

## A Review of Hotels' Survival Strategies during COVID-19 Pandemic in Malaysia

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### ABSTRACT

The study is about the strategies to help the hotel industries survive during the COVID-19 pandemic. Since this pandemic never happens before, the hotel industries are not ready to face such challenges in the business. Since the COVID-19 first outbreak, many businesses were affected and experienced a dramatic drop in the sales and revenue which no exception for hotel industry. For that reason, a study regarding the strategy or plan on how to make the hotel industries survive and avoid shutting down was conducted to help the business which had reached a dead end. Therefore, the objective of this study is to analyse the hotels' strategies to survive during COVID-19 pandemic. In this study, the secondary data method was used to obtain data from recent studies by other researchers from academic journals, articles, and websites from the trusted sources. There are three strategies that was often applied by hotels in other countries which are cutting cost, becoming a quarantine hotel, and having pricing strategy. These strategies had shown a positive result and suitable to be applied by the hotels during COVID-19. The findings of this study can help the top management of the hotels to find the solutions on how to generate revenue and to sustain longer in the industry. Plus, hoteliers also can come out with a new polished strategy in the future and help them winning the battle against COVID-19.

**Keywords:** COVID-19, Hospitality Industry, Hotel industry, Strategies

### 1.0 INTRODUCTION

The global COVID-19 pandemic has had a devastating impact on the entire hospitality industry, including the hotel industry. Hotels have been overwhelmed by the increase of room booking cancellations and the economic growth had surely shown a drastic fall due to less demand because of this issue (Kozlovskiy et al, 2020). Hotel industry professionals are under immense pressure, dealing with partial or complete closings, financial losses with largely unchanged fixed costs and uncertain short term and long-term demand for hotel rooms (Jiang and Wen, 2020). According to a PhocusWire report that used Smith Travel Research data, as of March 21, 2020, occupancy has decreased by 96% in Italy, 68% in China, 67% in the UK and 59% in the US compared to 2019 (Sorrells, 2020). The report explained that the US occupancy rate has not decreased as much as Italy because there was no national or federal lockdown at the time.

These lockdowns have undoubtedly had a strong adverse effect on hotel occupancy. The revenue per available room (RevPAR) was down by 85% year over year for the week ending in March 1 in China, which is worse than the RevPAR downturn of 59% during the 2008 financial crisis. Using HotStats data, Simon (2020) reported a 100% or more year-over-year drop in hotel profits in the USA, Europe, Asia and the Middle East. All around the world, there have been significant declines in occupancy, average daily rate and RevPAR.

On the other hand, the COVID-19 pandemic also gives a bad impact not only for the industry, but for the hotels' employees. Based on the World Travel and Tourism Council (2020), it is quite a million jobs are experiencing risk during the Pandemic COVID-19. It is predicted that around 75 million jobs are risky enough. The hotel industry is part of the highest risk industry that experiencing job loss. In Macau, some hotels decided to shrink the employee size by making sure to terminate the contract with foreign contract workers (Alves et al, 2020). Things will be not the same as before since the demand did not exist like an old days. This situation had forced the top management to think about the plans or strategies for the hotels to keep on surviving as the hospitality industry was experiencing approximately 5.5 trillion losses in the year due to the MCO (World Travel and Tourism Council, 2020). The COVID-19 also resulting the hotels' staff are facing job loss as the hotels are not capable to pay their salary as they should. To cut the cost, some of the top managements of the hotels have agreed to lay off the staff or asked them to withdraw themselves voluntarily. Investigation has been made by the researchers which came out that 1:10 to 1:6 of the staff of the hotels voluntarily left the job (Wu et al, 2021).

These factors have pushed the hotels to find and create strategies or planning to continue their operation as much as they could to save the day. The hotel industry depends on the demands or needs and wants of the people. It is crystal clear that the hotel's business cannot be run when there is no demand from the people. The check-in and check-out activities, people dine-in at the restaurants, and any occasions that are specifically venue in the hotels are all come from the people's demand. The demand seems impossible when the guests are still afraid to travel due to this pandemic. According to Awan & Shamim (2020), a lot of people were afraid to travel and spend the night at the hotels due to COVID – 19. This had affected the tourism industry especially the hotel industry as the number of guests to check in at the hotel had dropped in numbers. It is confirmed that until now hotels in Malaysia are still facing difficulties in generating revenue due to pandemic COVID-19 and some have closed the business as they found the dead end. Hence, it is crucial for the industry to keep on making up some strategies and refer to other countries as a guideline to keep the hotel's operation on run. So, this study's main focus is to identify the hotels' strategy to survive during pandemic COVID-19.

## 2.0 LITERATURE REVIEW

The hotel industry is vulnerable to threats which posed by unexpected catastrophes such as epidemics, natural disasters and terrorist attacks (Chan and Lam, 2013; Chen, 2011; Jayawardena *et al.*, 2008; Hung *et al.*, 2018; Lo *et al.*, 2006; Min *et al.*, 2009; Paraskevas, 2013; Racherla and Hu, 2009). Different types of catastrophes bring distinct industry consequences and prompt hoteliers to take measures to tackle various challenges caused by crises. Among the example on how the industry players react to the unexpected events is the measures taken by hoteliers in Hong Kong. They introduced toughened security by upgrading the closed circuit television systems and intensifying safety training for hotel employees following the 9/11 attacks (Chan and Lam, 2013). Meanwhile, after the severe acute respiratory syndrome (SARS) outbreak, the Korean hotel industry installed new hygiene equipment and offered their employees education programs concerning on health awareness (Kim *et al.*, 2005). In addition, a study by Nguyen *et al.* (2017) highlights that hotels at a coastal destination in Japan provided accommodations, refuges and provisions to evacuees when this region was devastated by the 2011 Great East Japan Earthquake and Tsunami.

COVID-19 stands for coronavirus disease. It was a newly discovered infectious disease in early 2019 in Wuhan, China (Beck & Hensher, 2020). It spreads easily only by saliva droplet or nose droplet. To make it simple, it was through coughing and sneezing (World Health Organization). The virus has infected more than 40 million people in at least 215 countries with more than one million deaths. The current statistics reveals the magnitude and seriousness associated with the COVID-19 pandemic worldwide. Since the time

the virus was declared an epidemic, countries raced to implement measures proposed by the World Health Organization (WHO). Some of the measures included enacting movement restrictions, social distancing, public health measures, wearing masks and closing international boundaries. The measures were considered preventive strategies that different nations would follow in order to reduce the spread of the virus and, consequently, prevent the increase number of infections and deaths.

Due to the Covid-19 pandemic, the world's economy was shut down almost overnight (UNWTO, 2020). One of the hardest-hit sectors by the COVID-19 pandemic is the tourism industry. Researchers and economists across the globe confirm that the hospitality and leisure sector is the industry currently suffering the most immediate repercussions (Gursoy and Chi, 2020). The hospitality industry largely depends on cross-border travel and movements (Jiang and Wen, 2020; Baum and Hai, 2020). However, the pandemic has confronted the hospitality industry with an unprecedented challenge. The strategies to flatten the COVID-19 curve such as community lockdowns, social distancing, stay-at-home orders, travel and mobility restrictions have resulted in temporary closure of many hospitality businesses and significantly decreased the demand for businesses that were allowed to continue to operate (Bartik et al., 2020). Specifically, governments have been forced to make hard decisions whether to close their borders or ignore the risk of increasing the COVID-19 infections or choose to free up the economy to bloom. Most countries have opted for the first option which involving the restriction of movement and closure of borders to reduce the number of active COVID-19 cases despite the adverse effects on the economy (Bedford et al., 2020).

In Malaysia, the government had announced the first Movement Control Order (MCO) on 18th March 2020 in order to increase social distancing and slow down the transmission rate of the virus. During the MCO, any businesses or services that was categorized as not essential were advised to freeze. Not only that, any public sports, events, gatherings, and travelling was not allowed (Alwi et al., 2020). People are also not allowed to travel, dine-in, and even any occasions must be cancelled or postponed to some other dates that is cannot be confirmed yet. It is also mentioned by the researchers that as per MCO, any activities for tourism should be stopped (Karim et al, 2020). As the result, hotels hardly earn profit during the MCO phase (Alwy et al, 2020) and the hotels are at a huge loss.

According to Dzulkiyly (2020), in Malaysia, the losses were about RM 3.37 billion from their revenue within the first two months of the MCO period, both in the tourism and hospitality industry. The struggle was real for the hotel industry to keep survive and in some worse cases, they had to stop operating temporarily. Malaysian Association of Hotels (MAH) made a forecast that about 60% loss of tourism business and 15% of hotels shut down their business (Dw, 2020). It was also recorded that a total of 193,057 rooms had been cancelled due to the COVID-19 pandemic (Mahalingham, 2020). The room occupancy percentage has declined to 70% which it turns out the room occupancy reached below 20% (Shari et al, 2020). According to Mahalingham (2020), Kuala Lumpur was the first region that faced a serious number of booking cancellations of 61,859 bookings which lost about RM 24.91 million. Next, followed by Sabah was the second most affected with 33,769 cancellations resulted in a loss of RM 11.79 million. Selangor was the third most affected with the total losses of about RM 9.05 million was recorded. Lastly, Penang recorded 18,476 cancellations booking which its losses RM 8.96 million as of 20th March 2020 (Mahalingham, 2020).

## **2.1 The Survival Strategies**

Reacting to this worldwide pandemic, the hotel needs to find a way out in order to sustain the business and remain in the industry. Almost all hotels in the world have their own strategies to keep the business going on as the pandemic has had a destructive detrimental effect on the hospitality industry globally (Gössling et al., 2020; Majeed and Ramkissoon, 2020).

### **2.2.1 Cost Cutting Strategies**

The first strategy implemented by hotels is cost cutting approach. This includes reducing employees' salaries, having staff laid off, and implementing work from home (Jasmine, 2019). As COVID-19 continues to impact tourism and hospitality (Deb and Nafi, 2020), evidence showed a job loss in some of the large chain hotels e.g., Marriott and Hilton (USAToday, 2020). Gössling et al. (2020) highlighted that tourist attractions and the accommodation sector proclaimed the greatest slump in their staff figures. Moreover, firms Wang et al. (2020) argue marketing innovation strategies need to be properly implemented

during this pandemic e.g., reservations cancellation due to COVID-19 crisis. However, in another study Vardarlier (2016) recommends avoiding dismissing employees during a crisis by rearranging wages, reorganizing hours of work, and abrogating bonus and rewards payments. Moreover, it remains critical for hotels to carry out these emergency procedures, cleanliness and sanitation practices, and health screening of personnel to manage crises related to infectious illnesses (Henderson and Ng, 2004). However, the health and safety of staff remains paramount in the COVID-19 pandemic (Rosemberg, 2020) and other crises.

The hotel owners in China also use this approach. The majority of hotels in their country had quickly practiced a strategy through cost-cutting measures or labour costs (Fei et al., 2020). These not excluded a well-known hotel as they decided to reduce the staff's hours of working such as offering the employees to take their unpaid leave (Len & Phi, 2020). It was also a data of the hotels in Kuala Lumpur had recorded about 9,773 has been asked to take unpaid leave (Karim et al., 2020). According to the Malaysian Association of Hotels (MAH) (2020), from a sample size of 17,826, a percentage of 20% of the hotel staff had been asked to take unpaid leave and 16% of the hotel staff had experienced a pay cut. Some hotels preferred to cut the labour cost or apply the pay cut towards the surviving hotel's staff. Hotels in Kuala Lumpur had recorded about 5,054 employees got deduction pay (Karim et al., 2020). This helps the hotel to be able to survive a bit longer in the industry.

In addition, the hotel can take an alternative to reduce electricity in daily operations during pandemics. According to Tania (2010), hotels use large amounts of energy especially the electricity spend for daily operations and activities. The utilities have the second-highest operating costs after employee wages. Savings in more effective energy use can lead to major reductions in operating costs and energy bills. Hence, during this pandemic, most of the sections in the hotel cannot be operated and must be closed. This will make the usage of electricity can be reduced and also the cost for other utilities. This reduction will help hotel industry to reduce cost and survive during this pandemic.

### ***2.2.2 Opt to be a Quarantine Hotel***

The second strategy is turning the hotel as a quarantine hotel. Some hotels also consider to temporarily close the business especially chain hotels. In China, there were 150 Hilton hotels were closed because of the pandemic. Hotels in Malaysia also have done the same thing. According to Shari, Mohamad Yazid, & Shamsudin, (2020) the hotels that decided to temporarily close their business are in Penang which are Jazz Hotel, Mercure Penang Beach, and Gurney Resort Hotel and Residence. They also add other hotels such as Penaga Hotel, and Jerejak Island Resort. Moreover, they did state there were more on the list like in Ipoh, which was Kinta Riverfront Hotel, Tower Regency Hotel as well as Travelodge Ipoh. As the situation right now cannot guarantee a good lodging business, it forces the management of the hotel to make a hard decision which is to shut down their business.

However there are hotels that continue the battle during the pandemic by turning their hotel as a quarantine centre. They were determined to be a quarantine center with a monthly rental in order to catch up back and make a profit even at the small range (Ranasinghe, et. al, 2020). A quarantine center was existed to accommodate people who are subjected to quarantine orders. Usually, a person that had directed contact with a positive COVID-19 person will need to undergo quarantine for 14 days as per WHO and the Center for Disease and Prevention suggestion.

Before the hotel continues to operate as a quarantine center, the hotel staff needs to undergo a good exposure on how to handle the guest or the person under its surveillance once the hotel starts to operate as a quarantine center. It is also a need for hotel staff to know the way to avoid being exposed to the COVID-19 danger (Teng, Wu, & Lin, & Xu, 2020). Training is a proper term. The training helps to educate the hotel staff on the importance to avoid the COVID-19 infection (Hamouche, 2020). For example, the training can include how the virus can be infectious, the infection symptoms, ways to self-sanitize and disinfect things, and more. The hotel's staff also had been educated by not wandering in public areas and reduce direct contact with the guest as it is a big chance to cut the risk of COVID-19 infection (Teng et. al, 2020). Hotel as quarantine center helps in terms of generating profit at least at the minimum range. It has brought necessary revenue for the hotels during COVID-19 (Feuer, & Newburger, 2020).

Vietnam has been known as a developing country, has experienced a hard time dealing with the pandemic due to limited capacities in infrastructure, medical systems as well as a shortage of skilled healthcare labor.

Thus, many mid-range and luxurious hotels and resorts volunteered to be quarantine service centers in order to respond to these shortages. Turned out, this strategy has benefited all parties involves which lessened the pressure for the healthcare system; met the demand for more comfortable accommodation with better service quality during quarantine period and helped the hotel to survive over the pandemic (Tang et al. 2015; Cheng et al. 2018). The food supply chain for the hotels and resorts could also be maintained during the operation (Belso-Martínez et al. 2020).

### **2.2.3 Price Reduce Strategy**

The last strategy is price reducing. There were hotels that took an initiative to decrease the room rate to attract the guests to check-in. It was because the room rate revenue was low during the COVID-19 pandemic. In the middle of February, hotels in the U.S have lost room revenue and on 3rd June 2020, six out of ten hotel rooms were not occupied in the U.S (Davahli et al., 2020). According to Alves et al., (2020), there was a hotel in Macau that took a bold move and had to reduce its room rate by 50%. The hotel room price was determined based on the star rating levels and the location of the hotel itself (Wu et. al, 2020). On 31st January, the Hong Kong News Network stated that the majority of 5-star hotels in town would decrease their room rate half from the actual price as well as 4-star hotels followed to decrease the room rate even lower.

The supply of the rooms remains as usual since it is already fixed (Wu et al., 2020). This is the true fact of the hotel industry where the supply is fixed and the demand is varied. Thus, it has forced the management of the hotel works on strategies that help them generate revenue during this tough time. Since the demand for the room declined, the management needs to decrease the room rate to increase the demand. This will help to cover up half or a quarter of the expenses. According to the researchers, it was a great chance for the guests to pay a visit and experienced the hotel services at much lower prices (Ranasinghe et. al, 2020).

The low-price strategies have given positive impact for the hotel industry. It was stated that, as the room price of the hotel is already at the lower price, the occupancy percentage had risen up drastically to about 90% only in two weeks. This shows a positive sign in the business compared to before the COVID-19 pandemic (Alves et. al, 2020). In Macau, the management of one of the hotels had confirmed that lowered room rate has successfully proven that the particular hotel can survive during the COVID-19 crisis (Alves et. al, 2020). Basically, people are easily attracted to cheaper prices. Taking the advantages of this human behaviour surely gives a good start to survive in the industry.

## **3.0 METHODOLOGY**

This study used secondary data as a main source to achieve the research objective. The data from articles, journals and previous studies was used in order to get information pertaining to the hotel strategies to survive during COVID-19 pandemic. Then, thematic analysis was used to analyze the data. This analysis started by obtaining the general ideas on research interest through the related sources. Then, the common and similar words factors described in the articles were highlighted to make up the list of the most cited words. All the lists then were examined to identify the best theme that suit the research interest in the study. The researchers then studied the strategies that were used by the hotel to survive during COVID-19 pandemic and the most critical point in each of the strategies being identified. There are three strategies that most of hotel used to keep on surviving which are cost cutting, becoming quarantine hotel and pricing strategies. Lastly, the discussion was made on how these strategies being used and keep the hotel survive during this tough time.

## **4.0 RESULT AND DISCUSSION**

During COVID-19 pandemic first outbreak, many industries have faced a serious drop in their business all over the world. The hotel industry has no exception from this pandemic as it is experiencing a great fall especially the shrinkage in hotel occupancy percentage and profits (Gursoy, & Chi, 2020). The hotel industry was not ready and did not imagine that the business went down due to the pandemic. That was why many hotels cannot maintain their great financial performance and some decided to shut down.

According to Malaysian Association of Hotels, payroll related costs are one of the highest costs for a hotel and make up nearly 25% of the expenses of budget hotels, 32% of mid-range hotels and 29% of high-end hotels. This is around 1/3 of all the total expenses which hotel faces and the decisions for retaining or terminating is something many hotels have been contemplating since the lock down. As of 20 March 2020, MAH's survey Shows that 9% of hotel employees were already given pay cuts, 17% have been sent on unpaid leaves and 4% have been laid off (Dewan, 2020).

In addition, it is about 120 hotels in Malaysia had forced to shut down due to the consequences of COVID-19 (Adam, 2021). Despite some hotels' shut down, there are still hotel owners that strive to keep the hotel operating for the sake of their workers and other financial commitment that they have. In Malaysia context, there are three main strategies have been used by hotels. Based on the previous literature, the approach consists of cutting cost strategy, becoming quarantine hotel and pricing strategy.

The first strategy is cost-cutting. In Malaysia, the increasing cases and continuing outbreaks of COVID-19 have become a main threat to the situation when it comes to the economy and financial market. The financial statement was going to fall, with the risk of the global economy (Majid, 2020). Thus, the company or business needs to think about the future or in long term to be operating in the industry because of the unpredictable situations of this pandemic outbreak. The hotel is beginning to cut down the employee's salaries as the economic impact of the coronavirus pandemic begins to bite their bottom line. The international companies are beginning this method to reduce the cost. As stated in The Economic Times (2020), Lemon Tree and Treebo Hotels begin to announce pay cuts for their employees. This situation same goes for Marriott International where it has asked its corporate staff to take a 20% pay cut. Meanwhile, a 50% pay cut has been proposed for general managers and a 30% cut for heads of departments to ensure they are able to operate during pandemic COVID-19.

Likewise, the effort of Hilton Worldwide Holdings Inc. has considerably reduced some expenses are including asking the President and CEO to go without salary for the remainder of 2020 and the Executive Committee taking a pay cut of 50% for the duration of the crisis. This strategy can be seen as the beginning for better action in the future. This finding is in line with a study by Henderson and Ng (2004), Leung and Lam (2004), which reveals that during SARS pandemic, hotels terminated employees' contracts, implemented unpaid leave, and had reduced salaries. This is also in congruence with Selim et al. (2020), who conducted a study in Egypt found that layoffs practices were implemented by Egyptian hotels during COVID-19.

In addition, another cost-cutting strategy is to reduce the cost of electricity by closing the spaces or facilities that cannot be used during this pandemic. According to the American Malaysian Chamber of Commerce (AMCHAM), the hotel sector must comply with the Standard Operating Procedures (SOP) stated which includes the hotel guest is not allowed to use hotel facilities. For example, the gym, lounge, swimming pool, spa, meeting rooms, dine-in at the restaurant despite hotels being listed under essential facilities and service. So, the hotels can save money from paying utilities bill when all these sections are close. The money then can be used for more important things and kept the hotel to survive during the pandemic.

According to Mandeep Lamba, the president of South Asia and HVS Anarock (2020), the great solution to balance the expenses is to close the facilities that are not much needed. All non-essential areas must be shut down for the moment to help the hotel to sustain longer in the industry. Moreover, the government also introduces an incentive for hotels in terms of electricity bills during the early stages of the spread of the virus. The incentives are the economic package by giving a 15% discount on electricity for the hospitality industry especially in the tourism sector like hotels (Shaharudin M Saaid, 2021). This will be a good benefit to minimize the cost in operating hours plus been helped by the government. The hotel just uses the necessary utilities and totally cut the cost by temporarily closed certain facilities. The main purpose of this strategy is to help the hotel businesses to continue their operation and survival in the market. Thus, the expenses will be under control and the hotel can be focusing on the increasing the profit even in low occupancy.

The second strategy for hotels to continue making revenue is by becoming a quarantine hotel. It helps to bring needed profits for the hotels since the COVID-19 pandemic outbreak (Feuer, & Newburger, 2020).

The study by Khong (2021), also supports that the hotel can still make revenue by taking the opportunity to be part of house for COVID-19 patients or the place functions as a quarantine center for those returning from aboard or offshore. Even though this method looks a little bit risky for the hotel staffs who will be serving the COVID-19 patients, but with proper handling and strictly following the SOPs, the risks can be reduced. The revenue earned for hotels from this initiative may not be sustainable in the long run but at least it is still better than getting no revenue at all (Dewan, 2020).

In Malaysia, more hotels are applying to become a quarantine hotel to keep surviving. Whoever that entering the country was mandatory to pay a full cost to undergo quarantine for 14 days at the quarantine hotel amounting to about US\$ 34.50 which is equal to RM145.97 or rounded off to be RM150 per day for their stay (Teng Wu, and Chang, 2021). It helps the hotel to stabilize its financial back and bounce back after experiencing a great loss during the first outbreak of the COVID-19 pandemic. The finances of the hotels show a great rose because of the revenue obtained from the PUS who undergo quarantine at the hotel which in the end also give benefits to the shareholders and investors (Teng, et. al).

The last strategy that can be used during COVID-19 pandemic is the pricing strategy. In this study, the pricing strategy that being suggested are decreasing the room rate and offer various packages to the guest that are suitable with the current situation. According to CBRE WTW's Real Estate Market Outlook 2021, the overall average room occupancy rate in the Klang Valley decreased from 81% to 30%, while average room rates fell from RM367 to RM213. This was proved that the hotel industry is struggling with the situation. Therefore, the hotel needs to come out with a strategy to decrease the room rate.

In addition, hotels can be implementing a solution to stay in the hotel even in this pandemic outbreak by offering of various packages which suitable with the needs and wants of the guest in this current situation. For example, the work-from-hotel packages and renting out their meeting rooms as office space. The hotels in Klang Valley and Penang had tried to market their hotel room with work from hotel package with lower room rate. Gurney Drive as a five-star hotel in Penang also introduced a co-working space in the hotel for individuals to work (The Strait Times, 2020). According to the marketing and communication manager at one of the hotels in George Town, the work from hotel packages offered not only the cheap room price, but the package is also including lunch or dinner set, a free flow of coffee, tea, free parking, and free high-speed Wi-Fi. This will be a great alternative because certain rooms in the hotel are already designed to accommodate business professionals or work ambiance. With a bit of changes, the rooms can be transformed into a more suitable room to meet the demand of the guest and of course the hotel has a source of revenue (Previndran, 2021). This strategy at least will help to increase the occupancy of the hotel during the COVID-19 pandemic.

## 5.0 CONCLUSION

The COVID-19 first outbreak had given a big impact on the hotel industry whereby hotels have lost revenue at a good value, and it makes the top management worried if the hotel cannot survive in the industry. Thus, this study is conducted to analyze the hotels' strategies to survive during the COVID-19 pandemic. There are three strategies that can be implemented which are cut costs, declared a hotel as a quarantined hotel, and the pricing strategy. The findings of this research prove that the three highlighted strategies mentioned above were relevant, successful, and strategic to be applied to hotels worldwide including hotels in Malaysia. In addition, there are also a lot of recent studies had confirmed the facts and supports those three strategies that had been practiced by other countries. Hence, the strategies that have been discussed may become a big help for the hotels to generate revenue and survive during the COVID-19 pandemic.

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