Unlocking tourism's post-COVID-19 economic potential: Elevating governance from destination to tourism industry level

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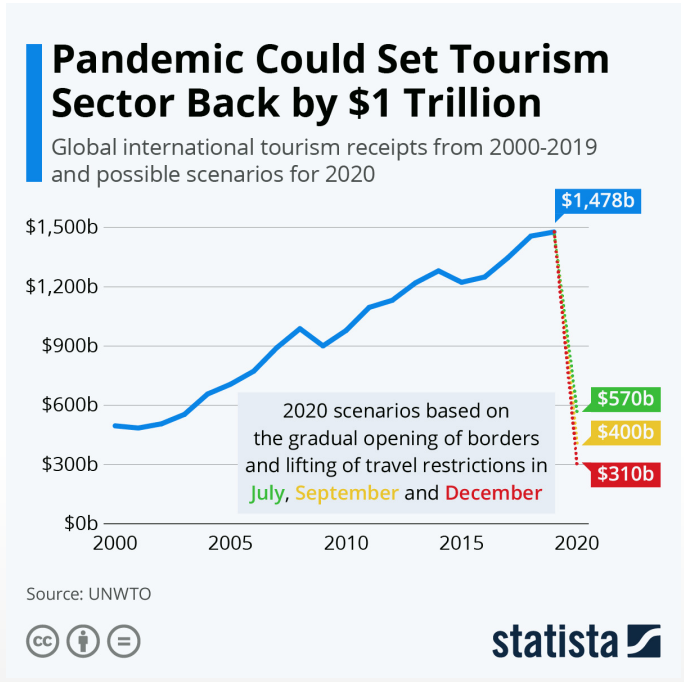
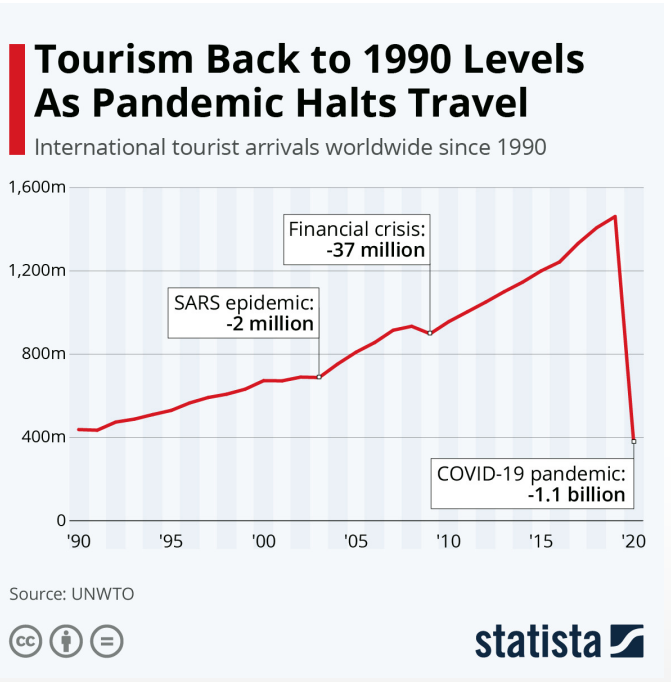
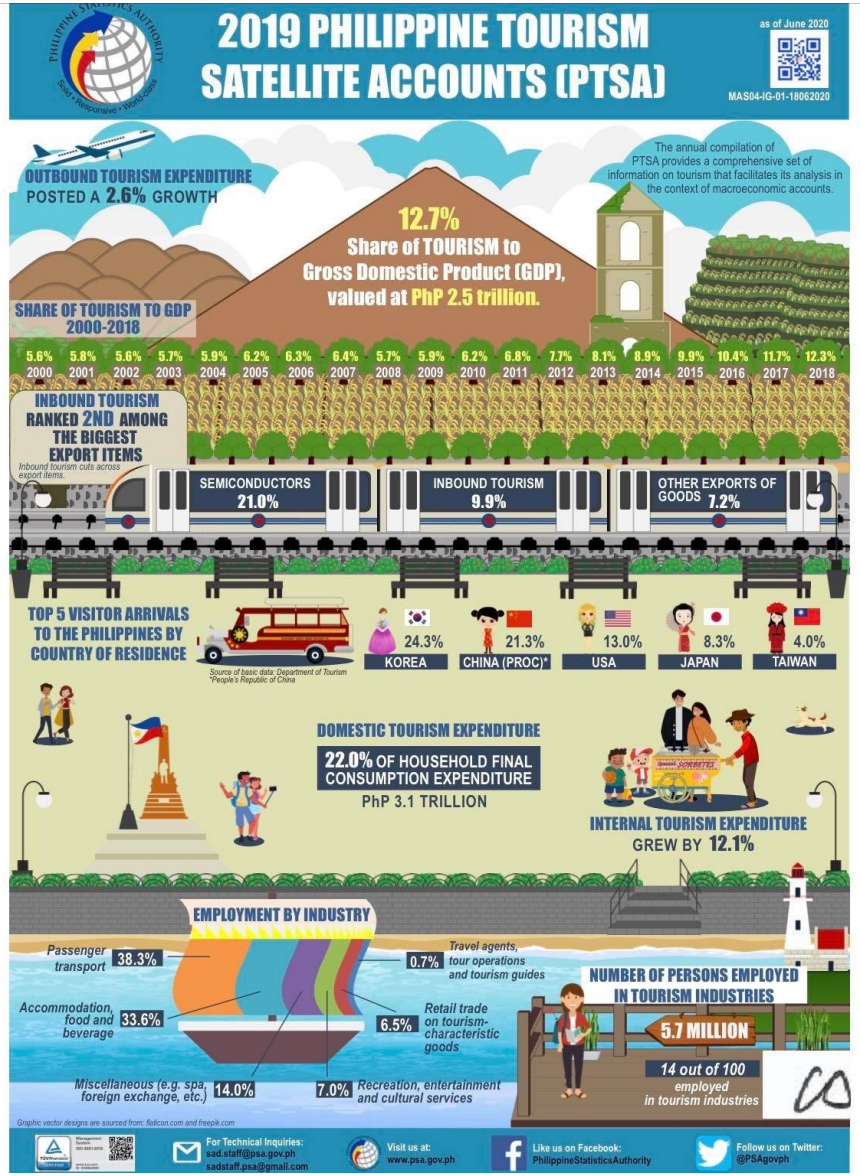
ASIAN INSTITUTE OF MANAGEMENT

ANDREW L. TAN CENTER FOR TOURISM

2020
JANUARY–OCTOBER
INTERNATIONAL TOURIST ARRIVALS
WORLD
WORLD 2019: 1.5 BILLION (+4%)
JANUARY–OCTOBER 2020: -72%
AMERICAS
2019
219 MN (+1%)
JAN–OCT 2020:
-68%
EUROPE
2019
744 MN (+4%)
JAN–OCT 2020:
-68%
AFRICA
2019
70 MN (+2%)
JAN–OCT 2020:
-69%
MIDDLE EAST
2019
65 MN (+8%)
JAN–OCT 2020:
-73%
ASIA & THE PACIFIC
2019
361 MN (+4%)
JAN–OCT 2020:
-82%
UNWTO
SOURCE: WORLD TOURISM ORGANIZATION (UNWTO), DECEMBER 2020


Pandemic Could Set Tourism Sector Back by $1 Trillion
Global international tourism receipts from 2000-2019 and possible scenarios for 2020
$1,478b
$570b
$400b
$310b
$1,500b
$1,200b
$900b
$600b
$300b
$0b
2000
2005
2010
2015
2020
2020 scenarios based on the gradual opening of borders and lifting of travel restrictions in July, September and December
Source: UNWTO
statista


Tourism Back to 1990 Levels As Pandemic Halts Travel
International tourist arrivals worldwide since 1990
1,600m
1,200m
800m
400m
0
Financial crisis:
-37 million
SARS epidemic:
-2 million
COVID-19 pandemic:
-1.1 billion
'90
'95
'00
'05
'10
'15
'20
Source: UNWTO
statista


2019 PHILIPPINE TOURISM SATELLITE ACCOUNTS (PTSA)
as of June 2020
MAS04-IG-01-18062020
The annual compilation of PTSA provides a comprehensive set of information on tourism that facilitates its analysis in the context of macroeconomic accounts.
OUTBOUND TOURISM EXPENDITURE POSTED A 2.6% GROWTH
12.7% Share of TOURISM to Gross Domestic Product (GDP), valued at PhP 2.5 trillion.
SHARE OF TOURISM TO GDP 2000-2018
5.6% 2000
5.8% 2001
5.6% 2002
5.7% 2003
5.9% 2004
6.2% 2005
6.3% 2006
6.4% 2007
5.7% 2008
5.9% 2009
6.2% 2010
6.8% 2011
7.7% 2012
8.1% 2013
8.9% 2014
9.9% 2015
10.4% 2016
11.7% 2017
12.3% 2018
INBOUND TOURISM RANKED 2ND AMONG THE BIGGEST EXPORT ITEMS
Inbound tourism cuts across export items.
SEMICONDUCTORS 21.0%
INBOUND TOURISM 9.9%
OTHER EXPORTS OF GOODS 7.2%
TOP 5 VISITOR ARRIVALS TO THE PHILIPPINES BY COUNTRY OF RESIDENCE
Source of basic data: Department of Tourism
*People's Republic of China
24.3% KOREA
21.3% CHINA (PROC)*
13.0% USA
8.3% JAPAN
4.0% TAIWAN
DOMESTIC TOURISM EXPENDITURE
22.0% OF HOUSEHOLD FINAL CONSUMPTION EXPENDITURE
PhP 3.1 TRILLION
INTERNAL TOURISM EXPENDITURE GREW BY 12.1%
EMPLOYMENT BY INDUSTRY
Passenger transport 38.3%
Accommodation, food and beverage 33.6%
Miscellaneous (e.g. spa, foreign exchange, etc.) 14.0%
7.0% Recreation, entertainment and cultural services
6.5% Retail trade on tourism-characteristic goods
0.7% Travel agents, tour operations and tourism guides
NUMBER OF PERSONS EMPLOYED IN TOURISM INDUSTRIES
5.7 MILLION
14 out of 100 employed in tourism industries
Graphic vector designs are sourced from: flaticon.com and freepik.com
For Technical Inquiries: sad.staff@psa.gov.ph sadstaff.psa@gmail.com
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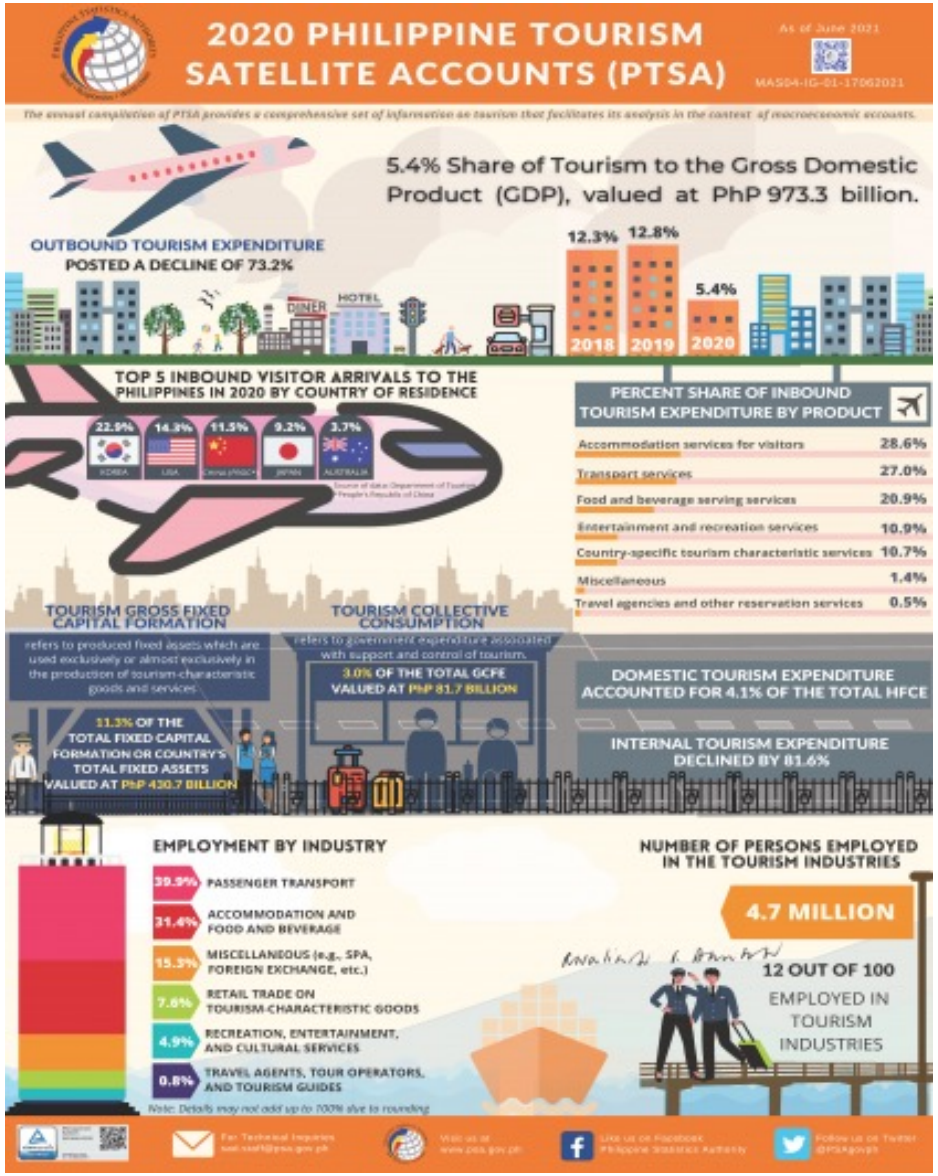
2020 PHILIPPINE TOURISM SATELLITE ACCOUNTS (PTSA)
As of June 2021
MAS04-IG-01-17062021
The annual compilation of PTSA provides a comprehensive set of information on tourism that facilitates its analysis in the context of macroeconomic accounts.
5.4% Share of Tourism to the Gross Domestic Product (GDP), valued at PhP 973.3 billion.
OUTBOUND TOURISM EXPENDITURE POSTED A DECLINE OF 73.2%
12.3% 2018
12.8% 2019
5.4% 2020
TOP 5 INBOUND VISITOR ARRIVALS TO THE PHILIPPINES IN 2020 BY COUNTRY OF RESIDENCE
22.9% KOREA
14.3% USA
11.5%
9.2% JAPAN
3.7% AUSTRALIA
Source of data: Department of Tourism
*People's Republic of China
PERCENT SHARE OF INBOUND TOURISM EXPENDITURE BY PRODUCT
Accommodation services for visitors 28.6%
Transport services 27.0%
Food and beverage serving services 20.9%
Entertainment and recreation services 10.9%
Country-specific tourism characteristic services 10.7%
Miscellaneous 1.4%
Travel agencies and other reservation services 0.5%
TOURISM GROSS FIXED CAPITAL FORMATION
refers to produced fixed assets which are used exclusively or almost exclusively in the production of tourism-characteristic goods and services
11.3% OF THE TOTAL FIXED CAPITAL FORMATION OR COUNTRY'S TOTAL FIXED ASSETS VALUED AT PhP 430.7 BILLION
TOURISM COLLECTIVE CONSUMPTION
refers to government expenditure associated with support and control of tourism.
3.0% OF THE TOTAL GCFE VALUED AT PhP 81.7 BILLION
DOMESTIC TOURISM EXPENDITURE ACCOUNTED FOR 4.1% OF THE TOTAL HFCE
INTERNAL TOURISM EXPENDITURE DECLINED BY 81.6%
EMPLOYMENT BY INDUSTRY
39.9% PASSENGER TRANSPORT
21.4% ACCOMMODATION AND FOOD AND BEVERAGE
15.3% MISCELLANEOUS (e.g., SPA, FOREIGN EXCHANGE, etc.)
7.6% RETAIL TRADE ON TOURISM-CHARACTERISTIC GOODS
4.9% RECREATION, ENTERTAINMENT, AND CULTURAL SERVICES
0.8% TRAVEL AGENTS, TOUR OPERATORS, AND TOURISM GUIDES
Note: Details may not add up to 100% due to rounding
NUMBER OF PERSONS EMPLOYED IN THE TOURISM INDUSTRIES
4.7 MILLION
12 OUT OF 100 EMPLOYED IN TOURISM INDUSTRIES
For Technical Inquiries
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TOURISM CONTRIBUTION TO NATIONAL OUTPUT IN 2020 SMALLEST SINCE AT LEAST 2000

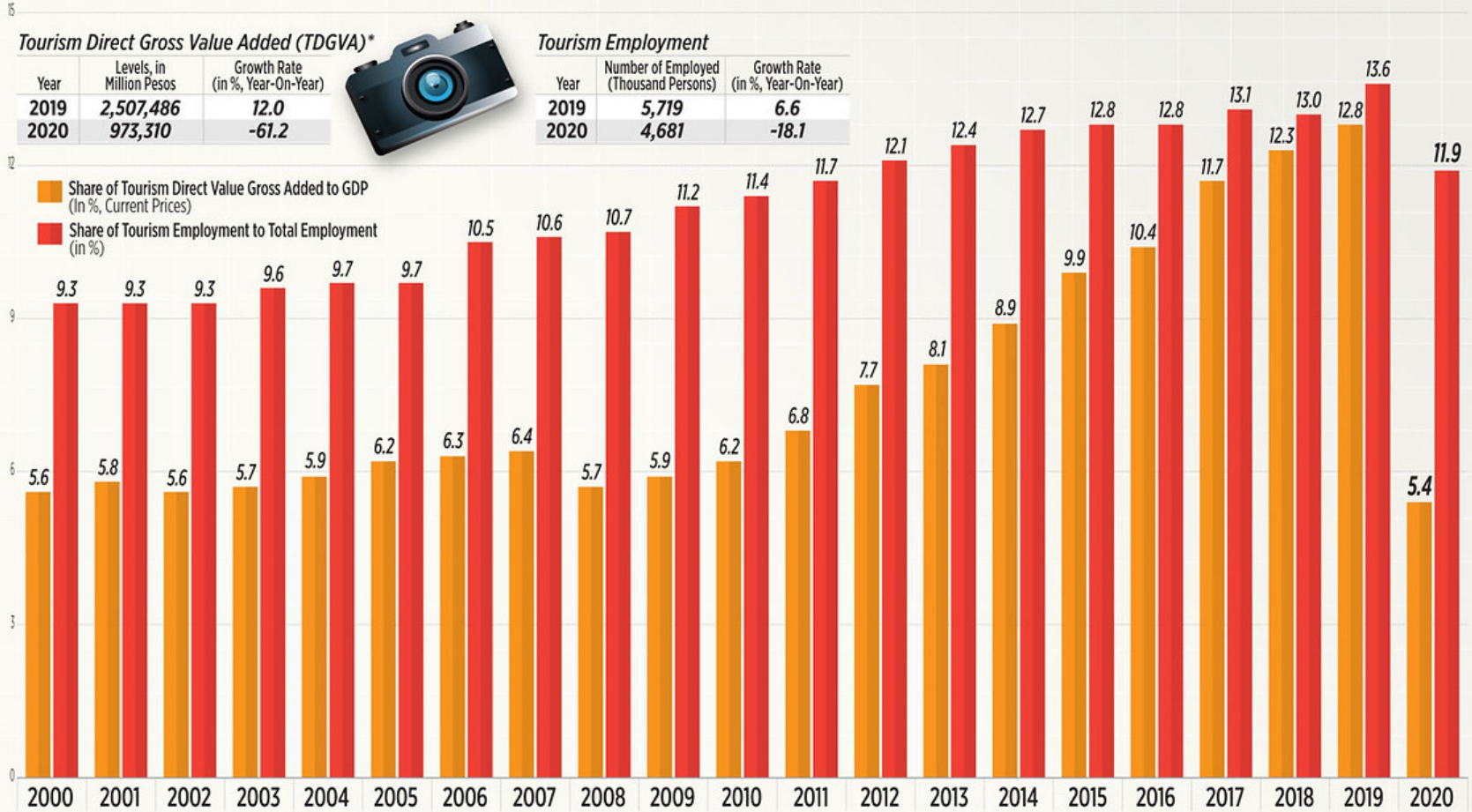
Tourism was among the sectors most affected by the coronavirus pandemic as seen in the latest government data released on Wednesday. Last year, the contribution of tourism activities was estimated at P973.31 billion based on current prices. This is equivalent to 5.4% of the country's gross domestic product — the smallest in at least two decades based on available data. Meanwhile, tourism accounted for 11.9% of the country's total employment — the lowest since 2011's 11.7%.

*Tourism Direct Gross Value Added (TDGVA)**

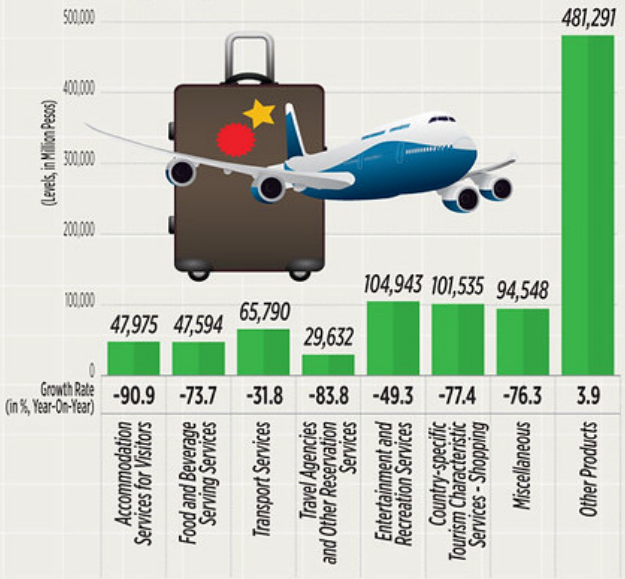
Year	Levels, in Million Pesos	Growth Rate (in %, Year-On-Year)
2019	2,507,486	12.0
2020	973,310	-61.2

Tourism Employment

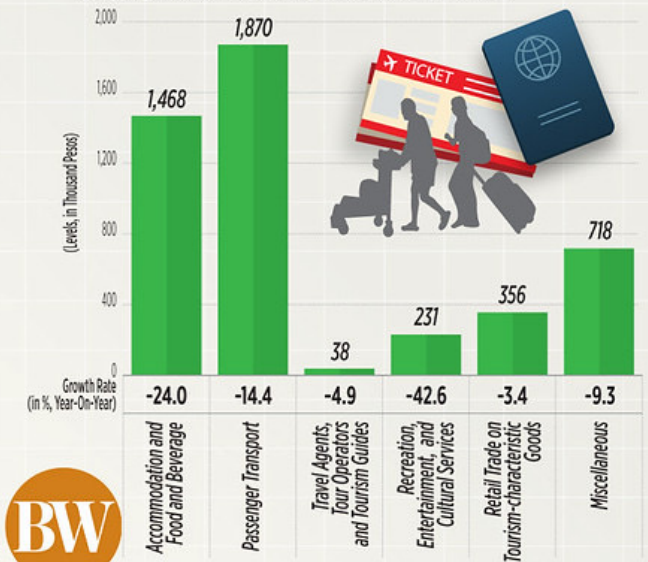
Year	Number of Employed (Thousand Persons)	Growth Rate (in %, Year-On-Year)
2019	5,719	6.6
2020	4,681	-18.1



TDGVA (2020)*



Employment in Tourism Industries (2020)



NOTE: *TDGVA measures the tourism-related value created by various industries.

SOURCE: PHILIPPINE STATISTICS AUTHORITY *BUSINESSWORLD* RESEARCH: LOURDES O. PILAR *BUSINESSWORLD* GRAPHICS: BONG R. FORTIN

Key lessons from the COVID-19 pandemic according to literature; motivation for this study

- In moving towards recovery, the tourism industry can use the lessons from the COVID-19 pandemic as:
  - a transformative opportunity (Mair, 2020)
  - a transition event (Hall et al., 2020)
- Introduce systemic and structural modifications on how tourism can be operated and managed after the pandemic.
- The pandemic offered a prospect to reinvent and rectify a seemingly defective system where pre-pandemic tourism operates (Ioannides and Gyimóthy, 2020).
  - This motivated us to pursue this study and revert to the discussion of sustainable tourism as it has become more important for a post-pandemic tourism industry.

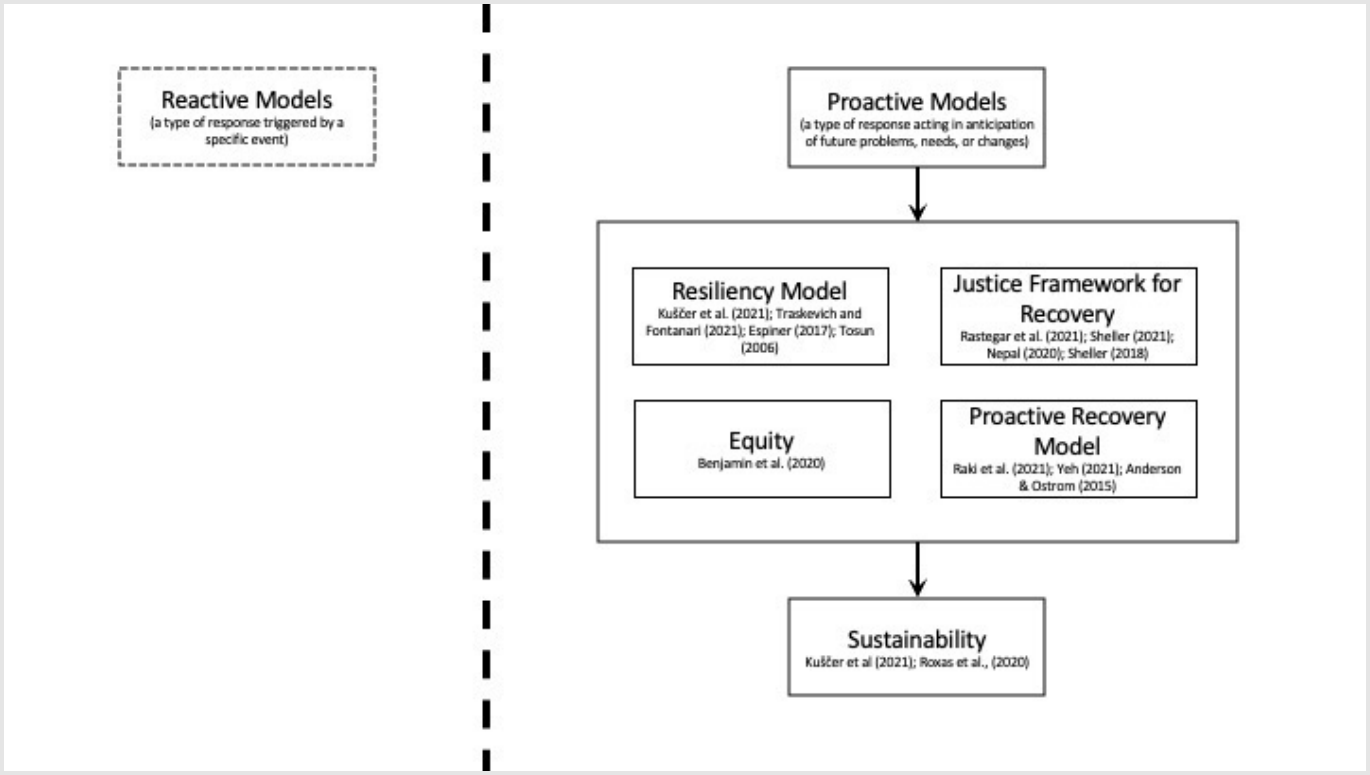
Research inquiry and objectives

- *How can we develop new sustainable tourism products and services that are aligned with the new/better normal?*
- *How can we elevate governance from the destination level to the value chain level?*
- **Objectives:**
  - To explicate how the COVID-19 changed the tourism industry and to identify facilitating and inhibiting factors to sustainable tourism growth and development.
  - To design a framework on how tourism can be better managed and developed in the light of the lessons learned from the pandemic.
  - To craft policy options on how the industry can continuously thrive and contribute to inclusive and sustainable economic growth and development.

Contribution

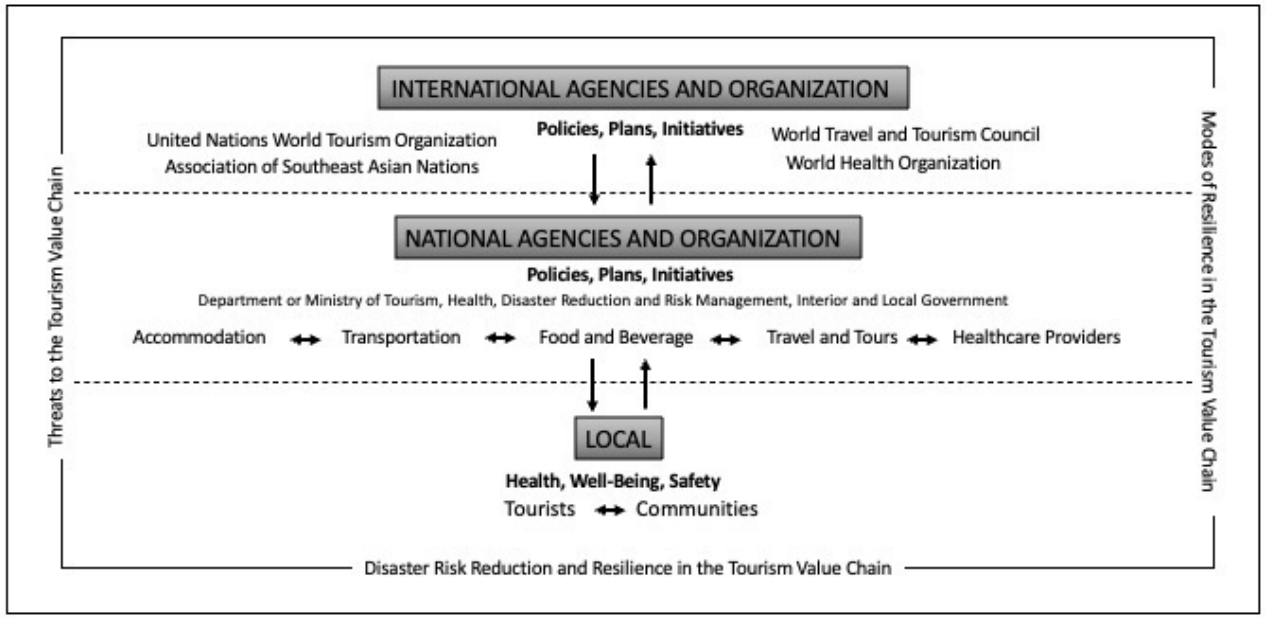
- Re-thinking tourism assumptions and models given diverse impact of the pandemic to economic, socio-political, and environmental aspects of society (Sigala, 2020)
  - Contribute to the discourse of unorthodox strategic perspective of managing tourism growth.
  - Findings suggest a form of tourism development wherein opportunities are provided to communities around the world.
  - Address emerging health and security challenges, while re-introducing a more sustainable form of tourism in the post-pandemic.

Baseline framework



- Existing models and frameworks for tourism recovery, we can see that it leads to the concept of sustainability.
- Sustainability is now a concept that has expanded beyond:
  - the triple bottom line
  - target segmentation (Kuščer et al., 2021)
- Sustainability evolved to include critical aspects of resiliency, justice, equity, and proactive strategies
  - Sustainable tourism is expected to play a more critical role in the face of the better normal

Augmented framework



- By integrating these governance approaches, an ***elevated form of governance*** is revealed.
- **Elevated governance**
  - destinations are managed at the value chain level
    - proposing increased collaboration and partnerships with value chain members across levels of governance
  - tourism development is done in collaboration with tourism stakeholders (Traskevich & Fontanari, 2021).

Key implications from the framework

- Key Players in Tourism
- Elevated Governance in Post-COVID-19 Tourism
- Incorporating Disaster Risk Reduction and Resilience in Tourism

Key implications from the framework
Modes of Resilience in the Tourism Value Chain

1. **elevated safety** (i.e., design new customer experiences around safety and look beyond own touchpoints by alleviating inconveniences brought about by additional health and safety protocols);
2. **agile innovation** (i.e., review and recalibrate value propositions based on changes in preferences of target segments by focusing on personalized, engaging, story-rich, and technology-driven products and services for added value);
3. **digital transformation** (i.e., maximize the use of available online marketplaces to expand digital reach)
4. **collaborative governance** (i.e., seek convergence points by initiating personal interactions and joint assessments with other stakeholders in the value chain).

Key implications from the framework
Areas of collaboration

Communication	Diversification	Customization	Simplification
• tourism stakeholders must communicate effectively to discuss the parameters of the evolving landscape of tourism and how each can contribute to recovery	• shift from generic mass-based offerings to niche tourism given the emergence of new travel segments and a new product designs	• undergo a paradigm shift where bespoke travel is mainstreamed complemented by the strengthening of existing circuits and jump-off destinations to connect destinations	• make traveling simple by standardizing travel and health protocols.

Conclusion

Sustainability continues to be a critical component of the tourism industry post-pandemic.

- Become more pronounced as emphasis on safety has been warranted.

Because the COVID-19 pandemic encompassed multiple scales that disrupted various interrelated value chains, it has consequently outmoded many models of management, development, and governance in tourism.

- Opened opportunities for stakeholders to collaboratively reinvent the tourism industry hinged not only on enjoyment and recreation but also on safety, resilience, and sustainability

Final word

- All actors and stakeholders in the tourism value chain play an essential role (tourists, local communities, enterprises, industry practitioners, national and local governments, international organizations)
  - multi-stakeholder approach to tourism recovery
- Persistent threats to the tourism industry, specifically the pandemic, called for a deviation away from a myopic view of the tourism industry.
- Need coordination among all members of the tourism value chain
  - a central lesson the pandemic has taught the industry, which has not been widely practiced prior to the pandemic.

THANK YOU

SALAMAT

Tagalog / Filipino

شكرا

Arabic

고맙습니다

Korean

धन्यवाद

Hindi

ขอขอบคุณ

Thai

ありがとう

Japanese

TERIMA KASIH

Malay / Indonesian

ຂອບໃຈ

Lao

谢谢

Chinese