

Impact of Covid-19 on Tourism Industry

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ABSTRACT

The COVID-19 pandemic presents an unprecedented challenge to many businesses around the world, leading to a devastating economic disruption. It has specifically brought a huge destructive impact on the travel and tourism industry and caused significant effects. Following the lockdown, many countries implemented flight restrictions to China, damaging the travel and tourism industry in China. Being the largest online travel platform in China, Ctrip has experienced an unexpected trough period, and it is under vast financial pressure while also deploying more workers to cope with the huge refunds caused by the outbreak. The surging of cases has pushed the world into great uncertainty with the absence of an effective vaccine, and tourists will not come to China for large-scale tourism out of the mentality of emergency security and panic for the destination. Technology has been an instrumental tool used by industry leaders such as Ctrip to inject life back to the economically-plagued industry. It would be prudent for Ctrip to perpetuate the online popularization efforts to set up the industry in a constructive recovery trajectory. This paper focuses on the political, economical, social, and technological impacts that Covid-19 has brought to the tourism industry as represented by Ctrip.

Keywords: Covid-19, tourism industry, Ctrip, uncertainty

1. INTRODUCTION

The COVID-19 pandemic has been impacting the world beyond what we can imagine. It presents an unprecedented challenge to many businesses around the world, leading to a devastating economic disruption. This COVID-19 pandemic brought a huge destructive impact on the travel and tourism industry and caused significant effects, both socially and economically. In this research, we are focusing on how new policy responses to COVID-19 affected the travel and tourism industry, its effect economically and socially, and how different travel and tourism businesses adapted to the extraordinary situations. Our research focuses on a company called Trip.com (Xie Cheng) based in Shanghai, China.

2. ANALYSIS ON THE IMPACTS OF COVID-19 ON TOURISM

2.1 transportation

China's approach to combat the COVID-19 pandemic pushed the whole society into action and engaged each of every citizen to do their job in

prevention and control. President Xi Jinping emphasized that people's lives and health as the top priority in the process of combating COVID-19[13]. Wuhan, China, the epicentre of the COVID-19 outbreak, was placed under lockdown by the Chinese government on January 23, 2020, by closing all airports and public transportations to prevent anyone from leaving and entering[11]. The lockdown happened right before the largest holiday in China, the Spring Festival, or Chinese Lunar New Year Festival. Mass migration across the country often occurs during this time of the year. According to China's railway authority, about 407 million train journeys are expected to be taken between the time frame of January 28 to March 8, 2020. Following the lockdown, many countries implemented flight restrictions to China, bringing a huge destructive damage to the travel and tourism industry in China[12]. On January 21, 2021, Trip.com had made responses to the outbreak of COVID-19 in Wuhan, China, passed a policy that allows customers to cancel flight tickets, hotels, and attraction tickets involving the Wuhan area[10]. On January 24, the Ministry of Culture and Tourism requested national tourism and online tourism companies to suspend the operation of group travel "air ticket + hotel" tourism products. According to previous

travel predictions without COVID-19 pandemic, made by major market research institutions, the number of tourists during the Spring Festival in 2020 will exceed 450 million, an increase of 8% over the Spring Festival in 2019, and a consumption scale of approximately 555 billion yuan will be created. Instead, according to the data from the Ministry of Transportation, as of February 18, the 2020 Spring Festival Transport Railway has sent 210 million passengers, a year-on-year decrease of 47.3%; highways sent 1.21 billion passengers, a year-on-year decrease of 50.8%; waterways sent 16.89 million passengers, a year-on-year decrease 58.6%; Civil aviation sent 38.39 million passengers, a year-on-year decrease of 47.5%. Number of travelers during the Golden Week: January 24 to January 30, the number of travelers nationwide is only 152 million; in contrast, the Spring Festival in 2019 During the Golden Week (February 4th to February 10th), the number of people traveling nationwide reached 421 million.

2.2 Economic

As an industry that is highly sensitive to changes in the external environment and susceptible to uncertainty, the outbreak of the coronavirus pandemic (Covid-19) has greatly restricted the business of tourism. Strict regulations on population movement due to this highly contagious disease have led to the stagnation of economic activities to a great extent. Being the first country affected by the Covid-19 outbreak, China experienced a drop of 32% in offline consumption, and among them, tourism is one of the sectors most affected by the Covid-19 pandemic. As a big tourism country, China receives over 150 million travelers a year, but due to Covid-19, international tourism is predicted to experience a 60% to 80% decline. This would result to a potential drop of 100 million in the tourism number coming to China, and the effect could be long-lasting[2]. According to data from the Ministry of Culture and Tourism, tourism revenue during the 2019 Spring Festival holiday reached 513.9 billion yuan. Based on the average growth forecast, the 2020 Spring Festival holiday, if not affected by the epidemic, will reach nearly 550 billion yuan[5].

However, due to the outbreak, a large number of travel orders have been canceled and refunded, with cancellation rate of more than 80 percent of previously booked travel orders. At present, 86.8% of travel agencies are in a state of suspension of operations, and the loss during the shutdown is estimated to exceed 1.7 trillion yuan.[1] Being the largest online travel platform in China, Ctrip has experienced an unprecedented trough period. As it has announced that it will provide consumers with non-destructive refunds and bear the refund fees for consumers in advance, it is under vast financial pressure while also deploying more workers to cope with the huge refunds caused by the outbreak.

According to the CEO of Ctrip, the company has handled tens of millions of cancellations, with the transaction amount involved more than 31 billion yuan since the outbreak of the pandemic. Also, on the trading day before the publication of Ctrip's financial report, its shares fell by 6.36%. According to Ctrip's chief financial officer, after considering all negative factors caused by the Covid-19 pandemic, the company expects to report an operating loss of 1.75 billion yuan to 1.85 billion yuan in the first quarter of 2020. Excluding equity compensation expenses, the net revenue of Ctrip decreased from 45% to 50% compared to last year.[3] In order to cope with the strike of the Covid-19 outbreak on the company's cash flow, Ctrip announced that senior managers will take a deduction of up to half their salary.[4] Nevertheless, from the perspective of China's economic development cycle and the natural development law of the tourism market, domestic tourism would recover and grow in the second half of 2020, and Ctrip will be able to make up for its loss.

2.3 Social

It is undoubtedly that there have been negative implications on the social aspect due to restrictions during the lockdown. At the start of the outbreak, Chinese people were in a state of deep apprehension. Merely on the day when the World Health Organization announced the existence of a global pandemic as to the Covid-19, there were 118,000 reported cases around 114 countries, with over 4,000 fatalities[7]. The surging of cases had posed an unprecedented challenge to the public health system, at the same time pushing the world into great uncertainty with the absence of an effective vaccine. When people find it difficult to even guarantee their lives, it will be almost impossible for them to have the idea of travelling. Despite the fact that the pandemic has negatively affected all segments of society, it is devastating to the vulnerable groups. Tens of millions of people are at risk of falling into extreme poverty, and an increase in unemployment has exacerbated their dire circumstances. This has led to a series of social unrests, including increased discrimination and xenophobia, which would be detrimental to tourism as they increase their risk. After the Covid-19 outbreak was classified as a public health emergency of international concern, many countries reduced or canceled flights to and from China. More than 20 airlines around the world have suspended flights to and from China and stepped up entry and exit checks for travelers from or who have been to China[9].

In addition, tourists from Europe and the United States are highly sensitive to the behavior of the World Health Organization, so tourists will not come to China for large-scale tourism out of the mentality of emergency security and panic for the destination. The epidemic has a wider impact than SARS, and to some extent, China's tourism image has been greatly affected[6]. At the same

time, all sectors of domestic tourism including Ctrip suffered during the period of the epidemic. As CPC Central Committee and the State Council advised residents to quarantine at their homes and stay away from crowded areas, the possibility of travelling even domestically has greatly diminished. Even when the public mood moved from fear to caution around May, the business of Ctrip still hadn't improved. Many restrictions such as travel bans still remain in places in China, and the public's caution has gradually transformed into a habit, in which they may be reluctant to go travelling because of precaution to pandemic[8]. With the combination of circumspection and uncertainty, people are even less likely to make trip orders, which poses a greater challenge to Ctrip and other travel businesses.

2.4 Technology

Even with the prevailing Covid-19 pandemic in 2019, 2020, and 2021, technology has been a significant component in easing the pandemic's effects in the tourism industry. This subsection reviews the deployment of technology by Ctrip and how such technology applications have been influential on easing the spread of the Covid-19 pandemic and facilitating the process of recovery of the firm from the business decline trends.

Technology has been a key tool or external environment element of influence that Ctrip has deployed to boost the tourism popularity and promote the products during the vital recovery phase by the firm. For instance, according to Shenshen (2020) reports, Ctrip Chairman Mr. James Liang undertook an initiative to live stream or broadcast traditional Chinese fashion among other heritage items that attract tourists across the globe. [18] The live stream event named "Travel on Initiative" also featured some exciting items of the tourism industry, including fair hotel booking rates, economical flight plans, and other destination preferences with attractive discounts, all for the benefit of the consumer (Trip. Com, 2021)[15]. The live streaming activities have been a success in facilitating the recovery of the tourism industry that the Covid-19 scourge has largely plagued. The numbers from the technologically powered venture by Ctrip illustrate the firm's success in spearheading the recovery process. For instance, it is attributed that the live streaming venture generated over the U.S \$ 56 million in revenue from the sale of tickets and other vital tourism products dealt with by Ctrip (Trip.com, 2021)[19]. The figures and the details of the report prove that although the Covid-19 had entirely subdued the Chinese tourism sector during the pandemic's peak, technology has been an instrumental tool used by industry leaders such as Ctrip to inject life back to the economically-plagued industry.

Furthermore, although the Covid-19 pandemic brought about cancellations in trips and other tourism

activities, Ctrip has been using technology to coordinate with other players in the tourism industry to maintain ties with the consumers. Trip.Com (2020) has been using its websites to track and communicate with consumers who had booked trips and other tour services before the outbreak of the Covid-19[20]. After finding the clients, the firm connects them with firms such as partner hotels and airlines to secure the refund of the booking fees made in advance (Trip.com, 2020)[21]. Thus, the deployment of technology by Ctrip has been instrumental in maintaining partnerships between the company and the routine clients all over the world who are fulfilled by the Chinese tourism section.

Technology has also been an informative tool evidencing the instability of the tourism industry in China. For instance, Flannery (2021) reports explained the rates for the shares by Ctrip traded on NASDAQ on May 23rd. The closing value of the shares was quoted at \$318.80 compared to \$ 278.60 during the preceding week (Flannery, 2021)[16]. However, the prices quoted on the NASDAQ websites were way lower during the pandemic's peak moments, proving that the Chinese tourism industry has been experiencing economic hardships and recoveries during the pandemic. Technology has thus, been influential in communicating such vital information to inform the potential investors on the situation of lucrativeness of the Chinese industry.

3. RECOMMENDATIONS

Based on the trends of technology observed in the previous section, the internet has been an instrumental promoter of the popularity of the Chinese tourism industry during the vital recovery phase. Thus, it would be prudent for leading firms in the Chinese industry such as Ctrip to perpetuate the online popularization efforts to set up the industry in a constructive recovery trajectory. The suggestion is backed by Hojehgan and Esfangareh (2011), who uphold the power of social media sharing and commenting as vital tools for boosting the economy during the vital phase of recovery[17]. Thus, adding more efforts while including influencers would perfectly set the industry on the perfect path to recovery.

Furthermore, the Chinese firms leading in the tourism industry, including Ctrip, should allow better discounts to allow tourists who have also been economically afflicted back in business. Allowing such discounts would attract consumers worldwide, boosting the Chinese tourism sector and salvaging it from the damaging effects of Covid-19.

4. CONCLUSION

The instability of the tourism industry has enhanced the importance to consider an array of factors that would affect travel companies, such as political, economical, social and technological factors. As China began to

recover from Covid-19, it would be crucial for tourism companies like Ctrip to focus on promotion strategies on internet platforms and social media. Discounts could also be promoted to attract more consumers and bring Ctrip and other travel platforms back to business.

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