

# Sustainable Tourism Future

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This project is made possible with funding by the Government of Ontario and through eCampusOntario's support of the Virtual Learning Strategy. To learn more about the Virtual Learning Strategy visit: <https://vls.ecampusontario.ca>.



The content of this course was developed by faculty from the following institutions:



# Tourism

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AN ENVIRONMENTAL SCAN

## Learning Outcomes

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- Understand the impact that the Covid-19 Pandemic has had on tourism.
- Examine parallels to previous crisis and recoveries.
- Analyze current actions being taken to mitigate the impact of the pandemic on the tourism industry

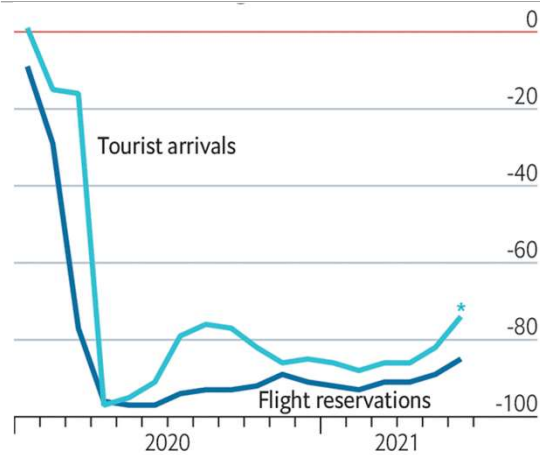
## Pre-Module Reading

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- Orîndaru A, Popescu M-F, Alexoaei AP, Căescu Ș-C, Florescu MS, Orzan A-O. [Tourism in a Post-COVID-19 Era: Sustainable Strategies for Industry's Recovery.](#) *Sustainability*. 2021; 13(12):6781.
- Yeoman, I. S. (2020). [COVID 19 means the future of tourism is a blank piece of paper.](#) *Journal of Tourism Futures*.



## Review: Covid-19 Impact on Tourism



- Decreased demand
- Closed borders
- Sector shutdowns

Three interrelated factors have caused a dramatic decline in international travel: decrease in demand for travel; countries that have closed their borders; and mega events such as Olympic Games in Tokyo, European Football Championships, Formula 1 racing, tours by famous popstars and the Eurovision Song Contest that have been cancelled. The steep drop in international travel put airline companies and accommodations under severe pressure. At tourism destinations it is not only tourist accommodations that suffer from the absence of tourists, it applies to business that are indirectly dependent on tourism as well, such as restaurants, museums, theatres, including suppliers of these businesses. The COVID-19 crisis shows the vulnerability of a system in which all its components are interconnected, interwoven and interdependent. In fact, the entire system of travel and tourism has come squeaky and creaky to a stop.



The World Travel & Tourism Council's annual Economic Impact Report (EIR) today reveals the full devastating impact of COVID-19 had on the global Travel & Tourism sector last year, which suffered a massive loss of almost US\$4.5 trillion.

The annual EIR from the World Travel & Tourism Council (WTTC), which represents the global Travel & Tourism private sector, shows the sector's contribution to GDP dropped a staggering 49.1%, this compared to the overall global economy which dropped by just 3.7% last year. Vast losses run up during 2020, paint the first full picture of a sector struggling to survive in the face of crippling travel restrictions and quarantines, which continue to threaten the recovery of the world economy. Altogether, the sector's contribution to global GDP plummeted to US\$4.7 trillion in 2020 (5.5% of the global economy), from nearly US\$9.2 trillion the previous year (10.4%).

In 2019, when global Travel & Tourism was thriving and generating one in four of all new jobs around the world, the sector contributed 10.6% (334 million) jobs globally. However last year, as the pandemic ripped through the heart of Travel & Tourism, nearly 62 million jobs were lost, representing a drop of 18.5%, leaving just 272 million employed across the industry globally. These jobs losses were felt across the entire ecosystem of Travel & Tourism, with SMEs, which make up 80% of all businesses in the sector, particularly affected. Furthermore, as one of the world's most diverse sectors, the impact on women, youth and

minorities was significant.

<https://wtcc.org/News-Article/Global-TandT-sector-suffered-a-loss-of-almost-US4-trillion-in-2020>





## Previous Tourism Crisis

Photo by Southwest Airlines from [aviationweek.com](http://aviationweek.com)

**The tourism sector has historically been more exposed to strategic shocks than other sectors, and COVID-19 has been no exception<sup>1</sup>**

Market crash, percentage change

9/11 attacks

2008 global financial crisis

2019–2020 COVID-19 pandemic



<sup>1</sup> Sectors are defined as a proxy considering the three largest companies by market capitalization globally, and delta change has been averaged for each sector.

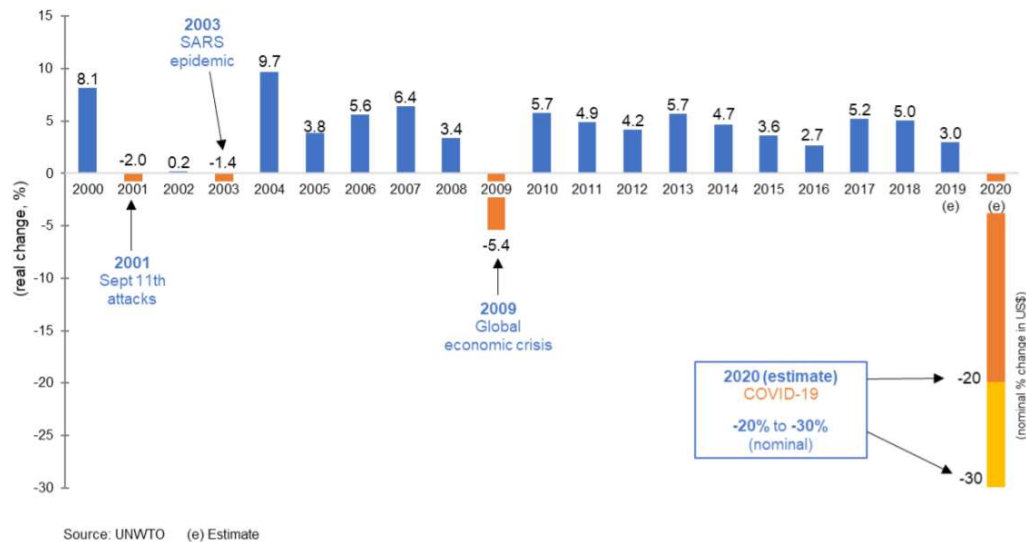
<sup>2</sup> Average of the decline of S&P 500 Airline Index and BAIRD/STR Hotel Stock Index since the start of the COVID-19 crisis

Sources: Yahoo Finance, Dow Jones Index, Market Watch; Kearney analysis

While most sectors have had their share of the shockwave, tourism has taken the brunt of the economic impact so far. For an industry that depends solely on human mobility, and given the pervasive spread of the virus, it's no surprise that lockdowns and social distancing restrictions have taken an immediate and heavy toll. Being largely discretionary in nature, tourism is also more volatile than many other sectors, and has historically suffered more from strategic shocks such as the 2008 financial crisis.

<https://www.kearney.com/covid-19/article/?/a/life-after-lockdown-tourism-in-a-post-pandemic-world>

## 2020 forecast - international tourism receipts, world (real change, %)



Tourism seems to be particularly susceptible to negative events and, since there is always a crisis somewhere in the world, the industry appears to be under an almost permanent threat with the certainty of yet another crisis already looming somewhere. McKercher & Hui (2004: 101) point out that crises are inevitable, 'episodic events that disrupt the tourism and hospitality industry on a regular basis' and Coles (2004: 178) adds 'when not in crisis, destinations are in an extended program of practically pre-event limbo, almost waiting for the important trigger event to take place.

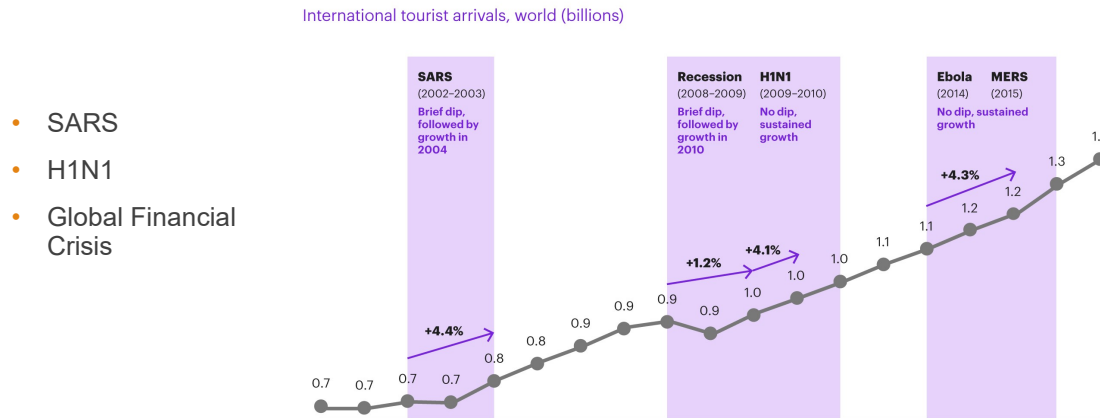
The enormous growth tourism has experienced in the past 50 years, also as a consequence of technological advancements in transportations, which brought the world's many destinations, no matter how far, within reach, has resulted in a much stronger interconnectedness and complexity within the tourism system and made the industry in many regions around the world an important factor in their socio-economic development. With tourism now being 'big business' based on more than one billion international tourists any crisis will have a much stronger negative impact compared to the past and will affect a much larger part of the population. Moreover, the negative consequences of crises for the tourism and hospitality industry are often felt in destinations far away from where they have taken place. In the context of SARS Hall et al. (2004: 2), for instance, argue that it 'was not only spread internationally through modern aviation services but also resulted in a number of countries issuing travel warnings regarding travel to some destinations in East-Asia and

health security measures at their own borders.’ (Pforr, 2006)



Previous Tourism Recovery

# Previous Tourism Crisis & Recovery (Graph 1)



## SARs – Severe Acute Respiratory Syndrome

SARs swept around the world from 2002 to 2004, costing an estimate of \$54 Billion for the global economy. Despite being one of the most significantly impacted industries, the travel market rebounded to levels similar pre SARs outbreak just 3 months after the crisis peak.

## SARs epidemic

There's no doubt about it, the global tourism industry has seen its fair share of tough times. But history and subsequent research continues to show us how resilient the tourism industry truly is. In fact, in most cases tourism has bounced back and even improved following significant economic adversity.

## 2009 H1N1 Pandemic (Swine Flu)

You'll probably remember the H1N1 pandemic that swept around the world in 2009 and 2010. This influenza strain, sometimes referred to as Swine Flu, caused just over 200,000 fatalities worldwide and it is estimated that economic losses ranged between 0.5% and 1.5% of GDP in affected countries.

Economists expected tourism to be hit hard by the H1N1 Pandemic, but subsequent research has revealed that the ever resilient tourism industry was not impacted as hard initially anticipated, with an estimated 8.5% fall in international travel and a 6% fall in domestic

travel. Many experts also believe the economic impact was greatly reduced due to the improved level of preparedness compared to past pandemics.

#### Global Financial Crisis Tourism

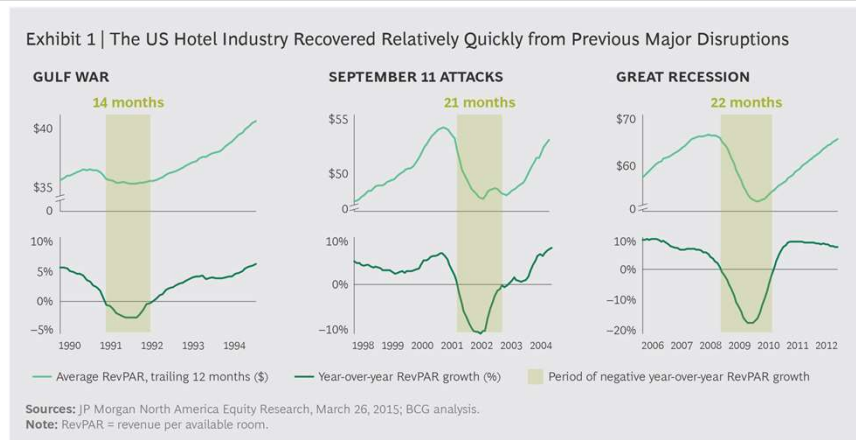
The industry shake-up resulted in major hotel chains and airlines being forced to restructure and consolidate. This resulted in a surge of growth in both of these major industries in the years following the Global Financial Crisis (GFC) with higher margins and consumer demand to match.

Research conducted throughout the 10 years following the GFC shows that the new airlines, hotel chains, and online booking accessibility that emerged as a result of the recession has massively impacted outbound travel in emerging markets. Prior to the GFC, China, India and Latin America made up just 21% of outbound travellers; as of 2016, data from the World Bank shows that they now make up 41% of outbound travellers. Researchers now believe that, thanks to the GFC, travel is a much more accessible and desired activity for people across the globe.

The tourism industry disruption and emergence of a more frugal traveller demographic also paved the way for the online travel industry fragmentation. Expedia and Booking.com continued to grow in the wake of the recession and online booking sites such as AirBnB were launched. While these emerging technologies took some business away from tour operators, the positive impacts they had on tour operators far outweighed the negative. Travel was thrust into the limelight and was suddenly desired by a broader spread of consumers across a wider array of socio-economic backgrounds.

Source: <https://www.tourwriter.com/travel-software-blog/covid-19-pt1/>

## Previous Tourism Crisis & Recovery (Graph 2)



The road to recovery will not be simple, and the current unfolding of events does not seem encouraging (for example, major airlines going bankrupt, small tourism businesses closing, and discretionary spending decreasing). The industry might need to witness some structural changes in the short and medium terms (for example, renationalization of airlines, incentives to promote travel and tourism, price hikes to recuperate losses) as it moves toward the longer-term stage where demand for travel and tourism may return to normal.

One major influence is the projected growth of a global middle class. According to the European Commission, this is expected to be in the region of 5.3 billion people by 2030, when middle class spending will have jumped to \$64 trillion, compared with \$37 trillion in 2017, accounting for a third of GDP growth.

Given the tourism sector's characteristic vitality, it is integral to the economic health of all regions (see figure 6). Today, it contributes more than 10 percent of the world's GDP (\$8.8 trillion in 2018) and accounts for one in 10 jobs (319 million). It has outpaced the global economy in terms of growth and proved resilient in the face of previous economic shocks (see figures 7 and 8). This experience shows us that although the short-term impact of COVID-19 is not to be underestimated, recovery once the crisis is over is almost certain. <https://www.kearney.com/covid-19/article/?/a/life-after-lockdown-tourism-in-a-post-pandemic-world>





## Post-Pandemic Tourism Recovery

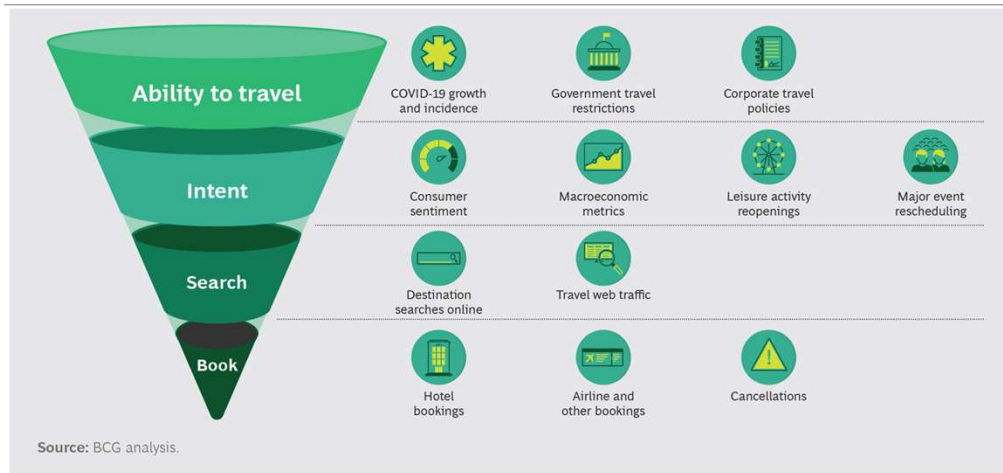
## Post-COVID-19 Tourism

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“Those who do not plan for the future will find trouble within sight” (Wang, 2008)

Leading tourism industry consultants like Mckinsey and Boston Consulting are advising their clients to “prepare to win with local, domestic travelers among shifting demand pools.”

## Post-COVID 19 Tourism (continued)



### THE MARKET INDICATORS

To understand how the consumer has been impacted by the pandemic it is important to recalibrate demand indicators. This will allow stakeholders at a destination an understanding of how, when, and where tourist demand will resume. Destinations will not have the benefit of receiving a global “all clear” signal. Instead, they must gather and analyze granular information from an array of sources—including travel data, epidemiological information, and updates on consumer behavior—to gain insight into how demand will resume. Destinations will have to break down this information by demographic segment, brand, geographic market, and individual property.

These demand indicators span the entire customer journey, starting with guests’ ability to travel and proceeding through their intent, search, and booking behavior. This kind of market data will prove invaluable in enabling destinations to track nascent demand. With uncertainty over a coronavirus resurgence, this capability will be more important for monitoring and reacting in real time.

<https://www.bcg.com/publications/2020/understanding-consumer-behavior-in-hotel-industry-post-covid-19>

## Discussion Question #1

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- Has the tourism industry, maybe blinded by economic benefits, become too much dependent on international travel?
- Does aviation as we know it still fit into a sustainable future of tourism?

## Discussion Question #2

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- Will the system return to its balance as soon as the COVID-19 virus has been quelled, or will the crisis appear to have been a disruptive force and a game changer that extorts a new balance?

## Discussion Question #3

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- Has international tourism become so massive (as indicated by annoyance of residents in overcrowded destinations) that resilience of the system has decreased and vulnerability for external disruptive forces has increased?

Use this question to generate discussion and dialogue amongst the students. Encourage the students to use examples from their pre-class readings, as well as their own personal observations, as they formulate their responses.

# Learning Activity #1

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## **SCENARIO: BUSINESS AS USUAL**

As soon as the crisis ends, the tourist lapses into his old behavior. The demand for travel has accumulated into a reservoir that now suddenly "empties". Businesses smell their opportunities, fully respond to the reborn demand and flourish like never before. Because the recovery period has ended, the focus is again on further economic growth. Many companies are taken over by large international chains (conglomeration), but there is also room for new niches. Both travelers and businesses feel unrestrained in their behavior. All this causes an overstrained visitor economy, heavier ecological pressure and negative social impacts. Both the positive and the negative consequences of traveling continue unabated. The mutual distrust of, and fear between, countries within the EU and beyond has sharpened relations. This has led to the reintroduction of border controls in the EU and stricter border controls outside the EU.

Read this scenario. In a group discuss whether you think this is a plausible or likely scenario. Please be ready to explain your response.

## Learning Activity #2

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### **SCENARIO: RESPONSIBLE TOURISM – VISITOR ECONOMY TRANSFORMED**

However short, the recession has opened the eyes of the tourist. Realization has grown that globalization and the international travel that is annexed to it has largely contributed to the spread of COVID-19 and to the recession. The holidaymaker has become more aware of the consequences of his travels and is taking more conscious and responsible choices based on transcending values. There is a need for a purposeful products and services. Consumers are choosing purposeful and destinations close by, dampening the unrestrained growth of pre- crisis international tourism. To make safe and responsible choices, he relies on reliable (scientific) information. The traveler has no problem with the fact that this information has been obtained through careful monitoring of his behavior, among other things, knowing that this benefits the traveler, the community and the destination.

Read this scenario. In a group discuss whether you think this is a plausible or likely scenario. Please be ready to explain your response.



## Key Takeaways

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- The Covid-19 pandemic has caused an unprecedented disruption to tourism
- How tourism looks as the pandemic subsides is greatly unknown
- There is an immediate, historic opportunity to build a more sustainable tourism that benefits the many instead of the few

