

January 31, 2020

CORONAVIRUS: MANAGING THE IMPACT ON OUR DESTINATIONS IN CANADA

OVERVIEW

The latest news from China makes it clear: the coronavirus outbreak is still in growth stage and will likely get worse before it gets better. Its impacts are now starting to be felt, but they already raise profound questions for the many destinations worldwide that have come to rely on Chinese outbound tourism.

The coronavirus outbreak echoes the 2003 SARS crisis that had major consequences for destinations around the world, particularly in Asia Pacific and Canada which were seen as the epicentres of the disease. For a few months, prospective visitors to Canada stayed home or went elsewhere, particularly those from the US, its largest source market and Asia Pacific, its fastest growing market. Furthermore, the epidemic hit Canada at the height of its planned marketing campaigns aimed at inspiring visitors to choose Canada for the summer. The impact on Canada's tourism industry was profound, but short, suggesting the swift measures put in place by the Canadian Tourism Commission (i.e., the precursor to Destination Canada) and its tourism partners, grounded in research, helped to mitigate the impact of the disaster.

Today's challenge, however, may be much more serious. Over the past 17 years since SARS, the growth of global tourism and our reliance on international travellers has been profound, largely because of the dramatic growth of the outbound Chinese market.

UNWTO figures show¹ that China is now the most important market for Australia and Japan and in the top five for Canada and Thailand. And the trend continues: Chinese visitors to the GCC region, for example, are projected to rise from 1.6 million to 2.9 million – an 81% increase – between 2018 and 2022². Overall, China is now clearly the biggest, and highest-spending

outbound travel market worldwide, with nearly 150 million outbound visits made by Chinese travellers in 2018, who spent \$US277.3 billion³.

And by many measures, the coronavirus crisis is now already more severe. The list of major airlines that as of this week have suspended their flights to and from mainland China now includes British Airways, Lufthansa, SWISS and Austrian Airlines, while United and Cathay Pacific have suspended half or more of theirs and KLM, Air Canada and Finnair among others have halted flights to and from specific Chinese cities.

GLOBAL AIRLINES CANCELLING FLIGHTS TO AND FROM CHINA (AS OF JANUARY 30, 2020)

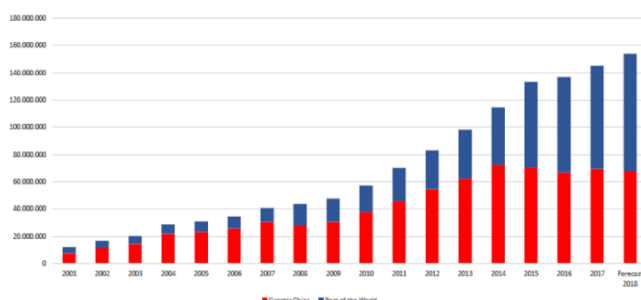
Air Astana	Hong Kong Airlines
Air Canada	Iberia
Air France	Indigo
Air India	Jetstar Asia
Air KBZ	KLM Royal Dutch Airlines
Air Seoul	Lion Air
Air Tanzania	Lufthansa
American Airlines	Myanmar Airways International
Asiana Airlines	Myanmar National Airlines
Austrian Airlines	Scandinavian Airlines
British Airways	SCAT Airlines
Cathay Pacific	SkyUp Airlines
China Airlines	Turkish Airlines
Delta Airlines	Swiss International Air Lines
El Al Airlines	Ukraine International Airlines
EVA Air	United Airlines
Finnair	Ural Airlines

This is a huge hit to seat capacity: a year that was set to show record-breaking growth in Chinese outbound tourism now looks certain to record a substantial fall in traveller numbers and spend instead. Figures so far suggest that destinations in Asia Pacific have been particularly badly affected by the outbreak, including Thailand and Japan, which are hugely reliant on Chinese visitors. Losses of up to \$US23bn are anticipated in Japan if the crisis hits visitor numbers for a full year. But bookings to North America, too, are already down over a fifth⁴.

WHAT SHOULD FORWARD-LOOKING DESTINATIONS BE DOING TO MITIGATE THE POTENTIAL EFFECTS OF THE OUTBREAK?

Senior members of the Twenty31 team played strategic planning roles at the Canadian Tourism Commission during the 2003 SARS outbreak and observed a number of key missteps in the initial

GROWTH IN CHINA OUTBOUND TRAVEL 2001-2018



¹ UNWTO, 2017

² Expedia, 2019

³ UNWTO, 2019

⁴ Nikkei, 2020

response to the crisis that destinations seeking to avoid major impacts should now try and avoid.

At the time, information on the outbreak was fluid, not readily available, and alarmist. Those in charge of Canadian tourism marketing had limited influence over the Government of Canada's policy response, and particularly on decisions around travel advisories. The many Canadian tourism industry associations had limited success in coordinating a unified position, leaving the travel and tourism industry searching for leadership. And crucially, there was no up to date research-based assessments of the changing dynamics in the market and industry on which to base decisions around communications, marketing and travel trade engagement.

What the Canadian Tourism Commission did do mid-way through the crisis was to conduct market research in all core markets to determine a profile of consumers who would consider travelling to Canada and those who would not. This helped to re-profile its marketing investment towards source markets, largely in Europe, that were less risk-averse, in lieu of those source markets that chose not to travel in 2003. The research greatly helped Canada determine which customer segments had the highest propensity to travel internationally and visit Canada - those intrepid travellers who see travel as an adventure and inherently risky. The marketing campaigns that followed helped to stimulate increased visitation to Canada within a few months of SARS containment, and while the market suffered, it reduced the otherwise disastrous impact on the tourism industry for Canada.

SO, WHAT CAN CANADIAN DMOS DO NOW?

DMOs looking to get ahead of the Corona crisis could learn from this by adopting the following four points:

1 *Demonstrate leadership*

Industry-led, National Tourism Organizations and DMOs tend to play a natural leadership role in how their respective destinations develop and manage tourism. Within this context the travel and tourism industry and direct and indirect stakeholders will look to DMOs to calm fears, address emotions and provide sound advice on how to mitigate a decline in Chinese visitor arrivals and spend.

DMOs can put in place an executive committee to review regular briefings and assess the implications for inbound arrivals from China and other Asian markets in order to be able to make timely marketing and communications decisions. These decisions could be actively communicated to travel industry partners and stakeholders in a timely and regular fashion

2 *Understand the dynamic market*

Research is key to understanding changing travel trade and consumer perceptions and behaviours in order to influence decisions. Unlike in 2003, primary research can be in the field in a matter of days:

- Digital and social media monitoring can be employed to assess how travel patterns will change, implications for inbound travel, the propensity to travel post the crisis and the profile of the most resilient customers.
- Survey questions should be added (if not already included) to DMOs' global research vehicles in order to benchmark issues related to health and safety and their impact on people's travel plans.

3 *Develop resiliency plans now*

The crisis is not only affecting travel in the short term but is happening when many Chinese consumers will be thinking about forward travel for the summer. It seems certain that many will defer or cancel travel plans. DMOs should revisit current China marketing, communications and travel trade strategies and potentially shift focus to other growth markets in Europe, the Americas and Asia (particularly India).

4 *Consider adapting your marketing plans away from Asia Pacific*

Research will indicate which source markets and which market segments may be more responsive to marketing campaigns. DMOs should plan to release marketing campaigns within a few weeks of news reports of containment of the disease.

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