COVID-19: A STRATEGIC APPROACH TO ADDRESS GLOBAL AND REGIONAL TOURISM MANAGEMENT CHALLENGES

OVERVIEW

The Covid-19 virus has evolved from its first detection in December 2019, to one of the most acute, recent threats to the global travel and tourism industry. Within a matter of weeks, reports of the virus have shifted from initial news stories on the travel impact, to the cancellation of the world's premier consumer and trade event, ITB in Berlin – a first since its founding in 1966.

This unprecedented challenge has been fuelled by a lack of understanding of how the disease is transmitted and the relatively long and symptom-free incubation period with the great majority unknowingly passing along the disease. The World Health Organization (WHO) regards this as a global health emergency and have raised their level of risk assessment to the highest possible level globally, but this is coupled with a resultant 'infodemic' of often unreliable information spread via social media and by mixed messaging by governments and the private sector.

> *"The coronavirus could cost the global economy more than $USD1 trillion in lost output and knock 1.5% in global growth in 2020."*
>
> Source: Oxford Economics

TRAVEL TRADE REACTS (OR DOESN'T)

The response from the travel trade at both a public – Destination Management Organization (DMO) – and private sector level has been inevitably disjointed.

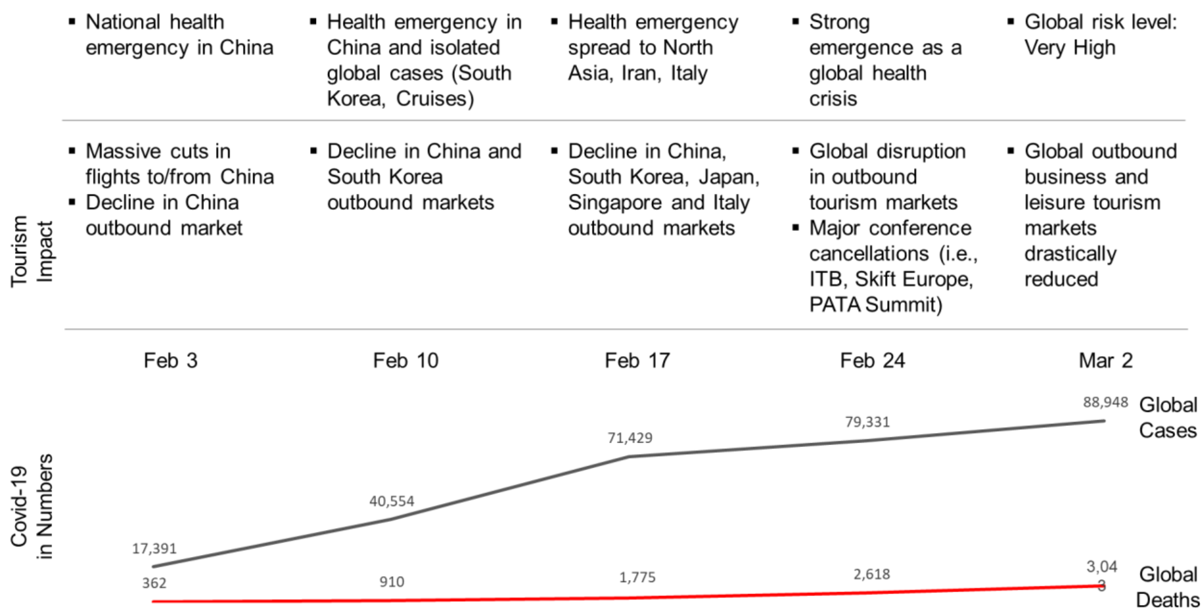
While businesses and some DMOs have felt the need to provide market reassurance and positivity, most government decisions and messaging are driven from a public health standpoint and err on the side of caution, actively reporting on mainstream and social media. This means that placatory messages downplaying risk are being released in parallel with messages of caution and restriction – and these often end up simultaneously published in media.

While many destinations and business players are focusing on market reassurance and releasing positive destination and product content, hoping to shift to a recovery footing as soon as possible, **the emerging reality is a high likelihood that this crisis will have far reaching negative impacts on the sector in 2020 and beyond**.

With destinations and the tourism industry facing their own individual challenges dealing with control and management of the crisis, there are also major regional and global challenges at hand with impact on air access, human resources, airport management, and immigration processing.

To fully address this crisis, destination managers will need to move beyond damage control and market reassurance and begin to shift to effective crisis management and then recovery strategies – designed to guide them through focussed proactive management of the crisis, immediate action to protect and sustain their destinations and operators and be fully prepared to enter into recovery and return to growth.

EVOLUTION OF COVID-19 ON TOURISM



UNDERSTANDING THE BROAD THREAT ASSESSMENT

The rapid spread of the Covid-19 virus combined with the 24-7 media cycle and unpredictable social media cycles has led to an unprecedented risk to the global travel and tourism industry that is fast becoming a sustained reality. While accurate data-driven risk assessments are needed by destinations and operators, there remain some acute observations based on Twenty31's latest **qualitative research** conducted with high-value travel consumers in the UK and Germany (February 28 and March 3, 2020):

Factors driving fear of travel

- Fear of flying, visiting public sites and risk of quarantine in a foreign country most commonly cited
- Fear compounded by perception of cancellation or bankruptcy of airlines or tour operators and being stranded in a foreign country

Closures and cancelations impact planning

- Travelers are still mostly in wait-and-see mode except for in established hotspots
- Reduction and closure of air routes by airlines (occurring in China, other parts of Asia and Europe) and options for leisure and business travel
- Closure of tourism sites, attractions and businesses due to lack of tourists/staff availability (happening in multiple locations including the Louvre Museum and Disneyland Parks in Asia)
- Disruption and cancellations of conferences and meetings even in unaffected countries and regions

Uncertainty and ethics leading to postponement

- Ambiguous information on whether travel insurance will protect passengers impacts travel planning
- Concern over ethical implications of travel while unknowingly being a possible disease transmitter

MAKING SENSE OF THE POTENTIAL TRAVEL AND TOURISM IMPACT ON DESTINATIONS

Challenges

- Acute threat to major North Asian outbound source markets (i.e., China, Japan and South Korea) during the peak summer season (currently representing 27% of overseas visitors to Canada from main focus markets)
- Significant disruption on global travel patterns and unpredictable/last-minute travel behaviours and booking patterns

Opportunities

- Potential for substitution travel to/within domestic destinations perceived to be able to better manage the challenge
- Reprofile marketing to some more resilient source markets and target audiences

Tourism Recovery Funds

Select Destinations

- **Government of New Zealand**: $USD 10 million funding package for Tourism New Zealand
- **Government of Queensland, Australia**: $USD 27.25 million Industry Recovery Package
- **Government of Indonesia**: Major economic stimulous package including $USD 21 million for marketing
- **Singapore Tourism Board**: Waiver of licence fees for hotels, travel agents and tourist guides

TAKING STOCK: RECOMMENDED STRATEGIES FOR DMOS

Short-term: Leadership and Planning – immediate until evidence of containment

- Focus on effective crisis management and tourism leadership including response and messaging coordination across all levels of government and industry
- Plan and then undertake primary market and industry research to inform recovery planning
- Develop a recovery marketing plan focusing on short term domestic and regional market campaigns
- Engage government to earmark funds to support immediate and sustained recovery and provide co-op platforms for industry partners

Medium Term: Recovery Implementation – when containment is declared

- Execute recovery marketing and communications plan to source markets and target audiences most likely to respond to offers (i.e., identified via the research)

Long Term: Strategy Reassessment and Innovation – post crisis and a path to 'normal'

- Stress test areas of corporate and destination strategy vulnerability (i.e., over-reliance on some source markets (especially China), diversification of markets and target audiences)
- Engage in market research to determine long term pivot opportunities including possible new focus on higher-value consumer segments; development and promotion of Tier 2 and 3 attractions and destinations; shift to shoulder and off-peak season; effective balance between destination development versus visitor and community management
- Reprofile and reposition destination brand and strategy

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