Market Prospects for ALVA Members when the pandemic abates

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March 2020
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1 Introduction

This report has been prepared by Scattered Clouds to provide ALVA members with an initial assessment of market prospects once the current coronavirus pandemic starts to abate.

Section 2 will act as a scene setter, describing the relative importance of different forms of tourism within the UK, reflecting on seasonality and geographic distribution.

Section 3 will describe the different types of crises that have beset tourism in recent decades, with much of the focus on the impacts within the UK, but additionally looking at other destinations where reliable data exists to facilitate meaningful analysis. Where feasible consideration will be given to which markets reacted most adversely and which recovered most swiftly.

So often we are urged to learn the lessons of history, and by and large this is good advice, but Section 4 will assess whether in the case of COVID-19 anything that modern-day tourism has had to confront acts as a reliable comparator.

Section 5 will touch on some of the risks and opportunities that the current situation has created, both in the immediate future and looking slightly further ahead into 2021. While the scales are firmly weighed in favour of risks at present, in time a sector that brims over with creativity will find ways of overcoming adversity.

There has never been a time when the unknowns outnumber the knowns by such a hefty margin, but Section 6 will attempt to assess which markets perhaps offer the best prospect for a return to normality and which may be supressed for longer.

To say that forward-looking market assessments have a “health warning” attached to them feels somewhat inappropriate in the current climate - but accepting that sentiment is vital. The situation continues to evolve rapidly, and future events may unfold in ways that will necessitate revisiting the initial judgements set out in this report.
2 A reminder of the “normal” UK tourism landscape

Now is not normal, but it is vitally important to set the scene in terms of the UK’s typical tourism market. Figure 2.1 details the volume of domestic tourism day visits, domestic overnight trips and inbound visits during 2018 (the last full year for which all three series are available) and the respective share of each. It is clear that “tourism day visits” account for the lion’s share of “trips” and that there are roughly three times as many overnight domestic trips as there are inbound visits.

Figure 2.1

Tourism day trips are perhaps the unsung hero of tourism in the UK, rarely receiving as much attention as the perhaps more glamourous overnight trips, but if we focus our attention on tourism spending rather than just the volume of tourism do we find a different outcome?

Figure 2.2 indicates that the answer to this question is that a significant realignment has taken place but despite this domestic tourism day visits still represent 57% of overall spending while domestic overnight trips have increased their share from 6% to 22% and inbound tourism’s share has risen from 2% of all trips to 21% of all spending.

The simple message from these two charts is that for many tourism businesses, though certainly not all types of course, recovery will depend on what happens to the day-trip market later in the year.

Tourism, in its different forms, is not evenly spread across the country.

Figure 2.3 looks at the distribution of inbound, domestic overnight and domestic tourism day visits for Scotland, Wales and regions of England.
Nearly half (46%) of inbound tourism visits are accounted for by London, whereas London’s share of domestic tourism day visits is lower at 19% and its share of domestic overnight trips lower still at 10%.
By contrast South West England has a 16% share of overnight domestic tourism trips, but its share of the day visit market is 9% and that of inbound tourism visits 6%.

Figure 2.4 again looks at the regional distribution, but this time based on spending.

Figure 2.4

![Regional spread of tourism spending](chart.png)

London’s share of inbound tourism spending is even more marked at 55% as is the South West’s share of domestic overnight spending at 18%.

The upshot is that if domestic tourism recovers more quickly than does inbound tourism areas outside of London will recover more quickly than will the capital.

The time of year at which impacts are most acutely felt, and the time of year at which recovery begins will each play a role in determining the overall scale of loss suffered by the visitor economy.

Figure 2.5 looks at the monthly distribution of domestic tourism day trips, overnight domestic trips and inbound visits. It is apparent that domestic tourism day visits are a little less seasonal than other forms of tourism, and that it is overnight domestic tourism that sees the highest concentration of trips during summer months, with 23% of all such trips taking place during July and August.

All the data presented thus far has made no distinction in terms of the purpose of trip being undertaken.

Starting with tourism day visits, Figure 2.6 shows the volume of trips both by month and the main reason for the trip taking place. Across the year “Visited friends or family for leisure” is a major trip generator, as is “Went out for a meal”.

Some of the activities are more central to ALVA members, for example “Went to a visitor attraction” which is shaded dark green on the chart. We can observe that while this activity takes place throughout the year there is a peak during the summer months.

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Turning to overnight domestic tourism Figure 2.7 tells us that the year-round mainstay of “Holiday” trips are those that last for 1-3 nights, while trips lasting 4 nights or more start to accelerate from April, peak in August, and then diminish sharply in number.
August is also the peak month for inbound Holiday visits (Figure 2.8) while trips to visit friends or relatives and for business reasons are more evenly spread across the year.
Another piece of the jigsaw worth reinforcing is the relative importance of inbound visitors from different parts of the world.

Figure 2.9 reminds us that while many a tourism headline features trends in visits from China, for the time being at least the bulk of international visitors to the UK are Europeans.

That said, it is important to acknowledge that long-haul visitors tend to stay for longer and spend more while in the UK, and a glance at the top ten most valuable inbound markets for Holiday trips in 2018 does reveal that the USA is, by a factor of two, the most valuable market, and that Australia, Canada and China also feature highly.
3  Impact of past crises – home and abroad

Figure 3.1 shows the global trend for international tourist arrivals over the course of the past forty years. During that time there have been countless crises but as can be seen there have been just three occasions when the overall tally declined, and a further two years when zero growth was recorded.

That’s perhaps why so often the phrase “tourism is very resilient” gets rolled out, but it should be recognised that when simply looking at the global figures we are capturing aggregate demand trends, and individual destinations may not follow quite the same trajectory.

Figure 3.1

![Worldwide international tourist arrivals (m)](chart)

Figure 3.2 presents trends in international tourist arrivals just in Europe and there are marked similarities with the global picture, which is unsurprising considering that Europe accounted for roughly half of the world total in 2019. Nonetheless, there are some subtle differences with declines in 1981, 1991 and 2009 being steeper than was seen at a global level.

If we drill down yet further and look at trends in the number of international visits to the UK since 1980 we see the same pattern emerging in Figure 3.3, namely that there is an unmistakable upward trend over the longer term, but that yearly variations are far more discernible.

Years during which the UK experienced a reduction in the number of international visitors since the start of the 1980s are; 1981 -8%, 1986 -4%, 1991 -5%, 1999 -1%, 2000 -1%, 2001 -9%, 2008 -3%, 2009 -6% and 2018 -5%.

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Figure 3.2

International tourist arrivals in Europe (m)

Source: UNWTO

Figure 3.3

Inbound visits to the UK (m)

Source: ONS, International Passenger Survey
Rarely can the change in the volume (or value) of tourism from one year to the next be entirely accounted for by a crisis. Decisions to take a trip are influenced by a bewildering array of factors from exchange rates to flight availability, from disposable income to destination awareness and much more besides.

Yet if we look at the years in which the volume of inbound tourism to the UK contracted, we start to get a feel for categories of external shocks that can negatively impact performance.

One such category is a global economic downturn, and in the case of 1981 and 2008 to 2009, this proved to be a major driver of falling visitor numbers.

Unpicking the decline in 1986 is quite complex as for one thing the cost of sterling for visitors from the USA increased by more than 12%, but that year also witnessed the Chernobyl nuclear disaster and the US bombing of Libya – neither of which was a great advertisement for the benefits of international travel.

Five years later in 1991 brought what is now referred to as the “first Gulf War” following the Iraqi invasion of Kuwait in August 1990.

The modest declines around the turn of the century reflect a softening in global demand following the Asian financial crisis, but this lacklustre performance was dealt a savage blow by two very different crises during 2001. During the first half of the year Foot and Mouth Disease was having a devastating impact on the UK’s agricultural sector, but it soon became apparent just how much many local economies rely on tourism too as footpaths and attractions were closed to the public.

Then as the epidemic was starting to slow came the attacks in the US on 11 September leading to stringent new security screening procedures at airports and a realisation that terrorism had taken on a dark new aspect.

The most recent year seeing a reduced number of international visitors travelling to the UK is 2018 and that’s perhaps the trickiest to attribute a clear explanation for. Some have cited Brexit as a reason, but with the referendum having been in June 2016 this is perhaps not fully justified, and indeed sterling remained more affordable than it had been for some time. It could be that this was just a natural pause in growth following a sustained period of above trend increases since 2013.

Broadly speaking we can think of crises that can impact tourism demand as falling into one of the following categories:

- Economic slowdown
- War or civil disorder
- Terrorism
- Natural disasters
- Health scares

The remainder of this section will look at UK or international examples of each category to examine what we can observe in terms of the scale of impact and the speed with which recovery emerged.

**Economic slowdown**

No two years are entirely alike when it comes to economic growth, and as economic activity determines levels of employment, income and confidence, tourism is inexorably linked with economic health.
There are times though when rather than a gentle speeding up or slowing down in the growth rate, economies experience a sharp change of direction.

Until the present year the most recent such occasion was the global financial crisis of 2008-09. Developed economies around the world saw a recession (two successive quarters of contracting output), governments had to step in to keep the banking sector functioning and unemployment rose from around 5% to nearly 8% in the UK while interest rates fell to historic lows.

We saw earlier that inbound tourism to the UK fell almost 10% across the two year period, but Figure 3.4 focusses on domestic overnight tourism by broad trip purpose in Great Britain and reveals that in 2009 the overall volume of “Pure Holiday Trips” jumped by 17%.

This was when the word “staycation” became a part of everyday conversation and demonstrates just how complex trying to model tourism volumes can be. It wasn’t that people were unconscious of the economic slowdown, it was that one of the key impacts had been a dramatic fall in the value of sterling.

This meant that those who had been used to getting at least €1.40 to the pound were suddenly discovering at €1.10 or less Europe had become markedly more expensive.

Research undertaken by VisitEngland at the time indicated that Brits place enormous value in their holidays and are very keen not to forego going away. But they are willing to adjust their choices to take account of new situations. Such adjustments could be going on holiday for four nights instead of seven, choosing a cheaper form of accommodation, or indeed choosing to holiday domestically rather than internationally.

The number of outbound trips made by UK residents in 2009 was down by more than 10 million compared with 2008; remarkably similar to the increase in domestic holiday trips that year.

Figure 3.4
Consumers’ ability to engage in substitution in their choice of destination as a way of responding to a crisis is evident from the above analysis, and this concept will be referenced later in Section 6.

War or civil disorder

These types of crisis cover a significant spectrum ranging from short-term protests and disturbances through to fully-fledged armed conflicts.

Sadly, there are numerous examples at the extreme end of this spectrum, many of which remain unresolved today such as conflicts in Syria, Yemen or Afghanistan.

Conflicts that come to mind over the past thirty years that can now be considered as having ended include those in the Balkans during the early 1990s, the Rwandan genocide of 1994 and civil war in Sri Lanka.

Limited long-term time-series data exists but we can look at UNWTO compiled data for the past decade to assess whether destinations’ tourism industries can recover from serious armed conflicts.

Table 3.1 presents the number of international tourist arrivals in 2009 and the most recent calendar year for which figures are available in selected countries. The lesson is clear – tourism can bounce back in destinations which have endured armed conflict.

Table 3.1 – International tourist arrivals (millions)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>Most recent</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosnia and Herzegovina</td>
<td>0.3</td>
<td>1.1</td>
<td>267%</td>
</tr>
<tr>
<td>Croatia</td>
<td>8.7</td>
<td>16.6</td>
<td>91%</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>0.3</td>
<td>0.7</td>
<td>133%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>0.5</td>
<td>0.9</td>
<td>80%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>0.4</td>
<td>1.9</td>
<td>379%</td>
</tr>
</tbody>
</table>

The growth rate for Sri Lanka looks impressive but were we to be comparing 2018 rather than 2019 with 2009 it would be significantly higher still – the island having suffered the terrorist bombings at Easter of last year.

The most contemporary case study for civil unrest closer to home are the riots that took place in parts of England, and especially London, in early August 2011.

Figures on inbound visits to London are only available on a quarterly basis, with the riots taking place midway through Quarter 3. We should note though that in peak summer many international holidays to London would have been booked well in advance, and even if some felt a little uneasy about visiting cancellation may not have been a viable option.

International Passenger Survey data tells us that in the first two quarters of 2011 inbound Holiday visits to London grew at annual rates of 6% and 14% respectively. Then in the period July to September growth slowed to 5%, but by October to December an 8% decline was recorded, suggesting that the riots may have dissuaded some visitors from booking a trip.

The second half of 2012 is clearly impacted by the Olympic and Paralympic Games, but it is insightful to note that during the first two quarters of the year the capital saw inbound visitor numbers increase at annual rates of 7% and 2% respectively, suggesting that any impact from civil disorder had been strictly time-limited.

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What about domestic overnight trips to London?

The full year picture according to GBTS data is that during 2011 there were 5% fewer overnight domestic Holiday trips in London than had been the case the year before.

However, while we need to be decidedly cautious regarding small sample sizes, by far the worst month of the year was August itself with a drop of 28%. The situation on the streets had returned to normal by September but there were 14% fewer domestic overnight Holiday trips that month in comparison to September of 2010.

Clearly then visitors were not choosing London at the peak of the disorder nor immediately thereafter, but if we cast our gaze to the final three months of the year we discover that London welcomed 2% more domestic overnight Holiday trips than in the final three months of the year before, suggesting that recovery was swift.

**Terrorism**

Terrorism takes many different forms and has cast a shadow over many destinations in recent decades. It is rare that tourists themselves are a direct target, but nonetheless performance of a destination can be negatively impacted.

There have been occasions when tourists are specifically attacked, the Luxor massacre of 1997 saw 62 people killed including numerous tourists from nations including Switzerland, Japan and the UK.

More recently during 2015 the Bardo National Museum in Tunisia was attacked resulting in the loss of 22 lives, followed in June of that year by attacks close to the resort of Sousse which saw 38 people die including 30 Britons.

Here we can examine trends in outbound Holiday visits from the UK to Tunisia over a protracted period of time to assess how impactful such events are, and whether or not Britons are willing to return to a destination that has been at the centre of a high-profile attack.

Figure 3.5 shows the number of visits in each three-month period from the start of 1994 through to Quarter 3 of 2019.

We should remember that not only has Tunisia seen the above-mentioned terrorist attacks in the past decade, but it was also one of the nations to experience the Arab Spring with an uprising towards the end of 2010.

The amount of holiday traffic from Britain to Tunisia during the first half of 2011 was roughly 25% down on the equivalent period of 2010, but this rate of decline eased to just 5% in the second half of 2011 and by the first half of 2012 it was as if nothing had happened, with slightly more holiday trips than prior to the uprising.

The impact of the beach attacks in 2015 is stark, with tour operators ceasing to sell the destination following FCO warnings.

A trickle of visitors from the UK recommenced in 2018 but as can be seen last year witnessed exceptionally strong growth with more Holiday visits in the period July to September 2019 than in any three-month period since the time series begins a quarter of a century ago.
This can in part be put down to consumers having short memories and in part to the fact that if a destination is offering something British holidaymakers desire at a price that they find attractive, they will visit.

Figure 3.5

The most notorious terrorist attack in recent times was of course those of 11 September 2001.

The number of international visits to New York fell by more than one million in 2001 and by a further 600,000 in 2002. However, by 2003 numbers were also being impacted by SARS (see later) resulting in a further decline. A sustained period of tourism recovery for the city began in 2004 and by 2006 record numbers of foreign visitors were travelling to New York.

There have been periodic terrorist attacks in Great Britain since the 1970s, often targeting military personnel or political figures, but also the general public and occasionally tourists, for example an attack on the Tower of London back in 1974 resulted in one death and dozens being seriously injured.

In more recent times there have been several incidents including the Manchester Arena bombing in May 2017 and the London attacks of July 2005.

There are a number of data sources we can utilise to establish the impact of these incidents on tourism performance. Starting with a look at Manchester figures from the VisitEngland Survey of Visits to Visitor Attractions reveals that for those sites reporting data in both 2017 and 2016 there was an overall growth of 8% in 2017.

The estimate for the number of inbound visitors spending at least one night in Manchester for a Holiday in 2017 from the ONS International Passenger Survey is 348,000, an increase of 28% compared with 2016.

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While we should be mindful of small sample sizes it would appear as though there was no prolonged negative impact on the flow of visitors to the city.

Looking at the London attacks in 2005 among the top 50 ALVA attractions that year 19 were in Greater London. Among the London attractions within the top 50 11 saw a decrease in visits during 2005 and 8 an increase, while outside of London the equivalent figures were 17 with a decrease and 14 with an increase.

The arithmetic average percentage change for London attractions within the top fifty was +1% and outside London +2%.

So, from the perspective of visitor attractions there is no strong evidence that those in London fared significantly worse than those outside of the capital.

Unfortunately, the methodology used for capturing information on the volume and value of overnight domestic tourism was changed in May 2005 meaning that we are unable to assess the degree to which this form of tourism was impacted.

We can however rely on the International Passenger Survey to explore whether there was an impact on international holiday visitor numbers.

Figure 3.6 shows the year-on-year change by quarter from the start of 2004 until the end of 2006 and demonstrates clearly that we can attribute the reduction that set in in Q3 of 2005 to the attacks. That said, we can also note that by the first anniversary of the attacks volumes had recovered strongly.

Figure 3.6

Looking at 2005 in its entirety some of the inbound markets to witness the steepest falls in the number of Holiday visits that they generated for London were Taiwan, Malaysia, Singapore and Japan. Turning the page to 2006 all these markets with the exception of Japan saw a strong bounce back.

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Natural disasters

Natural disasters come in a multitude of forms, sometimes having impacts over a widespread geographical area such as the Indian Ocean tsunami or the more recent bushfires in Australia, but sometimes with only isolated impacts such as the Boscastle floods of 2004, but for those directly affected the consequences are no less devastating.

This is an instance where the tourism impact is determined as much by disruption to the supply of tourism products and services within a locality as it is the demand for those products and services.

It’s abundantly clear that the Boxing Day tsunami has not resulted in humankind being unwilling to spend time on a beach. There’s always the possibility of an earthquake striking in California but that doesn’t stop millions of international visitors booking a trip each year.

In April 2010 eruptions of the Eyjafjallajökull volcano in Iceland brought a halt to commercial air travel across most of Europe for around six days.

During that month the volume of inbound visits to the UK was 11% lower than a year before and the volume of outbound visits 16% down showing that when it’s physically not possible to travel tourism numbers respond immediately.

The UK is not at risk from many of the more dramatic forms of natural disaster such as earthquakes, but while flooding has been a seasonal visitor to these shores for centuries there is a sense that the frequency and severity of flood events has increased in the past decade or two.

This can be river flooding, inundation from coastal waters or groundwater flooding caused by torrential downpours.

Even at a regional level data from the national tourism surveys can be subject to a margin of error due to relatively low sample sizes, and by their very nature flooding events can be very localised in nature, whether it was the Somerset Levels in 2014, Cumbria and Yorkshire in 2015 or in the Midlands and North of England during the past winter.

With the tourism sector being dependent on thousands of small businesses for those subjected to flooding the loss of paying customers, even if this is for a relatively short period, can have very serious consequences.

In February 2014 part of the Dawlish Sea Wall and the mainline railway that it carried collapsed into the sea due to a severe storm. This meant that much of Devon and all of Cornwall was cut off from the rest of the rail network for a period of eight weeks.

Data from the Great Britain Tourism Survey shows that in 2014 the number of domestic overnight “Pure Holiday” trips to South West England was 12% down on that achieved in 2013, with March of 2014 seeing the steepest reduction at 27%.

The better news was that the following year the region saw volumes grow by 13%, restoring demand to where it had been in 2013.

Health scares

Two examples prior to the current COVID-19 pandemic that it is worth reviewing to examine the impact that such events have on tourism are the SARS outbreak, an example that has a resemblance to the
current disease outbreak, and the 2001 Foot and Mouth Disease outbreak, although this of course was a disease of livestock rather than humans.

The SARS outbreak was most virulent in parts of Asia but also Canada, most notably Toronto. Statistics Canada compiles robust data on the number of overseas visitors to the country (note that this series excludes visits from the USA) and Figure 3.7 presents the year-on-year change in monthly arrivals from 1996 through until the end of last year.

We can depict many of the crises this Section has mentioned, including the Asian financial crash of 1997/98, global financial crisis of 2009 as well as the 9/11 attacks in the US.

But the single sharpest year-on-year reduction in overseas visitor arrivals in Canada across the past quarter-century was recorded in May 2003 with 29% fewer visitors than in May of the year before, which in its own right was 13% lower than the May 2001 tally.

It is no coincidence that the SARS outbreak in Canada that had began in March of 2003 was at its peak by May.

Even though the SARS situation in Canada had abated by the end of summer 2003 overseas visitor arrivals continued to see year-on-year declines in every month until February 2004 – suggesting a six month lag between the health risk situation returning largely to normal and tourism starting to regain ground.

Figure 3.7

Encouragingly though we can see sustained growth during 2004 and 2005 with the annual number of visits back to pre 9/11 levels by 2006.

Of course we should note that while a number of countries in Asia as well as Canada had SARS outbreaks, most destinations, unlike the current COVID-19 outbreak, were virus free, meaning that

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visitors who might otherwise have chosen Canada for an international trip had a smorgasbord of other places they could freely choose from.

So, if most countries are perceived to be exiting the current pandemic at roughly the same time it might be that pent-up demand leads to a faster recovery than was seen in the case of Canada and SARS.

However, a more pessimistic scenario might be that hotspots of COVID-19 will continue to flare up in different parts of the world for several more months which might severely depress demand for international travel.

Moving on to the Foot and Mouth Disease outbreak in the UK during 2001.

The first case was confirmed in February with the first mass slaughter taking place before the end of the month. By April it had been decided to delay the general election that had been planned for 3rd May, many public footpaths and open spaces in the countryside were closed off to the general public and many attractions were forced to close.

The last recorded case was found on 30th September and the UK was declared free of the disease in January 2002.

Not all parts of the tourism industry were impacted by FMD during 2001, but many that were suffered significant losses due to domestic and international visitors steering clear of areas where outbreaks had occurred.

Analysis by the then British Tourist Authority to compile the 2001 edition of “Sightseeing in the UK” found that 26% of attractions across the UK had been forced to close at some point during the year due to FMD, with this ranging from 19% of attractions in Scotland to 53% in Northern Ireland.

A more compelling picture is painted by Figure 3.8 which shows the proportion of attractions forced to close broken down by attraction type.

As can be seen virtually all “Farm” attractions had to close for a period of the year when traditionally they would have been open to the public, with severe impacts also on Country Parks and Wildlife Attractions and Zoos.

Figure 3.9 shows what happened to the overall number of visits to different attraction types during 2001 and it is evident that very few types of attraction saw an uptick in numbers. “Farm” attractions were as one might expect by far the worst hit with a 25% annual decline.

The Environment, Food and Rural Affairs Committee First Report into the Foot and Mouth Disease outbreak noted that the government (based on a House of Commons debate in November 2001) estimated that domestic tourism spending in England had seen a £3.3bn reduction due to FMD.

Given the comparatively small number of localities that were entirely off-bounds this estimate helps provide a flavour for the units by which we will in time judge the impact of COVID-19 on tourism spending, it will unquestionably be measured in billions, not millions.

One of the areas badly hit by FMD, both in terms of its agricultural sector but also tourism, was Cumbria. A report based on an independent Public Inquiry into the FMD outbreak in Cumbria noted that tourism revenue overall in the county fell by £260m in 2001, comprising a direct £200m impact on tourism businesses directly and a related £60m impact on the wider economy.
The report wisely noted that while it is possible to quote aggregate or average impacts, this may hide the impact on individual micro businesses that were unable to survive the crisis. It also observed that “economic interlinkages within an integrated rural economy have not been fully recognised amongst policymakers.”
Looking at the performance of inbound tourism during 2001 is of course complicated by the events that took place in the US later in the year, but during the period April to June 2001 the number of inbound Holiday visits was 14% down on the equivalent period of the year before, with just about all inbound markets seeing a fall as news channels around the world aired footage of bonfires of carcasses and soldiers digging mass graves.

The evidence examined in this Section indicates that tourism can definitely recover from different forms of crisis, but that subtle changes in visitor behaviour may not be visible from aggregate statistical series, and as such some of the longer lasting negative impacts on individual businesses or local communities may not be fully recognised.
4 Is the past a reliable guide to the present?

The present has context largely courtesy of the past that has gone before, and, allegedly at least, we learn from our experience to avoid making the same mistake twice.

From Section 3 we can conclude that tourism is no stranger to crises, and that after initial periods of dislocation or fragile consumer confidence we have a strong body of evidence to indicate that visitors will return to places that they had previously been unable to reach or had chosen to shun.

All of this presupposes that, to a greater or lesser extent, all crises have something in common, namely that with some patience, some nifty marketing, some product development and some consumer forgetfulness, their impacts will fade.

But does the first global pandemic in the era of mass tourism, the first occasion during peacetime when most nations have closed their borders and advised or ordered their citizens not to travel abroad, in any way qualify as being akin to the crises discussed in Section 3?

Perhaps only the passing of time will give us the full answer, but, other things being equal, it feels like a safe bet that people will want to enjoy their leisure time, will want to spend time with friends and family, will want to have their senses stirred by being in a new place, will want to escape from the humdrum of everyday life, will want to witness their favourite sports team or musician.

In short, humanity will continue to need what tourism can provide it with.

We should not unquestioningly accept that because of this strong latent appetite for tourism products and services recovery is a foregone conclusion. At least, not in the short-term.

The following sections will set out some of the risks and opportunities, many unique to the current crisis, that will determine the shape of recovery, as well as make an initial assessment as to which markets appear to offer the greatest prospects and which do not.

We do not have a textbook that describes to us how a tourism sector recovers from COVID-19, although perhaps tourism students a decade or so from now will have such a tome. But while it’s not a comprehensive A2Z Guide, we can perhaps think of the observations made in relation to past crises as a scrap of paper detailing some helpful hints and tips to shape our future recovery planning.
5 Risks and opportunities in the short, medium and long-term

All well run organisations have a risk register, but however comprehensive, it is unlikely that any such register had a line akin to the situation being faced today.

No two attractions will find themselves in precisely the same situation over the months ahead and the following observations are, as such, general in nature.

For the purposes of this section short-term is taken to be the next three months, medium-term the remainder of 2020 and long-term to be 2021.

Short-term

What had perhaps been the biggest risk a month ago has now crystalized, with an enforced closure. That means the focus has turned to the need to plan for reopening when there is no certainty regarding the date on which this will be permitted.

Few believe that the three-week review of measures announced on 23rd March will see any form of relaxation announced. Many commentators now expect strict social distancing measures to persist throughout April and probably May.

The central risk for the period until the end of June is that doors and gates will have to remain firmly closed.

Only history will tell us whether the various government schemes rapidly established will accomplish their objectives, and for many tourism businesses a particular challenge in the short-term will be identifying which schemes are best suited to their own situation and being able to access the support in a timely fashion.

A further challenge for many attractions will be the need to retain a core group of staff during the next few weeks or months that are not furloughed as some tasks will still need to be carried out. This in turn means that the business will continue to incur staff costs even though no revenue is being generated from visitors.

Hunting for opportunities in the short-term represents thin pickings, while many sites in the past will have mused on how quickly renovations etc could be conducted were there no visitors, unfortunately nearly all such tasks would be difficult to undertake while observing social distancing requirements, and what’s more would represent a further cost.

Medium-term

Even if the data is suggesting that the curve has indeed been “flattened” by May that will not mean the virus has been eradicated, and with a vaccine not expected until 2021 it is improbable to say the least that life will be allowed to return to normal during the peak summer months.

If the virus is still circulating there will be an ongoing risk for the remainder of the year that (both here and abroad) restrictions on certain types of activities and gatherings will ebb and flow.

At an operational level if by July attractions are permitted to open it may prove necessary to make changes to the way in which visitors explore the site in order to minimise larger numbers congregating in one place.

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This brings with it a challenge for onsite cafes and shops that may typically be crowded during peak periods. As retail and food and beverage revenue streams are very important to many attractions this could prove to be an ongoing logistical and financial challenge.

Another operational consideration is that if staff have been furloughed there may be a need to catch-up on mandatory training once they return to work ahead of being able to open to the public.

Some attractions rely heavily on volunteer staff, many of whom might be retired. There is a risk that this group may be reluctant to mingle with the public if there is still deemed to be a risk of contracting COVID-19.

The next Section discusses market prospects but it is necessary to state here that even if some relaxation of restrictions has taken place by peak summer it is too early to gauge how consumer behaviour might have been changed by the enforced change of lifestyle.

Will everyone be entirely comfortable to enter crowded places? Will there be a subconscious drift to outdoor rather than indoor activity?

A further risk for the second half of 2020 relates to the economic wellbeing of the population. Regardless of the schemes that have been announced to support businesses and individuals it is widely accepted that unemployment is set to increase and that incomes will be supressed.

One small chink of hope might be that although incomes will have been reduced for many, so too might elements of their weekly expenditure due to the lack of opportunities to shop or go out for a drink. The unknown counter to this argument however is that once consumers are again able to engage in everyday activities their spending priorities might have changed.

Overall, the foremost medium-term risk for the second half of 2020 has to be that attractions will have substantially lower footfall than was the case during the equivalent period of 2019.

While it is to be hoped that the schemes established to assist businesses will keep numbers to a minimum, some tourism businesses are likely to close permanently due to the pandemic.

An issue that is already coming to the fore and will only grow as a challenge is what those attractions which operate a membership scheme should do.

Membership schemes are valued by consumers as a way of getting great value for money and by attractions as a way of maintaining a loyal audience and revenue stream.

There is a substantial risk that many sites will be closed for at least three months in 2020 and potentially up to six months. Some more affluent Members may respond favourably and accept that in 2020 they will not be able to enjoy the benefits to which they may be accustomed. However, others may legitimately feel that they are entitled either to a refund or to a period of months being added to their membership year.

This could prove to be an additional financial challenge to certain businesses, with it hitting 2021 cashflow if renewal dates are pushed back several months.

For attractions that offer a private hire facility for conferences the remainder of 2020 would appear problematic, not only may companies be reluctant to commit to dates for events until it is clear all restrictions have been lifted and are unlikely to be reintroduced, but also many forms of discretionary business spending may be halted while balance sheets are rebuilt.
Looking at potential opportunities for the second half of 2020 if restrictions are greatly eased, there is a chance that consumers will be hungry to make up for lost time, to reconnect with the friends and family, to place greater value on all the activities and locations which perhaps in the past they had taken for granted.

It will be important for the tourism sector to closely monitor emerging consumer sentiment once we are closer to seeing a lessening in restrictions.

**Longer-term**

If there is a sudden and unexpected improvement in the containment of the pandemic it is possible that some of the risks and opportunities pigeon-holed here as being relevant to 2021 might have relevance a little sooner.

The risk eluded to above that unemployment will increase while disposable incomes fall will likely influence consumer behaviour for a sustained period of time.

But as we noted when discussing the 2008/09 global financial crisis the impact on tourism might be slightly counterintuitive.

Given the underlying urge among Brits to have short-breaks and holidays we might find that in 2021 there is increased interest in taking domestic trips rather than travelling abroad.

While a risk for carriers and tour operators, a protracted period of unease regarding booking international travel might prove beneficial to domestic tourism businesses, or at least those which are not heavily reliant on inbound visitors.

Even if Brits contemplate a foreign holiday this summer, they may find that not all airlines will have reintroduced their full flying programme and some traditional foreign sun and sand destinations remain off-limits.

Furthermore, it is uncertain when the UK Government will lift its advisories against foreign travel, the flipside of which is that we may find that even after the virus is less prevalent in the UK other foreign governments choose to retain their own advice against foreign travel.

There will be opportunities that flow directly from the pandemic, whether this is the development of branded hand sanitisers as an added retail line or using exhibition spaces to express ideas that have been borne out of self-isolation and social distancing.

Thinking about some of the other risks for 2021 these might well include calendars becoming overcrowded, as postponed events from 2020 compete with those that were always planned for next year – we might go from having no choice to too much choice when it comes to how to spend our leisure time.

The flipside of this is that there may be a surge in demand for wedding venues in 2021 as those which have been postponed in 2020 compete with those always destined to take place next year.

A phenomenon that might emerge later this year is a frenzy of tourist board marketing as destinations rush to try and re-establish their visitor economy. The risk is that the messaging will blend into one, with overuse of phrases such as “We’re Open!”, “Welcome Back!” and so on. This might be the time for innovative marketers to really shine.
Demand for lottery funding may increase as a mechanism to address revenue shortfalls, but it is unlikely that the amount available for distribution will increase – indeed in the more immediate future “work syndicates” may lapse resulting in a reduction in ticket sales.

Turning to public sector funding more generally a further risk is that in the fulness of time the government will need to raise additional revenues through taxation and reduce spending in order to address the amount of debt that it has incurred.

For those attractions reliant on the inbound market who had been optimistic that the promised government review into Air Passenger Duty might see the charges reduced, their optimism may have been misplaced.

A new era of austerity is all but certain.

But will we also face a new era of anxiety as consumers are less willing than they used to be to mingle with people they don't know?
6 Recovery may not be evenly spread across markets

This Section builds on the previous discussion regarding risks and opportunities and assesses whether we can expect all markets to recover at the same pace.

First though we need to look at the macro picture.

The UK, along with most other nations, is set for a significant economic recession. At the start of this year the Bank of England reassured everyone that any downturn would be time-limited, but those utterances were made prior to a realisation that most of the world’s major economies were about to be shut down, with consumers forbidden from engaging in everyday activities and businesses unable to produce or sell their products and services.

Huge fiscal and monetary stimulus packages have been promised to help support businesses and individuals, but recovery will not be akin to a light being switched back on, the highly complex and interconnected global economic machine will take time to recover.

Negative economic growth leads to fewer jobs and/or lower disposable incomes. In turn consumer spending is reduced further hampering recovery. Governments will be figuring out how to deal with what were previously unimaginable levels of debt.

Airlines, or at least those that survive several months with no revenue, will find demand that may be less buoyant than before the crisis for the next year or so. In short, market conditions will be tough.

Tourism, just like any other economic sector, is about supply and demand. At present there is almost no demand and as a result little by way of supply. What is tricky to fathom is how quickly we will return to something approximating the equilibrium that existed back in 2019.

For a host of economic reasons discussed earlier consumers may be reluctant to book travel during the rest of 2020, but equally carriers and tour operators may be equally tentative in terms of how much product they choose to put into the market until there’s clear evidence that it is warranted by the volume of demand.

We can think about markets from several perspectives; trip duration, purpose of trip and where the visitor is usually resident for example.

This gives us a structure to consider which markets may recover more swiftly than others as restrictions on movement are gradually eased.

Trip duration can be a day trip (as we saw earlier this segment constitutes 57% of tourism spending in the UK) a short-break or a lengthier spell away from home.

Trip purposes can include holidays, attending a special event such as a concert or sporting encounter, visiting friends and relatives simply for the pleasure of doing so or to attend a function such as a wedding, or business reasons where there is opportunity to combine work with leisure activities.

Where a visitor is resident can of course range from somewhere a stone’s throw away from the attraction, a different part of the country or abroad.

We can also look at two distinct time horizons which may lead to variances in which markets offer the most encouraging prospects. There will be a period of weeks immediately following restrictions being
eased which may have a complexion different to that which will emerge three to six months after things start to return to normal.

Figure 6.1 acts as an indicative reference table for market prospects straight after restrictions are lifted. Clearly this is judgmental and has not been informed by any primary consumer research. Events may unfold in a way that would lead some markets currently considered as most promising being less so, with the reverse being true for markets currently thought to be the most challenging.

The market considered to offer the greatest potential immediately after an easing of restrictions is that relating to local day-trips.

Instinct would suggest that those sites that have access to large open spaces where there is no need to book in advance will be the first to be sought out by visitors keen to spend time outside, and not be ordered to go home because their journey isn’t essential.

Longer distance day-trips may prove popular too, but attractions benefitting the most from this segment could well be those where the vast majority of visitors arrive by car. There may well be a reluctance to use public transport immediately after an easing of restrictions if there is a widespread belief that the virus is still circulating.

Having been unable to do so for a number of weeks, or more likely months, another segment that could respond swiftly is that relating to short-breaks where the main purpose is to visit friends or relatives.

Whether the public will confine themselves to visits where they stay with their hosts rather than in paid accommodation is uncertain. There may be an opportunity here for tourism businesses to respond with initiatives aimed at those seeking to reconnect with those that they have been forced to be separated from.

The markets falling in the middle of the range from “Most Promising” to “Least Promising” are domestic holidays.

The rationale here is that booking a foreign trip may be deemed to be too risky if other parts of the world are still struggling to contain the virus, plus carriers may not put their full programme back into the market until they feel a greater sense of confidence.

It may also be July before restrictions are being significantly relaxed, and as such many will be keen to have some form of holiday before the autumn sets in.

There is a definite possibility that more rural, less crowded destinations will be preferred to larger conurbation in the early days of recovery.

The domestic markets that may struggle the most initially could well be those that are based around attending a special event, either as a day trip or an overnight stay. The reasoning for this contention is that there may be uncertainty as to whether events will actually take place, but equally a nervousness about attending events that typically involve being among large groups of people.

The illustrative grid divides inbound markets into those from Europe, North America and Asia.

There is little prospect of a rapid return to normal for these source markets, with the long-haul origins set to be less responsive than short-haul once restrictions are eased. Some travel from Europe may resume if air, sea and rail connectivity recommences, but this should be expected to be at levels far lower than normal, at least for the first few weeks after an easing of restrictions.
Figure 6.1

Straight after restrictions are relaxed

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Inbound from Europe</th>
<th>Inbound from North America</th>
<th>Inbound from Asia</th>
<th>Most Promising</th>
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<tbody>
<tr>
<td>Local day-trip</td>
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<tr>
<td>Longer distance day-trip</td>
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<td></td>
<td></td>
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<tr>
<td>Day trip for an event</td>
<td></td>
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<tr>
<td>Short-break for a holiday</td>
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<tr>
<td>Short-break to visit friends or relatives</td>
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<td></td>
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<tr>
<td>Longer holiday (4+ nights)</td>
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<td></td>
<td></td>
<td>Least Promising</td>
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It should also be noted that many events, for example Wimbledon Tennis Championships that were set for dates later in the summer are expected to be cancelled even though restrictions may be being eased by the time they were due to take place. The absence of set piece events will further dampen the initial recovery for inbound markets.

Asian markets are often more tentative than those from North America following any form of crisis and there is little reason to suppose that the situation will be any different in 2020. If planes are flying and, crucially, the US and Canadian governments are not advising their citizens against travel to the UK, those who had made their summer vacation arrangements for a trip before the COVID-19 crisis developed might still travel.

Looking further ahead Figure 6.2 sets out an illustrative guide to market prospects around three to six months after restrictions are eased, so at the time of writing this is likely to be, at the earliest, autumn.

Domestic markets should provide a great deal more promise by this stage, especially if international travel is still somewhat problematic. If there has been no “second wave” of the virus then it could be anticipated that consumers will gradually be becoming more relaxed about being in crowded spaces, and that event organisers will have greater confidence in setting dates for postponed activities.

Europe will probably be a more lucrative opportunity than long-haul markets, especially as we will by that time of the year have passed the main peak summer period for long-haul inbound holiday visits. Even by the autumn it remains doubtful that many international visitors will be booking travel primarily to attend a special event.

Some markets that could face more headwinds than others during the remainder of 2020 include group travel, especially school groups, coach holidays and the cruise sector. While not many attractions will welcome those making shore excursions from a cruise ship any that do can likely expect this market to be largely non-existent for the remainder of this year.

As noted earlier many a prospective bride and groom will be rearranging their postponed ceremony meaning that this could well prove to be a promising niche opportunity for attractions later in the year and into 2021.

Another more niche opportunity may be the market for inter-generational travel. This has grown in popularity in recent years but with grandchildren having been denied access to their grandparents for a
protracted period of time it is easy to imagine that the idea of a short-break to help re-establish family bonds will prove popular once it is deemed safe.

Figure 6.2

**3-6 months after restrictions are relaxed**

<table>
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<tr>
<th></th>
<th>Domestic</th>
<th>Inbound from Europe</th>
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Determining whether certain specific countries will rebound more quickly than others is a fairly fruitless exercise given the degree of uncertainty regarding how widespread the virus will become in each country and the degree to which those countries will be successful in their attempts to overcome the virus.

While for now most people will tell you that Italy is the worst hit nation, by the end of April the story may well have moved on.

A couple of long-haul markets worthy of a mention are the USA and China.

The former is by far the UK’s most valuable source market but despite early optimism from some in the US it is now clear that COVID-19 will have a measurable impact on its people and its economy. It is also a presidential election year, which in its own right can soften the demand for outbound travel.

China has in the space of a decade or so shot up the league table to become the world’s most valuable outbound source market. However, after years of near double-digit growth its economy is forecast to grow by as little as 2% this year, but just as concerning is the risk that Chinese travellers will be cautious about travelling abroad.

This might be as a function of nervousness regarding the health risks of travelling to countries that they perceive to have been less successful than China itself at tackling the virus or because they are worried about how welcome they will be made to feel, with some in the West having suggested that China is somehow to blame.

Economists often talk about downturns as being “V” shaped when they expect a sharp decline to be swiftly followed by an equally sharp recovery. When a more protracted period of sluggish activity is expected this is described as “U” shaped.

Just a few short weeks ago many were foretelling that any COVID-19 impact would be “V” shaped – that now appears wildly optimistic.

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We can be confident that the underlying urge to take a holiday or have a day out will return, but to fulfil such an urge needs access to finance, confidence and transport connectivity. For many people some or all of these requirements may be in short supply for several months to come.

If nothing else 2020 has taught us to expect the unexpected, and the travel choices that people will make once they are again given the freedom to travel could well be equally surprising. As some destinations or types of holiday may be off-limits for longer than others, people are likely to be flexible in their decision making, perhaps visiting places they had previously not considered.

History does not give the tourism sector a clear roadmap for recovery from COVID-19, but it does tell us that destinations and attractions that offer their visitors a warm welcome, good value for money and the chance to enjoy quality time with family and friends will perform more strongly than those that do not.