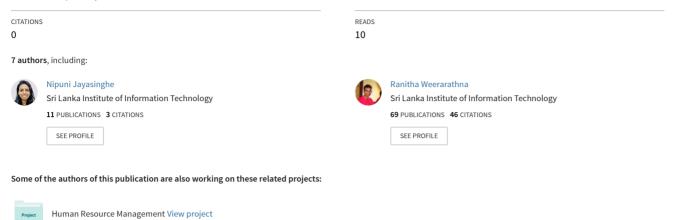
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Business Performance of Boutique Hotels after Easter Sunday Attacks in Western and Southern Province in Sri Lanka

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Abstract: The tourism sector of Sri Lanka had rapid growth and was identified as the largest source of income in Sri Lanka. Easter attack, which took place in April 2019, resulted in a severe hit to the boutique hotels in Sri Lanka. The purpose of conducting this study was to identify how boutique hotels in Sri Lanka are working to regain their business performance after the Easter Sunday attack. The data for this research were assembled employing a strategy of qualitative data. Data were collected through twelve face-to-face semi-structured interviews and analysed based on content analysis by using Word cloud. Many employees in the tourism sector have lost their jobs due to this attack. The majority of the owners stated that now they are focusing more on local customers instead of foreigners. Owners use social media platforms and special discount packages (credit card and visa card discounts) to attract local customers. Banks and financial institutions have offered some loan schemes for hotels to regain their performance. The outcomes will offer assistance for the individuals who are predominantly or indirectly related to the boutique hotels of the tourism industry in Sri Lanka. In addition to that, this research will assist proper understanding about if the hoteliers have to face crises like the Easter Sunday attack again how they manage their business performances by using considerable factors of boutique hotels in Sri Lanka. Since the revenue generated from the tourism industry is more important to the Sri Lankan economy, the respected authorities can focus more on the boutique hotel sector and make arrangements to re-establish the lost revenues in the Sri Lankan economy. The main limitation was that only two provinces were taken, which would not be adequate to give an overall representation of all the population. Therefore, it is recommended for future researchers to increase the sample size and focus on more provinces/areas when doing further research on this topic.

Keywords: Boutique Hotels, Business Performance, Crisis, Easter Sunday Attack

Introduction

Tourism is a process of spending time away from home in pursuit of relaxation, pleasure and recreation while using the commercial provision of services Air transportation, theme parks, eating and drinking establishments, lodging and accommodations, museums are some specific segments in tourism, which have their own industrial classification codes in every industrialised country (Grzywacz and Zegleń, 2014). International travel tourism makes a huge contribution to the economic growth and development of the global economy (World Tourism Organization, 2013). According to the latest data of the World Travel and Tourism Council (2019), the tourism industry contributes 10.4% of the world's GDP. Since gaining independence from the British in 1948, Sri Lanka has continued to attract lots of foreign investors and tourists to the country. The tourism sector of Sri Lanka had rapid growth and was identified as one of the largest sources of income in Sri Lanka (Central Bank of Sri Lanka, 2019). The tourism industry plays a major role in the GDP of the Sri Lankan Economy. The maximum tourism income was Rs. 712,027.3 million, and it was recorded in the year 2018 (Sri Lanka Tourism Development Authority, 2018). When considering the Tourism industry, the hotel industry is a very competitive business since the customers always emphasise reliability and timely service delivery (Poku et al., 2013). The vision of all hotels is to provide high-quality services to the customers to satisfy their requirements effectively and efficiently. Owners / Top Management play a major role in this process. Their experience is very important for the business performance of organisations. A Boutique Hotel is a small and comfortable hotel with a personal note in a stylish design decor (Landman, 2020). It has a distinctive personality and is unique itself apart from other hotel brands. It is true to its heritage, offering fantastic and ultra-personalised service to guests and is usually located in a stylish urban environment (Landman, 2020). They have luxurious services, are mostly autonomous, and are situated in the middle of busy global cities; even boutique hotels offer a more authentic cultural experience than their other hotel category on the chain (Hardware, 2016). However, boutique hotels are a common choice of travellers, and there is competition among boutique hotels in the field of Tourism and

Hospitality industry. Easter attack, which took place in April 2019, resulted in a severe hit to the hotels in Sri Lanka. The coordinated suicide bombings carried out by extremists resulted in over 250 people killed, including foreigners, while at least 500 were injured. Most victims were Sri Lankans, but there were about 38 foreigners dead due to the attack (British Broadcasting Corporation, 2019). Many of the hotel bookings were cancelled after the Easter Sunday attack. Hotel occupancy across the island has fallen by 85% to 9% (Mallawarachi, 2019). An executive of one of the hotels in Hikkaduwa stated that it is a real disaster and they don't know what to do to overcome the situation (Mallawarachi, 2019). The same report stated that the attack had cost the hotel Rs.5.5 million, forcing the hotel's management to send half the staff home. The series of attacks particularly affected the tourism industry badly while affecting the other sectors such as transportation services, wholesale, retail trade, accommodation, food, beverage service activities, air transportation, and agriculture (Central Bank of Sri Lanka, 2019).

Research Problem

According to Sri Lanka Tourism Development Authority, direct and indirect employment in the tourism sector is 4.6% of the total labour force in Sri Lanka (Sri Lanka Tourism Development Authority, 2019). According to an analysis by Pasternak (2019), which forecasts future travel patterns by analysing over 17 million flight transactions a day, in three days after the Easter Sunday attacks, cancellations of existing flight bookings surged by 86.2%, and the new bookings were also declined sharply. The average tourist arrival per day prior to the attack was 7600 during 2019. It was dropped to 1700 during the two-month period after the attack (Central Bank of Sri Lanka, 2019). The occupancy rates of hotels have drastically fallen after the Easter Sunday attack. In 2018 the average occupancy rate of Sri Lanka was 72.77%. But after the attack, it has decreased to 57.1% by the end of 2019 (Sri Lanka Tourism Development Authority, 2019). Based on the above-identified information, we can conclude that the Business performance of organisations in the tourism industry has decreased due to the Easter Sunday attack. Therefore, it highly affected the Sri Lankan economy. Table 1 contains the changes of the tourism industry from 2013 to 2018 statistically.

| Year | Tourism Arrivals | Excursionist (Spent less than 24 hours in the country arrivals) | Number of accommodation establishments | Employment Direct | Indirect |
|------|---------------------|---|--|----------------------|----------|
| 2013 | 1,274,593 | 140,009 | 2,075 | 112,550 | 157,600 |
| 2014 | 1,527,153 | 138,097 | 2,873 | 129,790 | 170,100 |
| 2015 | 1,798,380 | 195,134 | 3,089 | 135,930 | 183,506 |
| 2016 | 2,050,832 | 116,544 | 3,383 | 146,155 | 189,544 |
| 2017 | 2,116,407 | 131,409 | 3,634 | 156,369 | 202,846 |
| 2018 | 2,333,796 | 186,862 | 3,926 | 169,003 | 219,484 |
| 2019 | 1,913,702 | 113,449 | 4,378 | 173,592 | 229,015 |

| Table 1: Trends in the Economic | Indicators of Tourism | Sector, 2013-2018 |
|--|-----------------------|-------------------|
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Source: Sri Lanka Tourism Development Authority – Annual Report (2019)

Source: Sri Lanka Tourism Development Authority (2018)

According to Table 1, tourism arrivals, the number of accommodation establishments, employment opportunities and spent hours in the country arrivals has been increased slowly. As per the data set up to 2018, the outlook is bright for the tourism industry in Sri Lanka, and the government expected a high rate of growth well into the next decade (Munasinghe et al., 2019). However, in 2019 the development of the tourism industry got affected due to the Easter Sunday attack. It highly affected the boutique hotel industry in Sri Lanka. The Boutique hotels had to face overly critical losses due to the decrease of foreign arrivals. Most of the boutique hotels are situated in the cities where the bomb blasts took place (Negombo, Dehiwala). They have devastated the tourism industry, which is the main source of foreign income and foreign investment. Lots of people in the tourism sector lost their jobs, and now they have involved in many other sectors. Table 2 contains the comparison of tourism arrivals of 2018 and 2019.

| December Total | 253,169 2,333,796 | 241,663 1,913,702 | -4.50 - 18.00 |
|-------------------|----------------------|-----------------------------|-------------------------|
| December | | , | |
| November | 195,582 | 176,984 | -9.50 |
| October | 153,123 | 118,743 | -22.50 |
| September | 149,087 | 108,575 | -27.30 |
| July August | 217,829 200,359 | 115,701 143,587 | -46.90 -28.30 |
| June | 146,828 | 63,072 | -57.00 |
| May | 129,466 | 37,802 | -70.80 |
| April | 180,429 | 166,975 | -7.50 |
| March | 233,382 | 244,328 | 4.70 |
| February | 235,618 | 252,033 | 7.00 |
| January | 238,924 | 244,239 | 2.20 |
| Month | 2018 | 2019* | 2018/2019 |
| | | | Percentage Change |

Table 1: Monthly Tourist Arrivals Reports 2018 & 2019

Source: Economic Statistics of Sri Lanka (2019)

Due to this terror attack, the revenues of boutique hotels got hugely decreased. This decrease in revenue has made a considerable impact on the Sri Lankan economy. The purpose of this study is to identify the strategies which that boutique hotels use to regain their revenues by attracting customers and how they have improved their business performance after the Easter Sunday attacks.

Significance of the Study

Boutique hotels focus on a niche market earn a higher profit margin offering customisation for guests who seek alternative types of accommodation and an authentic cultural experience. Hence, considering the high sensitivity nature of this upmarket tourist segment, identifying the crucial factors that influence the business performance of Boutique hotels is vital and also to identify what socio-economic and demographic factors affect the business performance. Additionally, resource planning, decision making on financial marketing and operations aspects and knowing how these factors affect at national and international levels are important in order to amend the business model of Boutique hotels for improved performance. This study will also benefit the government and policymakers by providing a framework for them to identify the existing or future factors and economic issues which the Boutique hotels in Sri Lanka's tourism industry have encountered during a massive financial crisis. This study also assists government, relevant state and authorised bodies to identify weak and sensitive points in the Sri Lankan tourism industry in order to revive and boost/improve the business performance of Sri Lankan Boutique-hotels.

Tourism is a high profit generating sector in the Sri Lankan economy where many livelihoods depend. Hence, it is important that Sri Lankans, including those who are involved in this sector (service providers, employees) and potential entrants to the Boutique hotels sector, have a better idea/awareness/understanding on tourism. Stakeholders and senior management of Boutique hotels firms can refer to this study apply its findings to gain knowledge about managing in the tourism industry of Sri Lanka. As undergraduates, this study will be very important to manage any business in future. This study reveals crucial information and also is an eye-opener on how to become a successful Boutique hotel owner/operator, even during a crisis.

Literature Review

The study found that boutique hotels are better described as small, trendy hotels providing high standards of service. Jones et al. (2013) defined boutique hotels as being specific in style, design-centred and either independent or connected with smaller brand segments. In a Jones et al. 2013 defined emerging definitions of boutique and lifestyle hotels; boutique hotels are best described as small, stylish hotels offering high standards of personalised and experiential service. The boutique hotel represents a new way of looking at the hospitality industry with

emphasis on a pleasant reception and personalised services. The first boutique hotel was started in 1981 (Anhar, 2001). The Blakes Hotel in London and the Bedford hotel in San Francisco are the first two boutique hotels in the world that started in the same year. These properties were described as "intimate," and while some were modelled on small hotels in European style, others focused on specific themes, such as "Rock and Roll" (Anhar, 2001). The characteristics of boutique hotels in terms of the market size (small enterprise), a high degree of personalised facilities represent the individuality and style of the creator, designer or entrepreneur (Bagiran et al., 2011). Boutique hotels were built to meet the needs of travellers tired of staying in the same space with the same furnishings in each city they visited (Loureiro, et al., 2019). In a study by Aggett (2007) a detailed study was undertaken into the comparisons between UK luxury properties. The comparisons she noticed were different architectures, the unpretentious standard of service, highly individualised traveller attention, smaller size, sometimes thematic in nature, and contemporary offers. According to the size of a boutique hotel in Sri Lanka, it includes 10 to 100 rooms, with a sense of familiarity and security. Boutique hotels in Sri Lanka have one of the special characteristics which separate them from other lodging brands. It is consistent with their inheritance, it furnishes visitors with incredible and ultra-customised service (Russo, 2014).

Besides, this research determines some factors make a positive effect on these small hotels. Those are institutionalisations, personnel selection, and the use of internet facilities for the Small Hotel Businesses (SHB) (Avcikurt et al., 2011). Among these factors, the use of the internet was the most important factor for boutique hotels according to critical success factors. However, the above factors depend on boutique hotel owners, supervisors' skills, their experiences and educational level, etc. All these factors highly affect the business performance of boutique hotels. (Avcikurt et al., 2011). Business performance is the ability to fulfil the desires of the major stakeholders of the organisation (Zulkiffli and Perera, 2011). In contrast, some researchers mentioned that they could be measuring the business performances, which help to regain their boutique hotel by some constant indicators. Those mentioned indicators are profit, return on investment, quality of design, product development, turnover or number of customers (Wood, 2006). In most cases, financial performance measures with profitability, total assets, Return on Investments (ROI), sales turnover, employment size, employee turnover. The industry average, an established target market, the results of main competitors or past performance can measure as a business performance (Santos and Brito, 2010). However, past few decades, world terrorist attacks such as the France attack in 2015, 9/11 attack, Tamil Eelam Liberation Tigers (LTTE) directly or indirectly affected the overall tourism industry as well as the business performance of the boutique hotel. Some past researchers were revealed that the most important source of a crisis situation is emergency services. That was found out their research as well as other sources are crisis situations communicate as effective manner, clear and correct coordination between all parties (Camillo, 2015). Terrorist attacks impacted the tourism industry, and they indirectly affected sub-areas of a hotel, such as hotel operations financial and marketing areas of a hotel. Researchers can identify Sri Lankan and international terrorism as one of the major barriers which cause high negative impacts to the Sri Lankan tourism sector. This attack of terrorism changed tourist behaviour. This attack made a negative impact for the boutique hotel performance (Baker, 2014). In contrast, past researchers mentioned as some hotels are prescribed to act ahead before a crisis happens and set up every preventive step identified with the association of hotel security, emergency crisis reaction techniques, training of employee safety and the development of specific crisis management groups (Henderson, 2007). Hence these facts may be useful for hotel owners and the entire staff as a framework for preventing crisis and can manage their business to regain in a correct manner.

Methodology

The methodology of this study discussed how to achieve the developed aims and objectives of the study. The methodology of the study consist of the research approach, data collection methods according to the identified objectives and what are the appropriate data analysing techniques for the selected data collection methods.

Sampling Population

Boutiques hotels in Sri Lanka is considered the population for this research study. Some boutiques are registered in Sri Lanka Tourism Development Authority (SLTDA), and some hotels are not registered in SLTDA. The sample will be selected from both registered and not registered boutique hotels in Sri Lanka. The study is focused on boutique hotels in Sri Lanka located in Western and Southern provinces.

Selection Criteria of Boutique Hotels

Sample for present study selected based on three criteria, which helped to represent small boutique hotels in Sri Lanka. Those are, Boutique hotels, which are mostly tourist, attracted areas such as Western and Southern Province.

Boutique hotels, which have more than 10 rooms and less than 100 rooms. They are intimate in size, providing the feeling of being a special visitor in a private home, not just an occupant of a hotel.

Boutique hotels, which have annual turnover more than Rs.2 Million.

The boutique hotel that fulfilled above-mentioned criteria were selected as suitable respondents or participants for the information gathering purpose of the study.

Sample Selection

Boutique hotels, majority of the information was hidden or was not registered in respective government departments. Therefore, the population of the study was unknown. This study adopted non-probability sampling techniques. This research study aimed to cover boutique hotels which are in Sri Lanka (Western and Southern provinces) to have a cross-sectional view regarding factors influencing in the business performance of boutique hotels in Sri Lanka. Those areas were chosen due to the high number of boutique hotels, and those areas were affected by the Easter Sunday attack.

To achieve strong performance and an in-depth understanding, twelve boutique hotels, which information-rich cases out of the boutique hotels were chosen. Grabbing out the value of snowball sampling helped to contact the population, those participants identified another set of boutique hotels, and the sample snowballed. Snowball sampling was used to make the sample size of the boutique hotel easily accessible for data congregation purposes.

Data Collection

Methods

The interviews were conducted by physical representation / by visiting the boutique hotels in order to get quick responses from the respondents. The interview questions were made to obtain accurate and timely information, and interviews were held at an agreed time and lasted for 25-35 minutes. The interviews were carried out in aless formal manner and in an open manner where the respondents were able to give their responses in detail. Each interview was tape-recorded with the prior approval of the interviewer.Semi-structured interviews supported to obtaining most accurate and timely information, which was required to achieve the third research objective.

Results and Discussion

Qualitative Data Analysis

The collected data was used to identify how Boutique hotels have regained their business performance after the Easter Sunday attack. Twelve potential hotels were selected based on their ratings and reputation from Southern and Western provinces. The interviews were conducted in a less formal manner and with an open manner in order to obtain the responses in detail.

The results collected from the respondents were analysed using Word cloud software to identify the most important strategies that they have used to increase their business performance after the Easter Sunday attack.

Below stated strategies are the key strategies identified through the qualitative analysis carried out via Word Cloud.

- Local market strategy
- Discount strategies
- Social media marketing strategy

- Employee lay off strategy
- Employee training and development strategy Each identified strategy is described below.

Local Market Strategy

According to the results generated from Word cloud analysis, the word "Locals" has clearly highlighted in Figure 2. Most of the Boutique hotels' target customers were foreigners prior to Easter Sunday attack. The hotels quoted their food prices, room prices and all other service prices by considering the foreigners' affordability and exchange rate. After the Easter Sunday attack, foreigners refused to come to Sri Lanka due to the safety issue. Due to this situation most of the boutique hotels have started to capture the local market. Feedback of hotel owners (Respondent 3) regarding this local market strategy could be identified as below.

"Prior to Easter Sunday attack, foreigners generated more than 90% of our hotel revenue. So, we always tried to attract foreigners by offering them various discounts. We determined our food prices full board prices and spent the day prices based on foreigners' affordability. But after the Easter Sunday attack, most of the foreigners travelled back to their home countries, and no one came to Sri Lanka due to the safety issue. So, we changed our prices based on our Sri Lankans' affordability to attract them into our hotels. So that we could be able to get our lost revenue from them" (Was this successful? Present the occupancy rate before and after the attack for local tourists)

Discount Strategies

In the Word cloud analysis, it could be seen that the word "Discount" has been highlighted in large. After the Easter Sunday attack, the hotels had to face a critical loss. They were unable to cover at least their costs. The hotels had large stocks of food items that were able to get expired soon. At this point, almost every respondent/hotel management planned to cover up these raw material costs and to cover up the operating costs of the hotel. In order to cover these costs, most of the hotels have offered discounts of up to 50% for their food and holiday packages. Feedback from a boutique hotel owner (Respondent 05) regarding their promotions and discounts could be identified as below.

"The Easter Sunday attack was a sudden surprise for all of us in Sri Lanka. As hotel owners, we got very shocked at that time. All foreigners started to leave the hotel and started to travel back to their countries. All bookings which have been placed for the months of June, July, August, September, October, November and December got cancelled. But we had to pay for our employees as well as for our suppliers. There were huge stocks of food items like fish, chicken and seafood items. So what to do with those? So we decided to give 50% discounts on all full board and half board packages" (was this successful?)

Social Media Marketing Strategy

In the Word cloud analysis, social media such as Instagram and Facebook are highlighted. Tripadvisor and Booking.com also have been highlighted in the word cloud analysis. Prior to the Easter Sunday attack, most of the boutique hotels used only Tripadvisor and Booking.com to advertise their packages since normally foreigners are used to checking Tripadvisor and Booking.com for their booking purposes. After the Easter Sunday attack, most of the boutique hotels have started using social media such as Instagram and Facebook to catch up with the local customers. Normally in Sri Lanka, most people use social media platforms to find out hotels when planning their holidays. (If you have information, it better you highlight the amount they invested on social media before and after the attack).

Employee Lay-off Strategy

The word "Lay-off" has also been highlighted in the Word cloud analysis. Based on most of the boutique hotel owners, employee-layoff has been identified as a method of decreasing the hotel expenditure and increasing the profit of the hotel. This strategy is proved as below response (Respondent 10).

"Due to the Easter Sunday attack, we were unable to generate revenues. Without revenue, there won't be a business. So, the management decided to decrease the operational cost of the hotel. There was only one way to do that, and unfortunately, that is employee lay-off. We had to lay off some of our permanent employees. We know that it was not good news for our employees. But we had only that option in order to minimise our cost. So we reduced our staff from 25 to 15 people". (Any particular information, whether they are permanent or casual employees, etc.?)

Based on the analysis, most of the hotels have decided to lay off their employees in order to minimise the costs and gain profits. But somehow, 2-5 hotels that have strong financial structures / financial strengths have managed their costs without laying off their employees. So, it could be confirmed that the boutique hotels have followed the employee lay-off strategy in order to increase their business performance.

Employee Training & Development Strategy

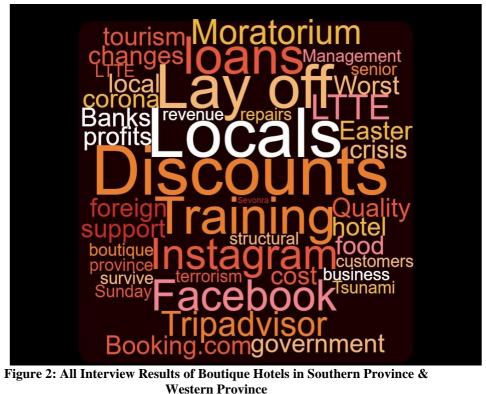
Based on the responses, most of the boutique hotels have started to provide effective training for their existing employees to increase their individual performance and make them multi- talented. The owners believe that this will be helpful in the future to gain the lost profits back by functioning the hotel with a low number of employees without affecting the hotel standard. This strategy can be proved by the below statement given by a hotel owner (Respondent 08).

"We are giving training for our staff in order to increase employee efficiency and to maintain the standard of our services, and it will help us to earn our lost profits back in the near future. Also, it will help us to function the hotel with fewer employees during a crisis.

According to figure 2, Word cloud analysis, the words such as "Loans" and "Moratorium" have been highlighted in large. Due to the huge loss in the tourism sector, the government has been involved in the process of rebuilding the tourism industry. The government has advised financial institutions such as banks to provide monetary reliefs and low-interest rate loans in order to build the tourism industry and to safe keep the hotel owners. As a result, banks have offered low-interest loans for hotel owners in the tourism sector. But most of the hotel owners has refused to accept those loans due to the uncertainty of the present tourism industry. The following phaseprovides proof for this (Respondent 05).

"Yes, banks have offered low-interest-rate loans with the intervention of the Sri Lankan government. They want to support boutique hotel owners financially. But we decided not to get their support during this crisis situation since nobody knows when will this crisis situation get finished and come back to the normal situation".

Based on the above analysis, boutique hotels have used local market strategy, social media marketing strategies, employee lay off strategy and employee training & development strategy to regain their business performance after the Easter Sunday attack.



Source: Interview Data 2020

Conclusion

Based on the qualitative analysis, it can be concluded that Boutique hotels have used local market strategy, social media marketing strategies, discounting & promotional strategies, employee lay off strategy and employee training and development strategy to regain their business performance in the post-Easter Sunday attack. Prior to the terror attack, almost every Boutique hotel targeted the foreign attraction towards their hotels. Boutique hotel prices which target the upmarket/high spenders were not affordable to most Sri Lankan people. After the Easter Sunday attack, this existing strategy was replaced with a new customer-focused strategy, where the hotels started targeting local customers. All prices were requoted by the hotels based on the locals' affordability.

Prior to the Easter attack, most of the Boutique hotels didn't focus or rather focused less on social media platforms such as Facebook and Instagram. The reason was that foreigners were used to checking Booking.com and Tripadvisor to figure out their stays. Due to the local market strategy after the Easter Sunday attack, Boutique hotels have focused on Facebook and Instagram based advertising to attract Sri Lankan customers. Analysis revealed that most of the Boutique hotels had offered huge discounts and packages in order to gain customer attraction, especially the locals. The majority of Boutique hotels have laid off their employees with the intention of cost reduction. However, a few Boutique hotels have had strong financial backing and stability even to function in post-Easter terror attacks without retrenching their staff. In addition, many Boutique hotels have started to improve their employee efficiency by providing effective training and development programmes for their employees. The management believes that such approaches can enable the Boutique hotels to function with a smaller number of employees without impairing their quality and standards. Management believes that this will be helpful in future in order to regain/revive their lost profits to normalcy within a shorter time span.

Additionally, the analysis reveals that the Sri Lankan government has not implemented a long-term plan to rebuild the tourism industry. The government has advised commercial banks to offer loans under flexible conditions such as concessionary interest rates, rescheduling loans by extending due dates for payment etc. Nevertheless, there seems to be a lack of coordination between the government and commercial banking sector of Sri Lanka.

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