 70–80 per cent in 2021. The study concludes that while the hospitality sector in Palu is highly vulnerable to external shocks, it also demonstrates resilience through adaptation and recovery strategies.

Keywords: Covid-19, Force majeure, Natural disaster, Room occupancy rate, Palu.

ABSTRAK

Industri perhotelan di Kota Palu mengalami pertumbuhan pesat hingga tiba-tiba terganggu oleh dua peristiwa force majeure besar: serangkaian bencana alam pada tahun 2018 dan pandemi virus corona global yang dimulai pada tahun 2020. Peristiwa-peristiwa ini menyebabkan kerusakan fisik dan ekonomi yang signifikan, terutama pada hotel-hotel berbintang. Penelitian ini bertujuan untuk mengkaji dampak force majeure terhadap tingkat hunian hotel di Kota Palu dengan berfokus pada periode sebelum, selama, dan sesudah kedua krisis tersebut. Dengan menggunakan metode komparatif deskriptif, penelitian ini menganalisis data yang dikumpulkan melalui wawancara, observasi, dan dokumentasi dari sepuluh hotel berbintang terpilih di Kota Palu. Data kuantitatif didukung oleh gambar dan tabel visual yang menunjukkan perubahan unit hotel, ketersediaan kamar, dan tingkat hunian selama beberapa tahun. Hasilnya menunjukkan penurunan tajam dalam operasi hotel setelah setiap peristiwa, diikuti oleh pemulihan bertahap selama periode normal baru. Tingkat hunian sempat turun hingga 15 persen pada tahun 2020, tetapi kembali meningkat menjadi 70–80 persen pada tahun 2021. Studi ini menyimpulkan bahwa meskipun sektor perhotelan di Palu sangat rentan terhadap guncangan eksternal, sektor ini juga menunjukkan ketahanan melalui strategi adaptasi dan pemulihan.

Kata kunci: Covid-19, Keadaan Kahar, Bencana Alam, Tingkat Hunian Kamar, Palu.

INTRODUCTION

Palu City is the capital of Central Sulawesi Province, located within the plains of the Palu valley and the Palu Bay. The city is characterised by five geographical dimensions: mountains, valleys, rivers, bays, and seas, which contribute to its popular nickname as the paradise beneath the equator (Jasmi, 2019). This rich topographical diversity provides a strong foundation for tourism, which in turn stimulates the growth of the hospitality industry.

In 2018, the hotel industry in Palu experienced rapid growth (Yolanda et al., 2022). This was reflected in the increasing number of newly established hotels ranging from non-star to four-star categories. However, this development was abruptly halted at the end of September 2018, when Palu City was struck by a series of natural disasters, including an earthquake, a tsunami, and soil liquefaction, all occurring simultaneously. The disasters caused significant losses, including a sharp decline in tourist visits, which dropped by approximately 17,822 people (Antara News Sulteng, 2019). In the following year, some hotels such as Hotel Santika, Hotel Jazz, Swissbel Hotel in Silae, and Hotel Sutan Raja gradually resumed operations, showing signs of recovery.

The second major crisis emerged on March 2, 2020, when the President of Indonesia officially announced the country's first confirmed cases of COVID-19. By the end of March, the number of positive cases had reached 1,528, with 136 patients under treatment and two reported deaths (intisari.grid.id, 2020). This marked the beginning of a nationwide public health emergency. The government swiftly implemented large-scale social restrictions, limiting Meetings, Incentives, Conventions, and Exhibitions (MICE) activities and travel access, which drastically impacted hotel occupancy rates.

Hotel occupancy in Palu dropped by approximately 21% for star hotels and 12% for non-star hotels in April 2020. As a result, 324 employees from star hotels were laid off, not including an estimated 500 employees from non-star hotels (Times Indonesia, 2020).

These figures highlight the vulnerability of the hospitality sector to force majeure events, whether natural or man-made.

According to Soehardi et al. (2020), the COVID-19 pandemic significantly reduced tourism revenues and negatively affected employee performance in urban hospitality sectors. Similarly, Nikoliuk et al. (2023) emphasized the urgent need for state-level policy models to support the hospitality industry during crises and military operations. However, these studies primarily focus on macro or international perspectives. A notable lack of research remains at the local level, particularly in regions like Palu, which have faced successive layered crises. This is the key research gap addressed by this study.

Furthermore, Setiyarti and Alam (2019) examined the correlation between occupancy rates and food and beverage revenue in hotels, without exploring how exogenous shocks such as natural disasters and pandemics disrupt hotel operations and income. Therefore, this study is necessary to bridge that gap by investigating the impacts of force majeure events on occupancy levels in a disaster-prone urban context.

Based on the above background, this study aims to examine the impact of force majeure, specifically the 2018 natural disasters and the 2020 COVID-19 pandemic, on the room occupancy rate in star-rated hotels in Palu City. A comparative descriptive analysis was employed, using hotels rated 1 to 4 stars as the units of analysis. The findings are expected to provide empirical insights into the resilience and recovery dynamics of the hospitality sector under extreme external pressures, informing future policy and strategic planning.

LITERATURE REVIEW

Force Majeure

Force majeure refers to an extraordinary and unforeseeable event or condition that prevents one or both parties in a contractual agreement from fulfilling their obligations (Alshammari et al., 2017; Hennings et al., 2022; Guo et al., 2024). Such events occur beyond the control and will of the parties involved and typically absolve them from legal liability or the requirement to pay compensation for non-performance. According to Indonesian linguistic conventions (*Kamus Besar Bahasa Indonesia/KBBI*), force majeure is directly translated as “*keadaan memaksa*.” In contrast, in the original French usage, *force majeure* implies “a greater force,” referring to an overpowering event or act of God that cannot be anticipated or avoided.

In practical terms, force majeure commonly manifests in the form of natural and man-made disasters, including but not limited to earthquakes, floods, hurricanes, volcanic eruptions, epidemics, wars, riots, terrorism, sabotage, and military coups (Eslamian et al., 2021; Verma & Prem, 2022; Edwards & Goodrich, 2024). These events disrupt not only individual livelihoods but also the stability of businesses and economies. According to legal frameworks, a force majeure clause should be explicitly included in contracts to provide legal clarity and to mitigate potential conflicts when such events occur (Klee, 2018; Ghapa et al., 2025; Gul et al., 2025). Importantly, this clause is considered a core component of the principal agreement and should not be treated as a supplementary provision.

The inclusion of a force majeure clause is especially critical in sectors vulnerable to external shocks, such as the hospitality industry (Abhayawansa & Adams, 2021; Burhan et al., 2021; Alfadil et al., 2022). As Nikoliuk et al. (2023) emphasize, crisis resilience in the hospitality sector is heavily dependent on institutional preparedness and flexible contractual arrangements. Moreover, understanding force majeure in both legal and operational terms allows businesses to adapt more effectively to sudden disruptions. Therefore, conceptualising force majeure in the context of tourism and hospitality provides a framework for analysing how extraordinary events, such as natural disasters and pandemics, affect service continuity and financial sustainability.

Natural disasters

Natural disaster is a series of events that threaten people's lives, which can be caused by various natural and non-natural factors as well as human factors, which can result in loss of life, environmental damage, loss of property, and psychological impact (Agrawal, 2020; Chaudhary & Piracha, 2021; Santoso, 2022). Events such as ground movements, tsunamis, floods, and others will not be considered "disasters" unless they have implications for human life. In short, a disaster can be defined as an adverse event (Rogi, 2017).

September 28, 2018, is a historic day for residents of Palu City. On that date, Palu City and its surroundings experienced several natural disasters. Initially, an earthquake with a magnitude of 7.7 (later revised to 7.4) shook the Palu City area and its surroundings. This earthquake occurred due to activity in the Palu Koro fault zone. This fault is the most active in Sulawesi and is also considered the most active in Indonesia, with a movement of 7 cm per year (Reed, 1995).

The earthquake was not just a single event, but a 7.4-magnitude earthquake that triggered a tsunami and liquefaction. The tsunami affected several areas of Donggala Beach and Talise Beach in Palu. Meanwhile, liquefaction occurred in several areas in Palu City (Petobo area and Balaroa housing) and Sigi (Mpano, Sidera, Jono Oge, and Lolu areas).

Covid-19

COVID-19, caused by the SARS-CoV-2 virus, is a global pandemic that began in late 2019 and rapidly spread across the world (Atzrodt et al., 2020; Zheng, 2020; Li et al., 2021). First identified in Wuhan, China, the virus caused widespread health crises, leading the World Health Organisation to declare it a pandemic on March 11, 2020 (Prayudi, 2020). Indonesia confirmed its first case on March 2, 2020, followed by a swift escalation in infection rates and the imposition of strict public health measures. These included lockdowns, travel bans, and limitations on social gatherings, all of which severely impacted the hospitality and tourism sectors.

Soehardi et al. (2020) note that COVID-19 significantly reduced tourism revenue and employment levels, especially in urban areas. Their study in Jakarta revealed that many tourism-related businesses experienced significant income reductions and were compelled to lay off employees or temporarily close. In Palu, the situation was exacerbated by its already fragile recovery from the 2018 natural disasters. Nikoliuk et al. (2023) argue that during health crises, regions with limited institutional support structures are more likely to suffer prolonged economic stagnation. This has proven true for Palu, where hotel occupancy rates dropped to 15%–20% in 2020, as reported in local government and media data (Jatiningsih & Suhartawan, 2023).

Unlike natural disasters, pandemics do not destroy infrastructure, but they erode demand. The public's fear of infection and the government's restrictions on movement discouraged travel and tourism. As a result, the hospitality industry, especially hotels that rely on MICE and leisure travel, suffered substantial losses. According to Setiyarti and Alam (2019), a drop in occupancy has a cascading effect on auxiliary hotel services such as food, beverages, and event hosting, further deepening financial losses.

Hotel

Government Regulation of the Republic of Indonesia No. 65 of 2001 concerning Regional Taxes states that a hotel is a building provided explicitly for people to be able to stay or rest, obtain services and or other facilities for a fee, including other buildings that are jointly managed and owned by the parties, except for shops and offices. According to the Big Indonesian Dictionary (*Kamus Besar Bahasa Indonesia/KBBI*), a hotel is a building with multiple rooms that is rented out as a place to stay and eat for people on a trip. Meanwhile, according to the Decree of the Minister of Tourism, Post and Telecommunications No. KM 37/PW.340/MPPT-86, concerning hotel business and management regulations, states that the definition of a hotel is a type of accommodation

that uses part or all of a building to provide lodging, food and beverage services, and other supporting services for the public, which are managed commercially.

The goal of the hotel industry is to make a profit by renting out facilities and selling services to its guests (Lawson, 1995; Nawar, 2000; Bataafi, 2005; Sulastiyono, 2006). According to Pleanggra and Yusuf (2012), the characteristics of the hotel business in terms of sales objectives generally involve activities such as room rental, food and beverage sales, and the provision of other commercial supporting services (Batchenko et al., 2023).

This relationship between force majeure events, the hospitality industry, and occupancy rates can be illustrated through the conceptual framework presented in Figure 1.

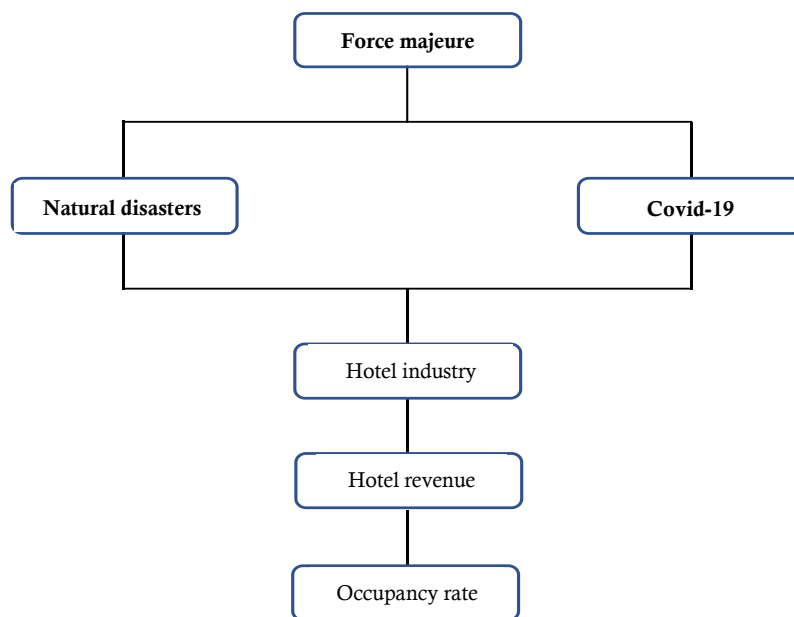


Figure 1. Research Framework

RESEARCH METHOD

This research employed a descriptive comparative approach to analyze the impact of force majeure events on hotel occupancy levels in Palu City. Descriptive comparative analysis helps identify and compare phenomena before and after specific events. In this case, the analysis focuses on the conditions of hotel occupancy before the 2018 natural disasters, after the disasters but before the pandemic, during the Covid-19 pandemic, and throughout the early recovery period known as the new normal. The method allows the researcher to observe patterns of change over time and highlight how unexpected external shocks influence performance indicators within the hospitality industry.

The sampling technique used in this study was purposive sampling, which involves the deliberate selection of specific units that meet predefined criteria. In this context, the sample consisted of 10 star-rated hotels in Palu City, selected from a total of 51 registered hotels. The selected hotels represent categories ranging from one to four stars and were chosen based on their operational consistency, accessibility to relevant data, and geographical location within areas affected by the 2018 disasters and the COVID-19 pandemic. This sampling strategy aimed to ensure that the selected hotels provided reliable and relevant data reflecting the actual conditions of the industry during the study period.

The occupancy rate is one of the elements in calculating hotel revenue. Theoretically, the higher the hotel occupancy rate, the higher the hotel revenue will be. The percentage of room occupancy rate is a significant indicator of a hotel's performance, as it can have a positive effect on maximizing the use of other hotel facilities (Setiyarti & Alam, 2019).

Agus (2006) proposed two methods for calculating the percentage of room occupancy rates, namely single occupancy rates and double occupancy rates. Single Occupancy Rate,

is a calculation used to calculate occupancy in hotel operations. The single occupancy formula is as follows:

$$\text{Single Occupancy} = \frac{\text{Number of rooms sold}}{\text{Number of rooms available}} \times 100\%$$

Double Occupancy Rate. Double occupancy percentage is the percentage of rooms sold that are occupied by more than one person. The double occupancy percentage can be expressed by calculating the average number of people per room occupied by dividing the total number of guests during the period by the number of rooms. According to Sugiarto (2004), the results of the double occupancy calculation can be used to estimate the stock of goods or food ingredients in the food and beverage department, prepare room supplies, and calculate the average daily room rate. The formula for finding double occupancy is as follows:

$$\text{Double Occupancy} = \frac{\text{Number of guests staying} - \text{Number of rooms sold}}{\text{Number of rooms available}} \times 100\%$$

Data for this study were obtained through multiple sources and methods, including interviews with hotel management, direct observation, and documentation. Additional data were sourced from publications by the Central Statistics Agency (BPS) of Central Sulawesi, official media reports, and academic literature. These data sources provided both qualitative and quantitative information regarding hotel infrastructure, number of available rooms, occupancy rates, and operational status across the different periods analyzed. The combination of multiple data sources ensured triangulation, thereby improving the credibility of the findings.

Through comparative analysis, the study sought to examine how occupancy rates shifted in response to force majeure events and to identify recovery trends or persistent challenges. The findings are expected to offer practical insights into the resilience of the local hospitality industry and contribute to policy discussions on tourism recovery planning in disaster-prone regions.

RESULTS

This section presents the findings of the study regarding the development of the hospitality industry in Palu City and the shifts in occupancy rates as influenced by two major force majeure events: the 2018 natural disasters and the 2020 COVID-19 pandemic. The results are structured chronologically to trace changes before, during, and after each disruptive event. Figures and tables are presented to provide visual support for the quantitative data and trends discussed in the narrative.

The hotel industry plays a strategic role in the regional economy of Palu City, closely tied to the growth of tourism. Palu, with its bay area and diverse attractions, including natural, historical, and cultural destinations, experienced growth in the hospitality sector between 2016 and 2018. As tourism demand increased, so did the development of accommodation facilities, particularly those with star ratings. This trend is evident in the increase in hotel units and rooms, which reflects both investor confidence and a positive trajectory in local tourism services.

Table 1. Number of Star Hotel Units

Year	Amount
2016	9
2017	10
2018	11
2019	8
2020	7
2021	8

As shown in Table 1, the number of star-rated hotel units in Palu grew from 9 units in 2016 to 11 units by 2018. This growth reflects an active investment climate and the increasing demand for higher-quality hospitality services. The year 2017 saw the addition of one new hotel unit, and another unit was added in 2018. This expansion also translated into increased capacity. According to Table 2, the number of rooms available in star-rated hotels rose from 889 in 2016 to 1,144 in 2018. This increase of 255 rooms over two years illustrates the aggressive growth trajectory prior to the natural disaster.

Table 2. Number of Rooms Available in Star Hotels

Year	Amount
2016	889
2017	1025
2018	1144
2019	288
2020	525
2021	609

However, the situation changed drastically after the triple disaster that struck Palu in September 2018. The earthquake, tsunami, and liquefaction severely damaged physical infrastructure, including hotels. As a result, three-star-rated hotel units were rendered inoperable, reducing the number of operational hotels from 11 in 2018 to just 8 in 2019. The impact was more significant in terms of capacity. As Figure 3 illustrates, the number of rooms dropped from 1,144 to 288, indicating that many rooms were either destroyed or rendered unusable due to structural damage.

In 2020, the number of hotel units dropped further to 7 as one hotel failed to recover from the post-disaster losses and ceased operation permanently. However, the number of available rooms increased slightly to 237, suggesting that the remaining operational hotels began to restore and renovate their damaged rooms to return to service. By 2021, the number of hotel units remained at 8, and room availability increased to 609, showing progress in the recovery process.

In terms of occupancy rates, qualitative data from interviews and statistical reports revealed significant shifts during each period. Before the 2018 disaster, the occupancy rate for star-rated hotels in Palu ranged from 80% to 90%, as reported by several hotel managers. This high percentage reflected strong market performance supported by increasing tourist arrivals and minimal external disturbances.

After the natural disaster but before the pandemic, in 2019, occupancy declined to a range of 70% to 80%. While this was a decrease compared to the previous period, it was still considered a relatively positive performance, considering the damages and recovery efforts underway at the time. Hotel infrastructure was still being repaired, and public confidence in safety and accessibility had not yet fully recovered. Nevertheless, the industry showed resilience by maintaining occupancy above 70%.

Table 3. Occupational Level

Description	Occupation Level
Before the disaster (2017 – 2018)	80% - 90%
After the disaster and before the pandemic (2019)	70% - 80%
During a pandemic (2020)	15% - 20%
New normal period (2021)	70% - 80%

The outbreak of COVID-19 in early 2020 marked another turning point. As travel restrictions, flight suspensions, and social distancing policies were implemented nationwide, the hospitality sector experienced a significant downturn. In Palu, hotel occupancy fell drastically to just 15% to 20% during the height of the pandemic. This steep decline reflects the severe contraction of tourism demand and the overall economic uncertainty. Hotels had to adapt by minimising operational costs, reducing staff, offering promotional rates, and diversifying services where possible. This situation is summarised in Table 3, which outlines occupancy rates across four key periods.

The “new normal” period in early 2021 brought some optimism, as the public gradually resumed travel following mass vaccination programs and a decrease in Covid-19 case numbers. Occupancy levels rebounded significantly, returning to 70% to 80%. This recovery was supported by a rise in domestic tourism and the adaptation of hotel services to health protocols, allowing customers to use hotel facilities for staycations or small-scale business activities. Nevertheless, the recovery was uneven across hotel categories, with higher-end hotels bouncing back faster due to more substantial financial backing and better facilities for implementing safety standards.

It is important to note that the figures presented in this section not only reflect the numerical changes in hotel units and occupancy rates but also signify the vulnerability and adaptability of the hospitality sector in disaster-prone regions. The initial growth, followed by a sharp decline and a gradual recovery, illustrates the cyclical nature of the industry when faced with unforeseen circumstances.

The data presented in this section show a clear pattern of decline in both infrastructure and service capacity due to force majeure events, followed by a phase of slow but steady recovery. The shift in occupancy rates during each phase provides an empirical basis for evaluating the resilience of the hotel industry in Palu City. The following section will further analyse these patterns and discuss their implications in the context of hotel management and disaster recovery planning.

DISCUSSION

The findings of this study confirm that the hospitality industry in Palu City has been highly vulnerable to force majeure events, particularly natural disasters and pandemics. The drastic changes in occupancy rates, the reduction in available rooms, and the decline in operational hotel units all reflect how external shocks can dismantle progress in a service-based industry. These patterns are consistent with the conceptual framework proposed in this study, which establishes the link between force majeure and the financial and operational health of the hotel sector.

The sharp drop in occupancy rates following the 2018 earthquake, tsunami, and liquefaction highlights the immediate physical vulnerability of hotels to geophysical hazards. This aligns with findings by Juwanto (2013), who emphasized the geological instability of the Palu-Koro fault zone and its implications for urban resilience. Hotels, which depend on structural integrity and customer safety perception, were among the hardest-hit sectors. The decline in the number of hotel rooms, from 1,144 in 2018 to 288 in 2019, demonstrates the scale of destruction, not only in infrastructure but also in market confidence. Rogi (2017) noted that disasters turn into crises when they significantly affect human life and institutions, which is evident in Palu’s hospitality sector.

Nevertheless, the period immediately following the disaster showed signs of resilience. The occupancy rate in 2019 recovered to 70–80%, indicating that the industry made significant efforts to rebound through rehabilitation and customer outreach. This reflects what Setiyarti and Alam (2019) emphasized regarding the role of occupancy rate as both a performance indicator and a driver of hotel sustainability. Despite infrastructure limitations and an unstable urban environment, hotels managed to attract guests, possibly through domestic business travel and local events.

The arrival of the COVID-19 pandemic in early 2020 introduced a new kind of disruption, one that did not damage buildings but immobilised demand. As Soehardi et al. (2020) observed, COVID-19 significantly reduced tourism revenue and employment, particularly in urban service sectors. In Palu, where hotels were already recovering from the disaster, this second blow had compounding effects. Occupancy plummeted to as low as 15%, resulting in layoffs, financial strain, and, in some cases, permanent closures. Unlike the previous disaster, which had a localized physical impact, the pandemic affected consumer behavior, travel regulations, and the broader economy, creating systemic disruption.

Recovery during the “new normal” period in 2021 was marked by a return to 70–80% occupancy, indicating adaptive responses from hotel managers. This supports the

assertion of Nikoliuk et al. (2023), who argued that the development of institutional and business strategies is essential for surviving crisis conditions. Hotels implemented health protocols, digital marketing, and price promotions to attract domestic travelers and adapt to changing consumer preferences. The increased availability of rooms, from 237 in 2020 to 609 in 2021, also signals physical recovery and reinvestment in facilities. These adaptive strategies demonstrate the industry's dynamic capacity to manage risks and regain stability.

Despite the positive rebound, the data suggest that the industry remains susceptible to external shocks. Without long-term mitigation planning and disaster-resilient infrastructure, future disruptions may again cause substantial setbacks. According to Bagyono (2007), tourism and hospitality cannot thrive without reliable accessibility, amenities, and public confidence. Therefore, improving disaster preparedness and integrating risk management into hotel operations are critical to ensuring long-term sustainability.

The implications of these findings are multi-fold. For policymakers, the study highlights the importance of supporting the hospitality industry not only in post-disaster reconstruction but also in pandemic recovery. Incentives such as tax relief, soft loans, and training for crisis management could accelerate recovery and increase resilience. For hotel managers, the findings underscore the need to diversify revenue streams and invest in flexible operational models that can adapt to sudden changes in demand. Academically, this study contributes to a growing body of literature on tourism resilience by offering a localized, multi-crisis perspective that is often underrepresented in national-level studies.

The hospitality industry in Palu provides a compelling case of both vulnerability and resilience. Its trajectory, from rapid growth to collapse and recovery, serves as a critical lesson for disaster-prone regions around the world. Future research may build upon this study by exploring the long-term financial performance of these hotels and the role of government support in shaping recovery outcomes.

CONCLUSION

The study concludes that force majeure events, specifically the 2018 natural disasters and the 2020 COVID-19 pandemic, had a significant impact on the hospitality industry in Palu City. The hotel sector experienced a substantial decline in the number of operational units, available rooms, and occupancy rates following these events. Prior to the disasters, occupancy levels were relatively high, indicating strong industry performance. However, the triple disaster in 2018 led to significant infrastructure damage and a decline in tourism, while the pandemic further exacerbated the crisis by restricting mobility and reducing travel demand. Despite these setbacks, the recovery observed during the new normal period in 2021 demonstrates the resilience of the hospitality sector through strategic adaptation and gradual restoration.

This research has several practical implications for hotel managers and policymakers, emphasizing the importance of disaster preparedness, business continuity planning, and adaptive marketing strategies. The study is limited by its focus on a specific geographic area and hotel classification, which may not capture broader national or regional trends. Future research should consider longitudinal financial data, include qualitative perspectives from multiple stakeholders, and explore the role of government support in recovery processes. Expanding the scope to other cities affected by similar crises could provide a comparative perspective and further enrich the understanding of resilience in the hospitality industry.

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