

The Future of the Tourism Sector after the Great Lockdown

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Abstract

The global coronavirus outbreak, called Great Lockdown, has negative effects on all sectors. The psychological, sociological and especially economic negative effects of the outbreak are expected to continue in the short and medium term. The tourism sector is one of the sectors that are affected by the pandemic most. At the same time, accommodation, food and beverage, transportation and other sectors (souvenirs, carpet-rugs, etc.), which are sub-sectors related to tourism, have been exposed to the same effect. The tourism sector both in Turkey and in the world, is testing the highest employment decline in its history. The negative impact of these effects on the tourism sector is expected to continue increasingly. The year 2020 is considered a dead period for many sectors. It is estimated that perhaps the worst data of its history will be recorded for the tourism and travel industry in this period. The measures taken under the light of these leading indicators point to a period when radical consumption and production patterns will be tested and travel trends will change structurally.

Keywords

COVID-19 and tourism, effect of epidemic on tourism, pandemic and tourism, tourism sector

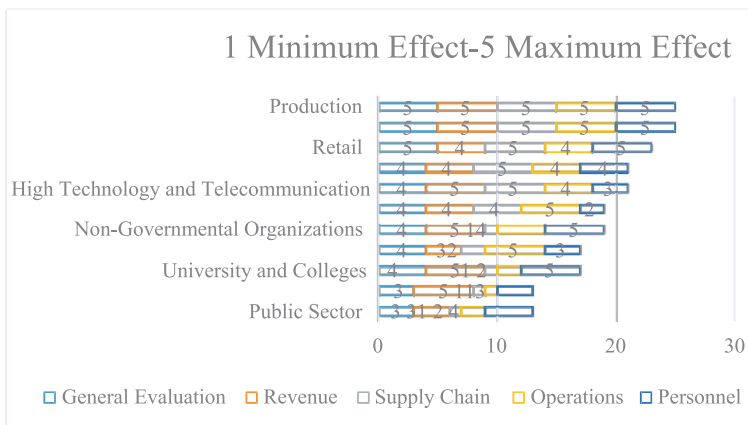
¹ This study is a translation and updated version of the paper previously published in the book titled "Küresel Salgının Anatomisi: İnsan ve Toplumun Geleceği" by TÜBA in June 2020.

Introduction

Tourism industry has become an industry that has folded both its tourist numbers and tourism revenue in past fifty years. Tourism is an industry creating one of each ten jobs in the world, holding a share of \$1.6 trillion within the world's export, generating 10% of world's GDP, as well 7% of the world's export and 30% of the world's service export (UNWTO, 2020). On the other side, while the number of tourists in 2019 reached to 1.5 billion, the tourism revenue reached to \$1.7 trillion. Tourism activity is an industry that is considerably open and fragile against shocks (pandemic, terror, war, acts of God, etc.) in terms of demand. Meanwhile, as well as being fragile, it has an industrial structure that can regenerate itself against shocks. However, the tourism industry entered into a new period following the declaration of COVID-19 as pandemic, in other words as global outbreak, by the World Health Organization on March 11, 2020. It is unlikely to get over this period without any damage in the short- and long-term. In the studies reviewing the impact of the pandemic to the Chinese and world's economy, it is assumed that the virus will damage the Chinese economy approximately by \$62 billion and world's economy by more than \$280 billion in the first quarter of the year (Ayttey vd., 2020; Acar, 2020). On the other side, in its optimistic estimation, Organization for Economic Cooperation and Development (OECD) expects that a decrease at a rate of 45% will be experienced in the international tourism transactions in 2020 due to COVID-19. In its pessimistic estimation, it is foreseen that this decrease will rise to 70% (OECD, 2020) in case the virus continues until September 2020. The domestic tourism is also over-affected due to the restriction measures, however a quicker recovery is expected in the domestic tourism following the recovery phase (Bahar and İlal, 2020). Because, initially the out-of-town prohibitions within the country will be revoked. And concerning the international travels, it is foreseen that the measures and restrictions will continue for a while.

When the macroeconomic aspect of Turkish tourism is taken into consideration, a recovery is in question in the industry following the sharp falls in the number of tourist and tourism revenue of 2016. In 2019, the total number of foreign tourists arrived to Turkey was 45 million and an increase at a rate of 12%, compared to 2018, was experienced in the total number of incoming foreign tourists. These figures reach to 51 million tourists and a change rate of 14% together with the citizens residing abroad. The countries that sent the most visitors are, respectively; Russia (7 million), Germany (5 million), Bulgaria (2.7 million), United Kingdom (2.6 million) and Iran (2.1 million). And regarding the tourism revenues in 2019, there is an increase of 16% compared to the previous year. Accordingly, the tourism revenues reached to \$34.5 billion. The average per capita expenditure reached to \$666 (Ministry of Culture and Tourism, 2020).

Figure 1. Effect of COVID-19 Pandemic on Industries Index



Source: Avasant LLC (2020)

In the effect index prepared by Avasant LLC (2020) through taking the personnel, operations, supply chain and revenues in 11 master industries worldwide into consideration, it is in evidence in Figure 1 that the industries being effected in the severest manner are the production, travel and transportation. It is seen that the travel and transportation industries received the highest points (5 points) in terms of general evaluation, revenue, supply chain, operations and personnel, therefore they are one of the two industries among the industries that had the severest effect due to the coronavirus pandemic.

Keeping in mind that the severity and level of the future reflections of these adverse tables experienced throughout the world depend on the correct formation of the new models, trends and plans started to be formed as of today will designate the inversion direction of the tourism and logistic industries. Therefore, well-analysis of these effects and generation of solution in terms of industries should overlap with the policies to be applied by the economies. For

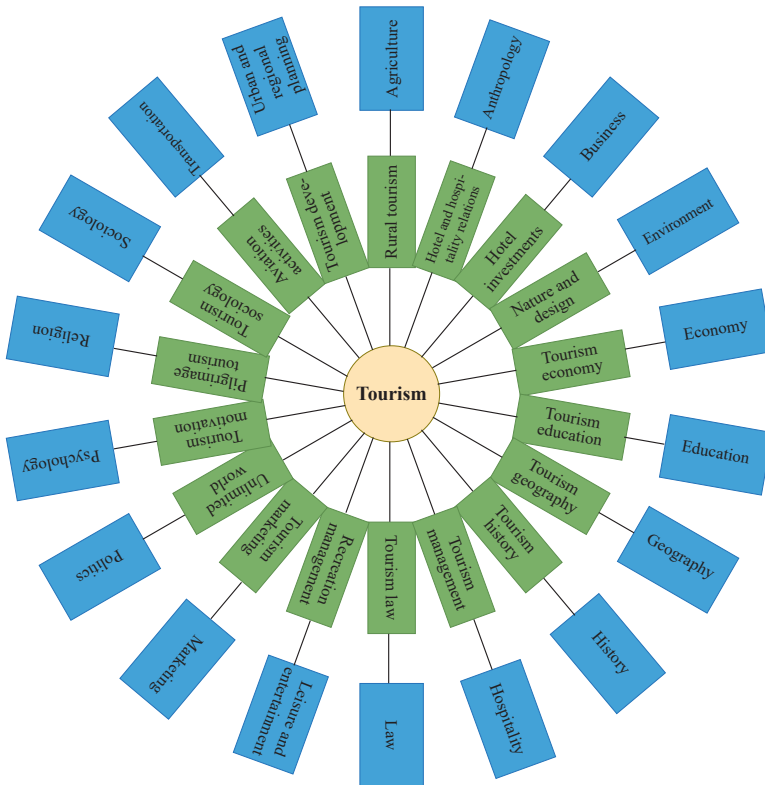
this reason, this study aims to present an opinion on the steps to be taken in the following periods by reviewing the effect of the pandemic on the tourism industry.

The study is consisted of 3 main topics. Following the introduction section, the theoretical framework and tourism-related projections will be mentioned in section 2. In the conclusion section, the conclusion and policy suggestions will be provided.

Conceptual Framework

The tourism industry has a significant position for the countries that are located in the Mediterranean basin, such as Turkey, and are dependent on mass tourism. It has a trade volume of \$34.5 billion providing input for 54 different industries in Turkish economy. When the economic contribution of \$34.5 billion, so the direct and induced effects of tourism industry are taken into consideration in terms of direct effects, it reaches to a great economic volume as can be seen in Figure 2. The tourism industry accommodates a spectrum concern to various fields from education to culture, from anthropology to archaeology, from accommodation industry to transportation, souvenir and recreation.

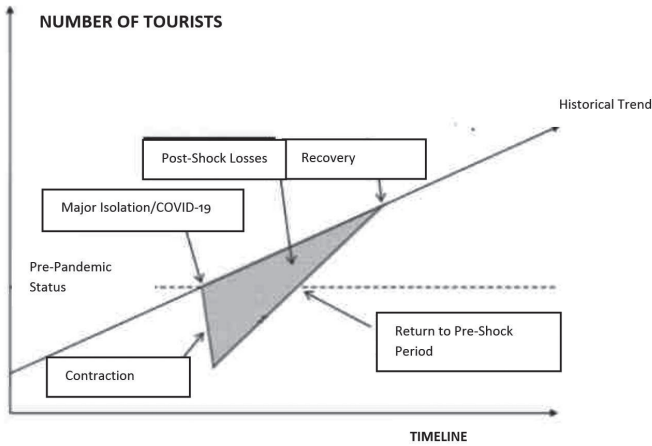
Figure 2. Multidisciplinary Structure of Tourism Industry



Source: Jafari (2001); Bauer (2008)

One of the most enormous dangers being scared of regionally in the tourism industry is the global terrorist acts, but the size of the adverse effect of this pandemic cannot be estimated. It is possible to explain the shocks experienced in the tourism industry, so the effect of COVID-19 as seen in Graphic 1.

Graphic 1. Effect of COVID-19 Pandemic on Number of Tourists



Source: Güllal, Özcan and Özmen (2016) and edited by the author.

When the Graphic 1 is reviewed, particularly the date March 11th, 2019 (the date on which the epidemic is accepted as pandemic) represents the starting point of the external shock. Since that date, the tourism industry is in a contraction period, and the deep point has not been reached yet in terms of the world tourism economy. Following the completion of the contraction period, shall be returned to the recovery, in other words, the pre-shock period. Even in the terrorist incidents, this recovery period catches its pre-shock, in other words, previous level after 3-6 months. The size (scanned area) of the losses experienced due to the shock is determined by the success of the countries in using the economic policies. In 2020, according to the estimates of World Tourism Organization, it is expected to experience a sharp fall at a rate of 20-30% at best in the international tourist arrivals compared to 2019 (UNWTO, 2020).

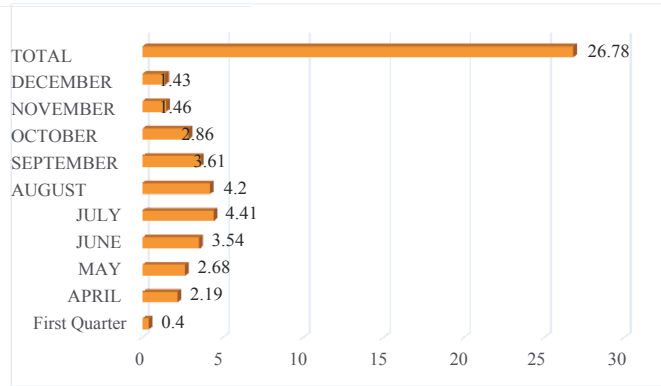
In general, the economic effects of the tourism is evaluated in terms of the number of tourists, so the tourism revenues. The effect of the tourism on the foreign exchange earnings can be evaluated over the Graphic 2.

Economic Effects of Pandemic Expected in Tourism Industry

Tourism has significant positive contributions to the foreign exchange reserves. As of 2019, it provided \$34.5 billion injection to Turkish economy. For the monthly amount of foreign exchange provided to the tourism industry, the minimum foreign exchange amount estimation for 2020 has been calculated by multiplying the monthly number of tourist arrivals with the average tourist

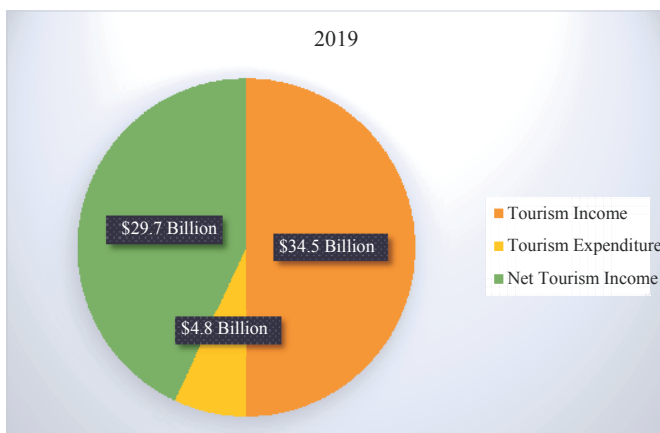
expenditure. When the Graphic 2 is reviewed, the tourism revenue loss in the first quarter actualized as \$0.4 billion (TÜİK, 2020).

Graphic 2. 2020 Tourism Industry Estimated Foreign Exchange Loss (billion dollars)²



Along with the full implementation of the overseas arrival and departure prohibitions as of April, the reach of losses to the maximum level is expected. It is expected that the estimated foreign exchange losses in June, July and August will reach to the maximum level as can be seen in Graphic 2. And it is expected to reach \$26.7 billion in total. The controlled initiation of domestic tourism in June 2020 will give a shape to how to proceed in foreign tourism. The measures taken in the tourism industry and the measures to be taken by the countries sending tourist in the global aspect will shape the Graphic 2 in adverse or positive direction.

Graphic 3. Tourism Income and Expenditure (billion dollars)

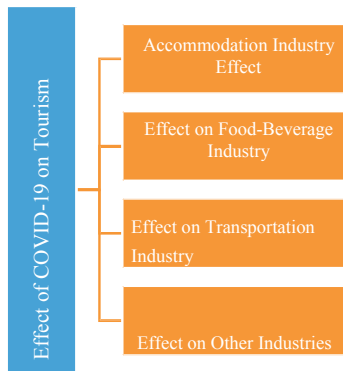


² Turkish citizens residing abroad have not been included into the calculations. When Turkish citizens are included, there will be a total increase of approximately \$4.5 billion.

On the other hand, when it is considered in terms of tourism expenditures, the tourism expenditures turned into a gain since Turkish citizens could not departed from the country due to the pandemic in 2020. Therefore, the tourism expenditures turned into a tourism gain of minimum \$4.8 billion in 2020.

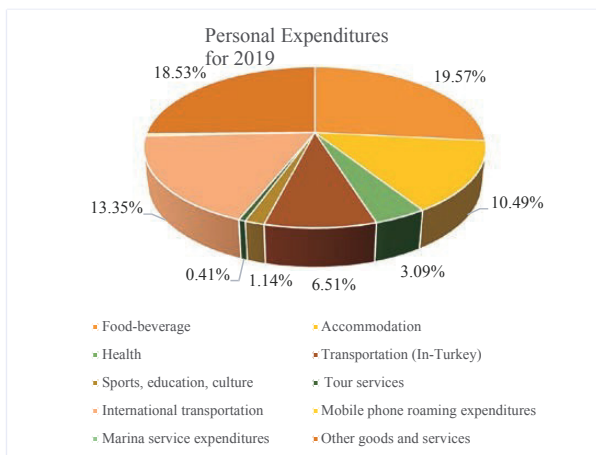
The economic effects of the tourism industry are essentially divided into two groups. First of these is the real economic effects, and the second is the monetary economic effects. It is possible to handle the reel economic effects in the basis of the sub-industries of the tourism industry.

Figure 3. Effect of COVID-19 on Sub-Industries of Tourism



The Tourism Industry is essentially divided into 4 sub-industries. These are, as seen in Figure 3, are accommodation, food-beverage, transportation and other industries.

Graphic 4. Distribution of Personal Touristic Expenditures



When the distribution of the expenditures made in the tourism industry are taken into consideration, the food-beverage (19.5%), other goods and services (18.5%), transportation (13.3%) and accommodation (10.4%) are seen as the main items.

Effect on Accommodation Industry

The accommodation industry is ranked at the top of the main supply source of the tourism industry. It is the first destination of the tourist after the receipt of the transportations service. The share of the added value generated by the accommodation businesses positioned as key element in the tourism industry is, as seen in Table 1, 11.8% in 2018 and 10.4% in 2019. When the estimations for 2020 are evaluated, an economic loss of \$3.6 billion is in question.

Tablo 1. Distribution of Tourism Income Per Expenditure Items (2018, 2019)

	2018		2019	
	Amount (\$1000)	Share (%)	Amount (1000\$)	Share (%)
TYPE OF EXPENDITURE				
Total tourism income (A+B)	29.512.926	100.00%	34.520.332	100.00%
Personal expenditures (A)	22.546.615	76.40%	25.355.577	73.45%
Food-beverage	5.933.587	20.11%	6.756.719	19.57%
Accommodation	3.299.496	11.18%	3.621.359	10.49%
Health	863.307	2.93%	1.065.105	3.09%
Transportation (In-Turkey)	1.943.635	6.59%	2.247.263	6.51%
Sports, education, culture	347.688	1.18%	393.778	1.14%
Tour services	117.373	0.40%	142.047	0.41%
International transportation	4.191.515	14.20%	4.607.257	13.35%
Mobile phone roaming expenditures	101.904	0.35%	85.364	0.25%
Marina service expenditures	37.237	0.13%	41.752	0.12%
Other goods and services	5.710.869	19.35%	6.394.933	18.53%
Textiles and shoes	3.326.166	11.27%	3.921.072	11.36%
Souvenir	1.260.845	4.27%	1.344.768	3.90%
Carpet, rug, etc.	93.661	0.32%	120.436	0.35%
Other expenditures	1.030.195	3.49%	1.008.657	2.92%
Package tour expenditures (share remained to our country) (B)	6.966.310	23.60%	9.164.755	26.55%

Source: TÜİK Departing Visitors Survey, 2020

The marginal utility level of tourism realizes at amounts higher than the normal commodities. Therefore, the people will stop or postpone, in the best-case scenario, their holiday and travel trend due to the rules and restrictions in the tourism industry.

However, along with this, it is possible that the following trends may reveal in the industry in the following periods: Boutique hotels, independent villas, holiday villages, private boat tours, bungalows, summer houses, caravans, tents and camps, large-sized hotels³.

A communique numbered 2020/6 was published for the accommodation enterprises on 12.05.2020. With this communique, mandatory and advisory rules have been set for many facilities. However, this communique reveals 2 elements in terms of the accommodation enterprises. One of these is that the rules expected to be complied by the enterprises cause cost increase, and the second one is that the enterprises do not want to operate with 60% vacancy rate or certain capacity. As a conclusion in both of the cases, there will be a recession resulting from the cost increases. So the contraction will reveal in the industry in the short- and medium-term.

On the other hand, the technological trends and changes will gain importance in the accommodation industry, too. For instance; automatic doors, contactless payment, menu reservations in advance, cessation of open-buffet, the release of a technology-focused structure in general in the lodging industry is expected. It can be expected that this may improve the efficiency, on the other hand, increase the technological and structural unemployment.

Furthermore, the format in check-in processes will also change. The use of face-scanning programs, door-opening feature from mobile phone with Bluetooth technology, and electronic signature, etc. applications will increase. It is foreseen that the food-beverage and travel habits of the people will partially or completely change after this pandemic. The pools, fitness, kids' clubs and SPA areas of the hotels will be disinfected more carefully in terms of health.

Effect on Food-Beverage Industry

The share of the food-beverage industry within the tourism industry is very high. Within the tourism industry, the food and beverage industry, as can be seen in Table 1, is creating added value of \$6.7 billion in Turkey. The share of the food and beverage industry in tourism revenues is 19.5%. The tourism industry in Turkey generally basis on All-Inclusive (AI) system. Along with COVID-19, radical changes are also expected in food-beverage trends in tourism. While all-inclusive format exhibits a decrease trend, the presentations will change to give people confidence. As in the aircraft, it is expected that the options such as the determination of the menus in advance, the selection of meals will come to the fore. In other words, the customers will not be able to

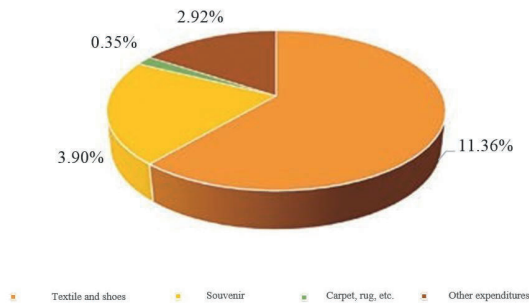
³ When 60% vacancy rates and the 2020/6 numbered communique of the Ministry of Culture and Tourism are taken into consideration, it is expected that it will be preferred by a certain side.

take their dishes with their own spoons from steam-table food serving places. The cooks will serve the dishes of the customers from the live cooking stations. For disinfection, the hotels will have to go towards chemical cleaning products with a high alcohol content despite the cost increases. The increase in the costs will increase the prices according to the tourism demand model and therefore will decrease the demand for tourism. This means less tourists in the tourism industry. On the other hand, it should be underlined that most of the hotels are cleaner than many public spaces in terms of materials used.

Effect on Other Goods and Services Industry

Other goods and services constitute a very important income item for the tourism industry. Other goods and services item consists of textiles and shoes, souvenirs, carpets, rugs, etc. other expenditure group. It has a very important multiplier effect, particularly due to being ranked in the small- and medium-sized business class in the tourism industry. As it can be seen in Graphic 5, its share in tourism incomes in 2019 is \$6.3 billion and it has a share of 18.5%.

Graphic 5. Other Good and Service Expenditures in Tourism Industry

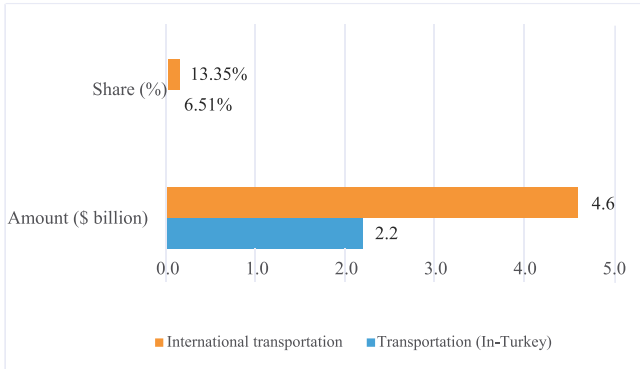


Due to the fact that the enterprises listed in the other goods and services industry are especially small-sized enterprises and their equity capital is insufficient, it is one of the sub-industries that will be most affected both in terms of demand and supply in the crisis caused by the COVID-19 pandemic. Among these industries, the textile and footwear industry with 11.3%, the souvenir industry with 3.9%, the carpet-rug and weaving industries with 2.9% are available. Although the demand of these industries realizes in touristic destinations such as Istanbul, Antalya, İzmir, their supply realizes in Gaziantep (carpet, rug weaving), Konya (footwear), Bursa (textile, towel, socks, etc.) and many cities of Anatolia. And this increases the size of the regional economic effects of COVID-19 or similar pandemics. Therefore, the sub-industries that depend on these industries are naturally added to the rings of the chain affected by the pandemic.

Effect on Transportation Industry

The fourth most important element of the tourism industry is the transportation industry. Transportation has the most important share of the tourism industry. The share of the transportation industry within tourism expenditures is 19.8%. The transportation in tourism is divided into two groups as international and national (In-Turkey). When it is evaluated as an economic size, it reaches a volume of \$6.8 billion.

Graphic 6. Place of Transportation in Tourism Industry



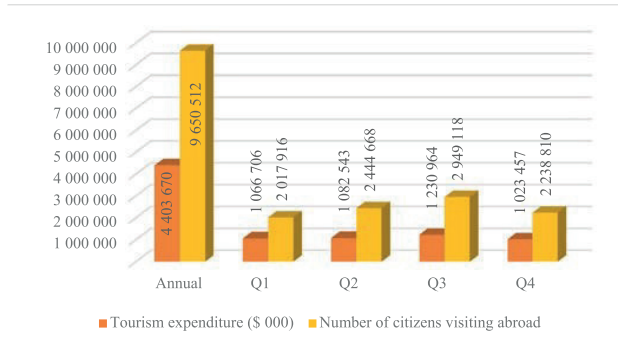
Particularly the airline companies have an important share in tourism transportation. The majority of tourism transportation (72.7%) is carried out by air transportation (Digilli, 2016: 200). Therefore, it is inevitable to take some measures regarding the air transportation. Taking restrictive measures in airline transportation, which is the most important pillar of the tourism industry and transportation industry, will reduce the demand both as cost and psychologically. The protective measures taken by THY at Istanbul airport or at any airport in the world, for example conducting a corona test, will be a deterrent factor for all passengers, both temporally, physically and economically. While the tourists do not tolerate the passport and visa, etc. issues under normal circumstances, such measures will prevent people from travelling for vacation or business.

In addition to this, similar measures taken in the aviation industry, personal trips, ecological trips, healthy life-SPA trips, gourmet trips, slow-city trips, social responsibility trips will create new trends. People will organize their travel plans online, instead of an agency, as well organize their flight, accommodation, transfer and even the private guide who will show the place they want to go. Maybe the important travel bloggers on the internet will appear as special travel planning experts before us and will help people by making personal travel plans. The public transportation vehicles will not be preferred due to fear of pandemic. People will reach the destinations they want to go by renting a car. The number of car rentals will increase at a certain rate (Bahar, 2020).

Effect on Tourism Expenditures

The tourism expenditures, which consist of the expenditures of our citizens who reside in the home-country, but visit other countries, decreased by 25.6% compared to the same quarter of the previous year and actualized as \$793 million 491 thousand.

Graphic 7. Tourism Expenditure and Number of Departing Tourists (2019)



The tourism expenditure that was \$4.4 billion in 2019 is, as can be seen in Graph 7, expected to decrease significantly in 2020. It is expected that the number of tourists visiting abroad and the tourism expenditure will decrease to very low levels with the change in consumption behaviour of people due to both COVID-19 pandemic and the increasing pressure on the foreign exchange rates.

The number of citizens visiting abroad in the first quarter of 2020 decreased by 13.6 percent compared to the same quarter of the previous year and reached 1 million 743 thousand 660 people. Their average expenditure per capita actualized as 455 dollars. Therefore, when the tourism expenditures are considered as an import item, it can be considered, in terms of Turkish economy, that this will decrease this import. The tourism balance will be balanced at positive side with the foreign exchange earnings obtained from here. However, since Turkey's tourism current account balance has an active tourism balance, the earnings of \$4.4 billion will only act as a small buffer to the loss obtained from the tourism income.

Conclusion

Focused on the general economic effects of COVID-19 that has become a pandemic. In the literature, considerable levels of economic analysis are proposed. Since the tourism industry is a multidisciplinary area, it has many areas of effect. Particularly to the public health, sufficient attention should be paid to the environmental, sociological and cultural effects of the pandemic. In these and similar events that pose a global threat and have no medical treatment, acting within the rules set by the authorities minimizes the risks

that may occur. However, it is obvious that the demand particularly for the tourism being a peaceful and luxurious service will be adversely affected. These adversities will create radical changes in consumption and production habits after the pandemic. In addition to this, the depth of the effect of this crisis will vary depending on the process of the pandemic and the time of its end. The need of the people to a confidence environment that is healthy enough to tend to the tourism industry, and the presentation of both psychological and economic policy instruments that will stimulate the holiday impulse will be inevitable to reduce the losses caused by the pandemic in the tourism industry.

When the international mobility feature of the tourism industry is taken into consideration, the policies to be implemented by the economies on the tourism industry after the pandemic should be as to mutually support each other, so that the other countries can simultaneously benefit from the tourism demand that occurs in one country and at the same level of measures. Otherwise, the policies that are implemented only in one destination can be ineffective due to not finding a response.

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