



The Impact of the 2019-nCov on Sichuan Tourism Industry and Measures to Address

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Abstract. The purpose of this paper is to investigate the extent to which a 2019-nCov can affect the tourism industry of cities in China such like Sichuan. Suggestions to reduce negative impact on tourism industry based on the follow investigation will be given. By the end of 2019, the Covid started spreading and caused a lot of social problems and economic issues. Workforce reduces because of being infected. Population mobility is drastically reduced due to both policies aiming to slow the spread of disease, and people being less inclined to go out. Tourists tend to postpone or cancel their plans especially when the way that Covid spreads, treatment of disease and feature of Covid were not learnt thoroughly. These factors can directly cause blow to tourism. For a province like Sichuan, where tourism is a major part of the economy, revenue from tourism is an important part of economic income. This is why it is necessary to study the impact of the epidemic on the tourism industry and find measures to deal with it. In this paper, how the 2019-nCov negatively affects Sichuan tourism industry and what to do in future to improve tourism industry situation will be explained. The thesis uses a case study approach to analyze impact and challenges of the epidemic, and leads to suggestion that the government and corporations should work together to survive the crisis.

Keywords: 2019-nCov · China · Sichuan · tourism · economic impact

1 Introduction

By the end of 2019, the outbreak of 2019-nCov was on. It started in Wuhan, Hubei Province. The epidemic is characterized by rapid spread, low lethality and no specialty medicines at the time. Ignorance of the new virus causes people to panic therefore most of the country's economic activity was at a standstill. Tourism was the most negatively impacted industry [1]. Ignorance of the new virus causes people to panic therefore most of the country's economic activity was at a standstill. Tourism activities, because of their relocated nature, require movement from the place of permanent residence to

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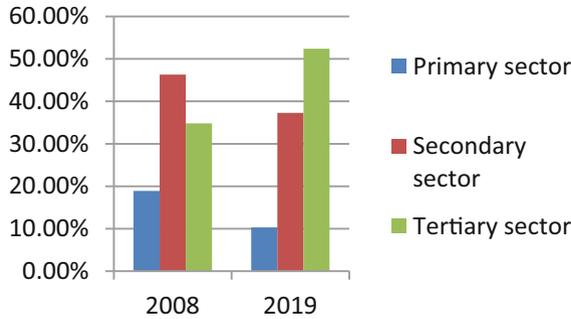


Fig. 1. Comparison of the share of three industries in Sichuan Province in 2008 and 2019

the tourist destination. Such movement of people poses a huge risk of transmission. So at the beginning of the outbreak, the tourism-related industries, such as tourism transportation, tourist attractions, travel agencies, tourism performing arts, catering and accommodation, were basically shut down [2]. According to the World Tourism Organization (UNWTO), tourism is “the number one sector in international trade in services”, 40% of global trade in services and 6% of total world trade being represented. Tourism directly provides approximately 3% of global jobs, or 192 million workplaces [3]. As conclusion a country’s tourism status is highly correlated with the country’s economic status. In China, in 2020, the added value of national tourism and related industries was 4,062.8 billion Yuan which decreases 9.7% over the previous year (without deducting the price factor, the same below), accounting for 4.01% of the gross domestic product (GDP) which decreases 0.55% over the previous year [4].

Sichuan is a major tourist province with a long history and colorful minority cultures, with a diversity of natural and cultural tourism resources. It has five World Heritage Sites, including the Jiuzhaigou Scenic Area, the Huanglong Scenic Area and the Sichuan Giant Panda Habitat [5]. In terms of economic volume and structure, the GDP of Sichuan Province in 2008, when the earthquake occurred on 12 May, was only RMB 1,250.63 billion. The structure of the three industries was 18.9:46.3:34.8, and the economy was dominated by the secondary industry. In 2019, the province’s GDP reached 46615.8 billion Yuan. The structure of the three industries was 10.3:37.3:52.4 [6, 7]. Besides, tourism income as an important component of tertiary sector income, according to the Provincial Bureau of Statistics, during 2015 to 2019, the total tourism revenue in Sichuan showed a rapid year-on-year increase of 25.6%, 23.8%, 17.1%, 13.5% and 15.8%, respectively. As a percentage of GDP, it was 20.5%, 23.1%, 23.9%, 24.6%, and 24.9% respectively [8]. In 2019, Sichuan province received 751 million domestic tourists, up 7% year-on-year; 4,147,800 inbound tourists, up 12.4% year-on-year, and achieved total tourism revenue of RMB 1159.432 billion, an increase of 15.8% year-on-year [5]. It is observed that tourism is the backbone of Sichuan’s economy. The more important the tourism sector is, the greater the impact of the epidemic on the Sichuan economy. It goes to a conclusion that it is important to assess the extent of the impact of the 2019-nCov outbreak on tourism and analyses the reason in order to look for effective means of coping (Fig. 1).

2 Methodology

Method of case study is used in this paper. Sichuan is one of the most representative tourist provinces in China. A study of the tourism industry in Sichuan would be a valuable sample for the national tourism industry. The data sources are national and local statistical offices, which are authentic and representative.

2.1 Impact of the Outbreak on Tourism in Sichuan

The disease outbreak has had a serious short-term direct impact on tourism in Sichuan. Chinese tourists have strong travel intentions during Chinese New Year. Normally, the Chinese New Year, summer holidays and National Day are the most popular times for tourists in Sichuan. Because the virus outbreak was at the end of 2019, it directly affects Sichuan tourism revenues during the 2020 Chinese New Year. According to the predictions based on big data, total visitors to popular scenic spots in Sichuan province would exceed 70 million and the revenue would be approximately \$50 billion market size. While during Chinese New Year, all of provincial scenic spots, attractions and restaurants shut in order to prevent from disease spreading and turned the revenue to nearly zero. From the tourism supply side, the travel industry as a whole had been affected with tour operators, OTAs, online travel agencies, hotels, airlines and other companies bearing the brunt of the problem and facing a large number of withdrawals. The large number of withdrawals had led to the collapse of the initial investment of many enterprises and had impacted the cash flow of enterprises. The impact on the cash flow of enterprises and the entire industry chain was unbearable for small and medium-sized enterprises and led to their insolvency (Table 1).

Besides, the disease outbreak has had a long-term indirectly impact on tourism in Sichuan. Public psychology has changed and willingness to travel has been greatly affected. Even if the epidemic is declared to be over, the public will remain fearful and worried for a certain period of time, and will be wary of visiting crowded places and will try to avoid gathering with people for some time. This has largely shaken their confidence in travelling and has seriously affected their willingness to travel and therefore their travel behavior. Now the Covid has spread around the world. Different variants have been created, such as Omicron, which is a more transmissible variant, importation outside the country is almost inevitable and the end of the epidemic is a long way off. Although some countries have opened up entry and exit, such as the Sweden, the fear of infection has had a more profound effect on people's confidence in travelling.

Table 1. Sichuan Spring Festival Tourism Revenue, 2015–2019

	2015	2016	2017	2018	2019
Tourism revenue during Chinese New Year (Billion Yuan)	226	282	356	447	580
Year-on-year growth rate (%)	26.1	25.1	26.1	25.5	30

2.2 Characteristics of Domestic Tourism Development in Epidemic

2.2.1 The Vulnerability of the Tourism Industry

The tourism sector has a very fragile aspect. The tourism industry is very vulnerable and has less Experience of emergency situations. This could have a direct and critical influence on their ability to respond to major public health risks. This reflects the tourism sector's weak capacity to respond to major public health risks. The tourism product is immovable, and the attractions are dependent on tourists, whose special resources cannot move with them. Some natural attractions have non-renewable features that are difficult to restore once they have been destroyed. If the area is not able to attract tourists to visit, it will be difficult to restore it. This is where tourism is more vulnerable than other sectors. The tourism industry was previously perceived as being low-investment, quick-impact and low-cost. But today, local investment in attractions is often large, especially if it is based on star-rated tourism. The initial investment in a tourist attraction or hotel, especially if it is created to a star standard, is high. After completion of the income-generating phase, if the scenic traffic or hotel occupancy rate does not reach the expected level, the initial investment may require a long payback period, especially if the resort or hotel is built to a star standard. No matter whether it is a tourist attraction, a travel agency or a hotel, it is difficult to sustain itself without tourists. This is a good example of the vulnerability of tourism, and perhaps a return to the flexible model of low investment, quick results and high efficiency [9].

2.2.2 The Multifunctionality of Tourism

For the government, as the leader of the tertiary industry and a labor-intensive industry, tourism can effectively drive the development of related industries. Accommodation, catering, transportation and performing arts, and absorb more labor force employment are included. According to the 2019 Human Resources and Social Security Statistics Bulletin, the share of employment in the tertiary sector rose from 42.4% in 2015 to 47.4% in 2019 becoming the main channel for absorbing employment. The epidemic has caused some people to lose their jobs. The tourism sector's boost to the job market can effectively relieve the pressure on the government. For consumers, the epidemic has given people a greater incentive to travel for leisure, and the service nature of the tourism industry can provide them with a greater incentive to do so. The service nature of the tourism industry can provide personalized products to meet diverse needs, such as leisure, health care, entertainment and shopping. For the enterprises themselves, the preferential policies issued by the local governments have strongly supported the development of enterprises. The promotional activities launched have attracted consumers, and the constant stream of tourists has brought vitality to the tourism industry. This provides good opportunities for development, which in turn promotes the upgrading of products and services.

2.2.3 Dependency of Tourism

The dependence of the tourism industry is mainly expressed by its reliance on the actors involved such as the governments, distributors, people living in tourist destinations and tourists, as well as its dependence on resources (including natural and human resources).

The standard of development of the tourism industry relies on a certain extent on the support of relevant government policies. Such as the development of rural tourism which relies on the national rural revitalization policy and the tourism poverty alleviation policy. Villages around the country with resource conditions rely on the support of the policy to carry out toilet revolutions, significantly improve the appearance of the village, beautify the environment and develop rural tourism. Of course, tourism development requires capital investment and investors willing to join in, as well as villagers in the villages to support local tourism development and participate in it. When a rural tourist attraction is built and opened to visitors, only an adequate flow of visitors will ensure that the attraction continues to operate smoothly. Regardless of the type of scenic spot, a resource study at the beginning of development is essential and is the basis for tourism planning. The higher the resource endowment, the longer the life cycle of the destination. The opening up of inter-provincial tourism has been a positive and effective way for governments, businesses, practitioners and tourists alike to resume work and production in the tourism sector.

2.2.4 Sustainability in Tourism

Sustainable development is a development that satisfies the development requirements of the present without jeopardizing the ability of future generations to fulfill their needs [10]. Resources are the basis on which tourism depends. In the process of tourism development, the first principle is to protect the natural environment and cultural heritage, and the second is to pay attention to achieving three main benefits. In the process of carrying out tourism activities, attention is paid to raising the awareness of environmental protection among tourists. This guarantees the sustainability of maintaining the resources of the tourist destinations. The sustainability of tourism is not only in terms of resources and the environment, but also in the sustainability of the industry. Tourism is a recognized sunrise industry, with the output value of the tertiary sector accounting for 53.9% of GDP in 2019 and contributing 59.4% to GDP growth [11]. Among the tertiary sectors, tourism is the most rapidly expanding and can contribute to rapid economic growth.

3 Results and Discussion

3.1 New Challenges for Sichuan Tourism in the Wake of the Epidemic

3.1.1 Many Direct Economic Losses

As a result of the epidemic, the tourism industry in Sichuan during the Spring Festival holiday in 2020 has almost lost all its revenue. With reference to the 2019 Spring Festival tourism revenue and the growth of the province in recent years, the province's tourism economy will lose at least RMB 60 billion during the Spring Festival in 2020. In the first quarter of 2019, Sichuan's total tourism revenue exceeded RMB314.6 billion, an increase of 15.5% year-on-year. In comparison, tourism enterprises in Sichuan province suffered heavy losses in the first quarter of 2020. Tourism revenue greatly reduced. Many enterprises were in an existential crisis, especially the weaker SMEs such as hotels, travel agencies and restaurants faced an increased risk of capital chain breakage and collapse (Fig. 2).

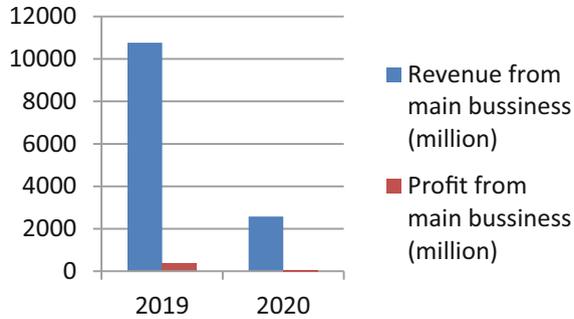


Fig. 2. Travel agency revenue and profit comparison in Sichuan Province in 2019 and 2020

3.1.2 High Business Survival Pressure

For Sichuan tourism enterprises under the influence of the epidemic business operations huge losses, facing severe survival pressure, mainly in the cash flow gap is large. Due to all orders being cancelled at short notice, revenue was basically zero. While a large amount of expenses such as venue rent, staff salaries, bank interest, taxes, etc. remained. Besides, a large amount of manpower and material resources were previously invested for the Spring Festival Golden Week. A variety of activities and project arrangements are prepared and a large amount of publicity and promotion carried out in advance. These investments were also basically all wasted. Upstream suppliers such as airlines and travel product suppliers, mid-stream distributors such as travel agencies, online travel platforms and agents, and the industry as a whole are experiencing tight cash flows. Most small and medium-sized tourism businesses will struggle to operate sustainably and will have to face a break in their financial chains and bankruptcy. This situation will be serious.

3.1.3 Difficult to Deal with the Aftermath

After the outbreak, a large number of tourists cancelled their trips, generating a huge number of refunds in a short period of time, especially refunds of tours and fees. This situation involved multiple industries, fields and even countries or regions in addition to tourism enterprises. This leads to the various links facing huge pressure. There will certainly be differences in the understanding of what constitutes a reasonable claim and the negotiation of follow-up issues between tourists and travel agents in accordance with the contract and relevant laws. Therefore, in the follow-up aftermath of dealing with upstream and downstream conflicts and travel contract disputes. Domestic and international cooperation will also bear considerable workload and pressure. Possible result like contradictions and contract disputes is a problem that the Sichuan tourism industry must face. If not handled properly, it will affect future cooperation in the tourism chain and the healthy development of the industry.

3.2 Means of Coping

3.2.1 Issuing Relevant Policies Increasing Support and Issuing Relevant Policies

In fact, some of the tools have already been implemented. The Ministry of Culture and Tourism issued the *Notice on Temporary Refund of Part of the Tourism Service Quality Deposit to Support Travel Agencies in Coping with Business Difficulties*, which proposes to 80% of deposits temporarily refunded to travel agents who have paid a deposit and are licensed to operate. In terms of taxation, the Ministry of Finance and the General Administration of Taxation have issued an extension of the period for carrying forward losses occurring in 2020 from five years to eight years for four categories of businesses in difficulty, namely transportation, catering, accommodation and tourism (including travel agencies, related services and tourism scenic spot management), which were severely hit by the outbreak.

3.2.2 From a Corporate Perspective, Innovating Products and Marketing

According to the Research Report on the Forecast of Travel Demand Trends under the New Coronary Pneumonia Epidemic, the epidemic has caused people's Travel psychology, travel behaviors, Travel options, travel choices and consumption habits to change to varying degrees. The epidemic has caused many people to cancel their travel plans. As the epidemic is gradually brought under control, people's travel sentiment is gradually rising, especially in China, where the vaccination policy is more stringent than many other countries. After the epidemic, people's primary motivation for travelling was to get close to nature and experience the landscape. This also motivated the low-income group to travel to a certain extent. In terms of travel choice preferences, there is a high level of concern for hygiene and health, including the experience of hygiene and safety in the whole process of transportation, accommodation and catering. In terms of travel destination choice, nature sightseeing was the most popular category, with a significant increase in concern for folklore and health and wellness categories compared to last year. In terms of transportation for trips, trains are still the preferred mode of travel. Short-distance trips are mostly self-driven. There is a significant increase in the proportion of people choosing to travel by train and plane. The highest spending on travel is on accommodation, followed by food and beverage and transportation. The epidemic has made people more concerned about food and beverage hygiene and their willingness to spend has become stronger. Depending on the needs of visitors, tourism enterprises should seize the new opportunities after the epidemic. They should improve their products and marketing, expand their business and increase their revenue. Create more products in the form of self-drive tours, outdoor camp tours, local tours, peripheral tours, health tours, and other light tourism modes. Provide more customized, specialized and refined itinerary arrangements and more precise services, including transportation, hotels, attractions, restaurants etc. to attract tourists in a way that increases their sense of security and comfort.

4 Conclusion

Sichuan Province, one of China's top tourist provinces, is undoubtedly one of the most direct victims of the outbreak which can directly impact on China's GDP. The tourism industry in Sichuan affected by the epidemic is characterized by vulnerability, versatility, dependency and sustainability which are different from the characteristics of the previous tourism industry. The Sichuan tourism industry is therefore facing huge challenges, including serious direct losses in the short term, low tourist confidence in the long term and difficulties for small and medium-sized tourism enterprises to survive. The solution to these problems requires the joint efforts of government and business: increased support through policy, and the need to push the boundaries of tourism businesses' products. Seeing the microscopic, many provinces and cities in China are in fact experiencing a similar dilemma to Sichuan Province. The epidemic has hit the tourism industry hard, but these blows still can be overcome according to this paper.

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