

HOW DID COVID-19 CHANGE THE INDIAN OUTBOUND TOURISM & TRAVEL INDUSTRY?

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ABSTRACT

COVID-19 had an unprecedented impact on all the global economies in which the tourism industry was a key leader. In this global scenario, India is an emerging stable economy where the tourism industry plays a critical role and has been stable and sustained over all the crises observed in the last 100 years. However, in the wake of the pandemic, the government had to enforce major changes in the policies regulating domestic and international travel. This study focuses upon the initial framework of the Indian tourism industry, and its scenario pre- and post-COVID, with a detailed analysis of its impact and future recovery plans. Based on a systematic review of the scenario, the study thus concludes that while the travel industry has observed an unprecedented setback, there is potential for it to push back against market trends through mitigatory efforts in the future.

Keywords: Covid-19, tourism, global economy, CAGR, UNTWO

Introduction to India's travel industry

In India, the tourism industry has been plagued by the myth that travelling is restricted to the "richer sections" for spending on leisure is considered way too lavish for millions of lower-income citizens. Yet, even though the industry does not focus on attending to the basic daily needs of the public, it is now set to surpass US\$ 40 billion by 2026 (Dublin, 2021).

After technology, travel industry is the fastest growing sector to create opportunities & generate a stable revenue stream (Garg 2015). It is also acknowledged as a major tool for economic development, poverty eradication, social upliftment and maintenance of international collaboration and co-ordination. (Datta, 2019). The steady growth of this industry is

predominantly credited to a rise in various market opportunities due to participation and contribution of the middle-income group.

Being the fastest emerging economy with the world's second-largest population, the outbound travel in India has been booming since the 1990s. 1991 was considered to be a turning point for India as the government introduced the LPG policy - liberalization, globalization & privatization - due to which outbound travel reached a record high evaluation at \$1.94 million. By 2016, this evaluation increased to \$21.87 million at a 10.17% Compound Annual Growth Rate (CAGR)¹. In tandem with such paramount growth, studies conducted by the United Nations World Tourism Organization (UNTWO) predicted India's outbound travel evaluation to reach \$50 million by 2022 and \$40 billion by 2026 (Datta,2019). This evaluation showcases that India is an emerging global travel force with the power to create opportunities and reinvent the structures of the travel industry.

While India's outbound travelers majorly target short haul and budget destinations, certain long-distance destinations are also popular such as the USA, Australia, and New Zealand.

With the most intrinsic part of traveling being the key decision to choose a destination, travelers face a high risk in paying an advance without having any in-person verification of the destination. Instead, most people purely depend on external feedback and ratings from online sources and platforms. While this allows an individual to imagine the experience of being at the location prior to travelling there, it can create unrealistic expectations (Zhang, 2009). Thus, social media has filled the gap of information by playing a major role in the online transition of the tourism industry, especially in terms of research, decision making, destination promotion and interaction with other travelers to share travelling tips and tricks.

Thus, a traveler's perception, destination imaging and satisfaction in terms of the budget plays a very strategic role in decision making processes and have been a primary area of study for various authors like Crompton & Ankomah, 1993, Gartner, 1989, and Goodall, 1988. Therefore, factors affecting a travel decision correlates to a traveler's satisfaction with the experience which further contributes to overall destination loyalty (Alexandris, Kouthouris & Meligdis, 2006; Bramwell, 1998; Oppermann, 2000; Pritchard & Howard, 1997).

While modern societies and stable growing economies can be credited for the number of choices

¹ The annualized average rate of revenue growth between two given years, assuming growth takes place at an exponentially compounded rate.

awarded to travelers to enable them to make more informed decisions, it is essential to consider that too many choices also do not eliminate the risk factor of travel decisions (Zeithaml, 1988).

According to an online survey, major factors that impact a traveler's choices include their safety (36%), return on investment (30%), food (23%) and language barrier (21%). Considering these factors impacting travelers' choices, it can be concluded that their perspective on choosing a travel destination is more on the lines of experimental or explorative basis than simply considering travel as a leisure activity.

In line with this conclusion, studies indicate while travelers wish to explore new destinations within and beyond India, in 2019, most travellers indicated a preference for travelling to Hyderabad & Dubai. For inbound travel, Hyderabad was followed by Pune, Jaipur, Kochi and Mysore as the most preferred destinations, whereas for outbound travel, Dubai was followed by Bangkok, Singapore, London, and Kuala Lumpur.

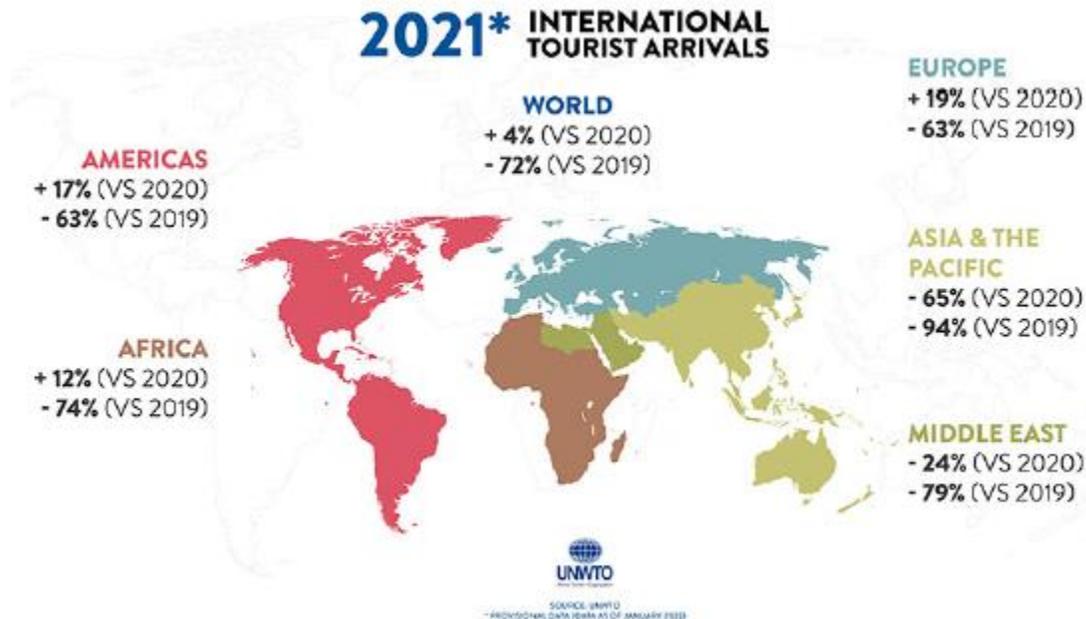
Apart from these established destination points, while Shillong, Mangalore, Rishikesh, Guwahati and Pune are emerging as popular local destinations, Istanbul, Phuket, Vietnam, and Tokyo are the fastest growing destinations for Indians travelling overseas.

Impact of COVID-19 on the tourism industry:

Upon the onset of COVID-19 in India, not only did the travel industry come to a temporary halt, but also accounted for negative growth rates in forecast surveys. With the introduction of mitigatory effects such as social distancing, lockdowns, work from home, self-quarantine, curbs on gatherings, inclusions of passes from one region to another and strict medical norms, people were discouraged from all avoidable means of travel (Gretzel et al., 2020; Sigala, 2020).

Even globally, the impact was drastic and led to an employment loss of approximately 100.08 million (Statista, 2020). Yet, this impact was not restricted to the economic state of affairs, but also impacted the political and social climate (Cohen,2012).

While the travel industry had been exposed to various disruptive events in the past such as terrorist attacks, SARS-CoV-2, MERS-CoV, Ebola, and Swine Flu, COVID-19 caused the most distress till date. (Wen et al., 2020). As the mechanisms of the global tourism industry halted, it led to a complete paralysis of various other actors in the market, including airlines, hotels and travel agents. (a Divya Vasant Jagdale¹, Dr Heena Ganatra², 2021).



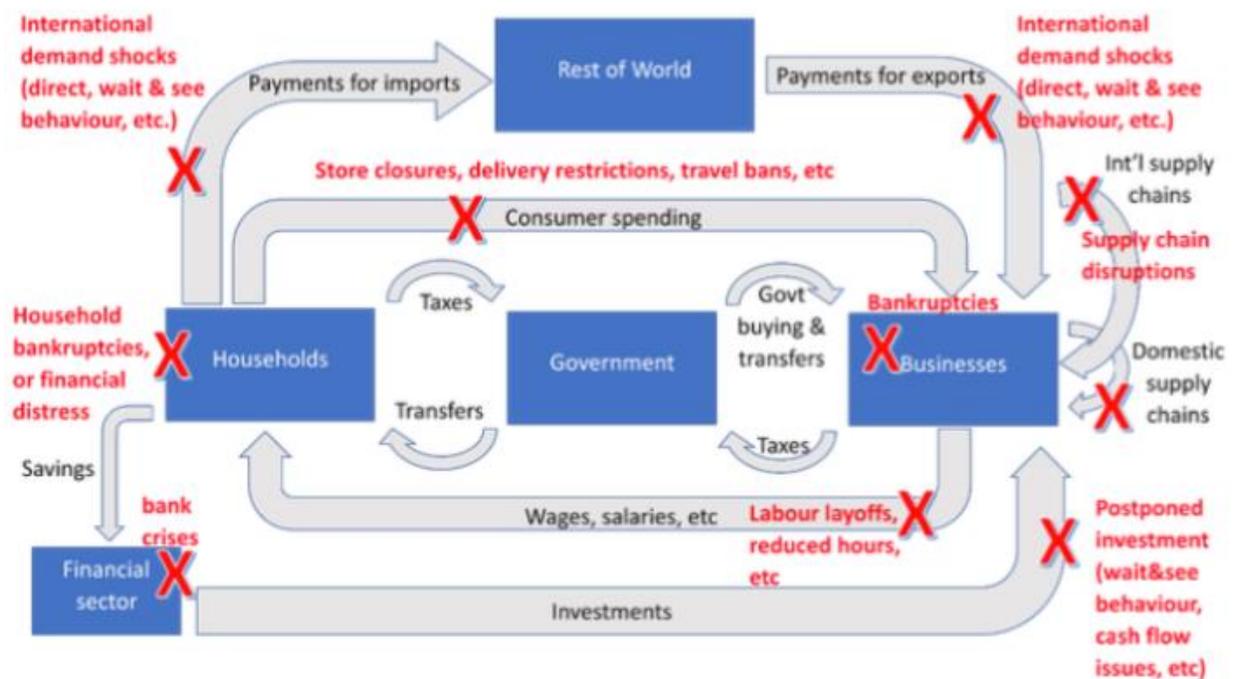
The National Lockdown

The initiation of the lockdown between February 2020 and late March 2020, which later evolved to a travel ban across the country led the airways and railway sector to come to a complete stand still. During the national lockdown, the Indian government restricted travel to 80 countries, which consequently led international flights to get suspended. According to a report of the Archeological Survey of India, there are 3691 sites registered with the organization, out of which 38 world heritage sites remained untouched during the pandemic, indicating low percentages of domestic travelers.

Similarly, a report from the Ministry of Tourism recorded that only 66% of Foreign Tourist Arrivals (FTA) traveled to India in March 2020. Consequently, there was a 64% decline in the foreign exchange income accrued by the tourism industry. In light of these losses, many tourism-driven businesses either had to shut down or declare bankruptcy due to cancellation of over 90% of flights and hotels bookings. Between March and April 2020, tour operators and travel agents across the country accrued 50% less average revenue as compared to their earnings in 2019 (Niti, 2020).

Within an expansive travel & tourism industry that employs 87.5 million people directly and indirectly, nearly 40-50 million people lost their jobs in India (FICCI, 2020, Scroll 2020).

The Indian Association of Tour Operators (IATO) announced that the hotel, aviation, and travel sector incurred losses amounting to 8500 crore, in light of the travel restrictions. Further, apart from the mass layoffs, employees who were able to retain their jobs during this situation received salary cuts, and in turn faced critical damage to their personal livelihood and economic security. (Mallapur, 2020).



COVID-19’s multiple strikes in the circular flow of income diagram (Mankiw, 2010)

In addition to the internal stakeholders of the industry, tourists were also directly impacted by the pandemic. With constant changes in the policies and protocols due to the pandemic, it became challenging for them to keep up with region-specific norms.

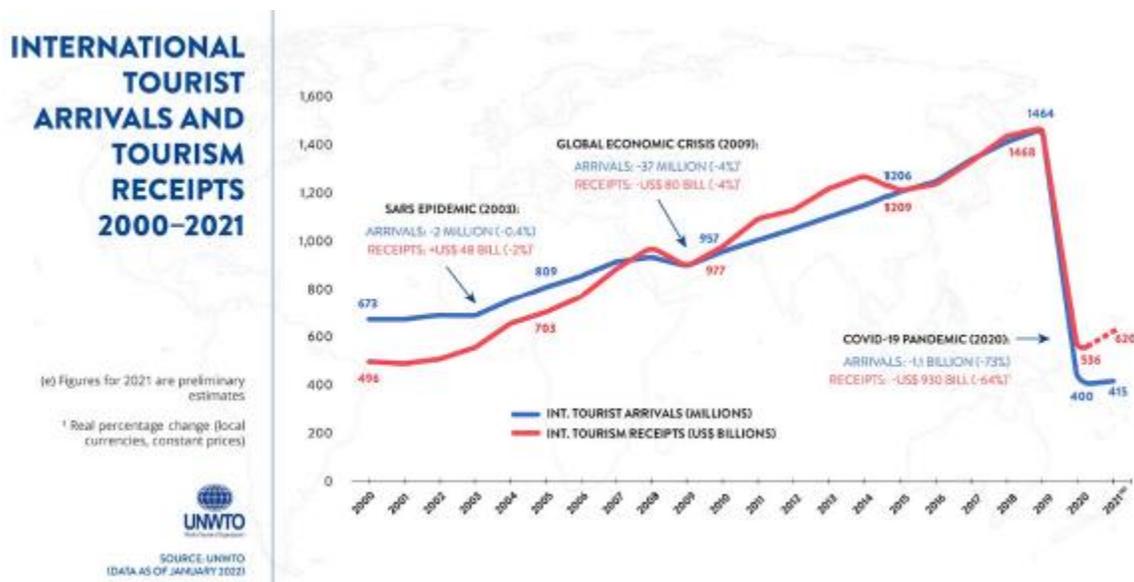
Lockdowns, a primary preventative measure to curb spread of COVID-19, also caused a major hit to the industry (Tan, 2020; Khan et al., 2021; Chanazzi et al., 2020; Murray, 2020).

The direct impact on the travel industry

Ever since the announcement of the national lockdown on 24 March 2020, the travel industry has experienced several fluctuations from time to time (The Hindu, 2020). A summary of the impact

of these fluctuations on the travel industry has been detailed below.

- 1) Due to a whirl of domestic and international cancellations, the travelers count depleted and led to a slowdown in tourism-related industries.
- 2) A quick snapshot of the period between 2000 and 2021, as referenced in the below image, clearly indicates a uniform progressive trend till 2019 which drastically dipped since then and is yet gradually picking up but not in the progression as it used to.



- 3) 38 million jobs were directly impacted due to the pandemic, which account for nearly 70% of the total workforce in the Indian tourism industry.
- 4) There were major reductions in the flight fares, up to 20%-25%, in domestic sectors to boost business, yet it did not result in a significant uptick in the traveler count.
- 5) There were major shut downs and temporary closures of various airlines across the world (Benassy-Quéré 2020; IMF, 2020; Baldwin, 2020). This included:
 - I. On 11 February 2020, Air Italy ceased operating.
 - II. Turkish airline Atlas Global collapsed on 12 February 2020.
 - III. British airline Flyby, entered administration (Bankruptcy/ Insolvency) on 5 March

2020.

- IV. Charter airline Miami Air International filed for Chapter 11 bankruptcy on 24 March 2020.
- V. Trans States Airlines, ceased its operations on 17 March 2020.
- VI. The Italian airline Ernest Airlines collapsed on 5 April 2020.
- VII. Compass Airlines, a United States regional carrier, completely ceased its operations on 5 April 2020.
- VIII. Virgin Australia formally applied for voluntary administration (it is a process to assess the company's viability to provide better returns to its creditors) on 21 April 2020.
- IX. Air Mauritius entered voluntary administration to safeguard the interests of the company on 22 April 2020.
- X. In April 2020, German Airways filed for insolvency.
- XI. Avianca, the second oldest airline in the world and the second largest airline in Latin America, filed for bankruptcy on 10 May 2020.
- XII. Thai Airways announced plans to restructure the company under a bankruptcy court.
- XIII. On 21 July 2020, Jet Time announced it had filed for bankruptcy.
- XIV. Ravn Air, a regional airline based in Alaska, filed for Chapter 11 bankruptcy on 5 Apr 2020.
- XV. Interjet, the third-largest Mexican airline filed for bankruptcy on 5 April 2020.
- XVI. On 3 September 2021, Philippine Airlines filed for bankruptcy protection in a U.S. court.

6) While major airlines went into bankruptcy, few airlines explored options to sustain themselves and keep the flights running by accommodating to support government plans

on repatriation flights.

- 7) There was a major boost to the exploration and use of online business domains across the world.
- 8) There was a major growth in e-learning and university collaborations which major tourism boards also encouraged in their domain.
- 9) Remote work tools & applications were adopted across the industry.
- 10) E-bike sales increased due to consumers seeking safe alternatives to public transport.
- 11) Introduction of virtual reality in travel domains to ease the travel experience for first-time travelers.
- 12) Contactless use of documentation was adopted across travel counters and businesses.
- 13) Some hotel businesses incorporated the idea of home stays to remain profitable.
- 14) Digi Yatra (face recognitions) was introduced at various checkpoints during air travel.
- 15) Various government bodies launched road campaigns to boost in-person travel to nearby states.
- 16) There was an eminent reduction in carbon footprint.

Change in dynamics & Industry way forward

While the pandemic had a catastrophic impact on the industry, it also allowed an insight into reimagining the practices and policies that govern the industry and will ensure its survival in the post-COVID market. Some brief points are summarized below:

- 1) Business across the industry will observe an increase in virtual connections.
- 2) Introduction of hybrid formats of conferences and events for work and academic purposes. For example, in a corporate setting, this means a company's annual meeting will be hosted in Toronto, while live streaming to a global audience. This combination allows both live and virtual participants to participate.

- 3) Focus attention on the quality of travel rather than the quantity.
- 4) Focus on mitigating the carbon footprint of businesses.
- 5) Leading corporates have reassessed their travel related sustainability measures, such as their transition to online internal meetings, optimization of meeting agendas to limit travel, incorporation of restriction policy on business travel, reduction of long and international travel, and encouragement for utilizing other means of travel than air.

In addition to these measures, cost savings accrued during the lockdown is directly proportional to the cost control measures adopted by the companies. This would enhance their focus on promoting travel in economy class instead of business class, revising compliance and travel policies, and increasing attention towards extending better & lowest fares.

- 6) Apart from corporate companies, there might be a sudden spike in travel of individuals from different demographics in lieu of the long-term restrictions on travel.
- 7) During this period, studies indicated that there was a rise in travel to second-tier cities and smaller destinations instead of traditional peak spots.
- 8) Anyone who encourages the facility of seamless remote working opportunity, might observe an increase in their business.

The Future outlook of the Industry

A study conducted by the UNTWO indicated that international tourism will grow from 38% to 78% in 2022 as compared to 2021, which is still 50% to 63% below the pandemic period as illustrated below. Simultaneously, the analysis also predicted that the complete revival of the tourism industry is not expected to occur before 2024.

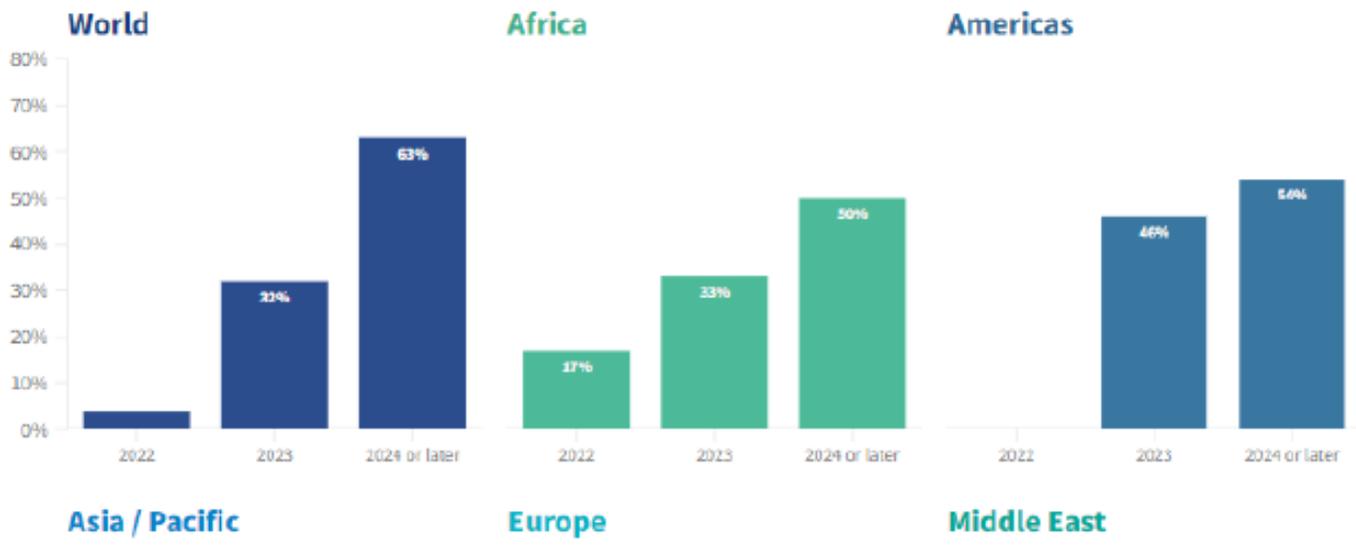
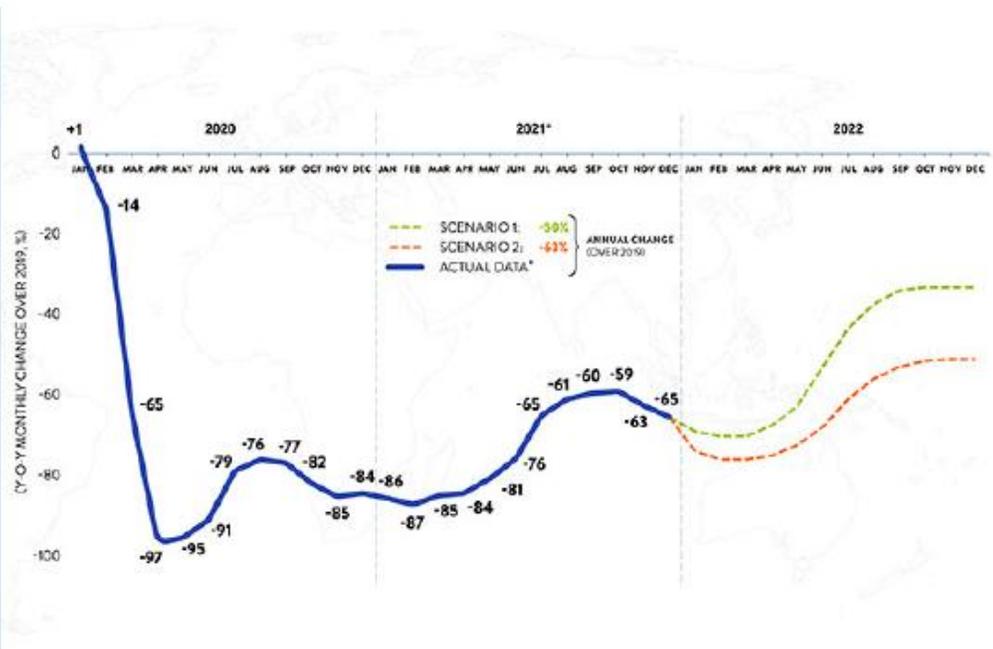
INTERNATIONAL TOURIST ARRIVALS: SCENARIOS FOR 2022

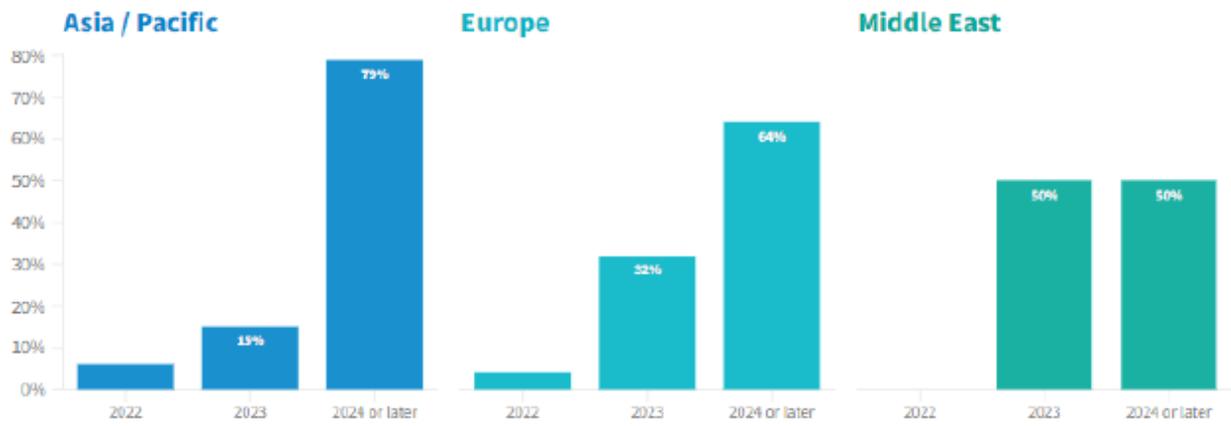
(Y-O-Y MONTHLY CHANGE OVER 2019, %)

* Actual data for 2021 is preliminary and based on estimates for destinations which have not yet reported results.



SOURCE: UNWTO (DATA AS OF JANUARY 2022)





UNWTO conducted a global survey among its UNWTO Panel of Tourism Experts on the impact of COVID-19 on tourism and the expected time of recovery. Data as collected by UNWTO, January 2022. Published: 18/01/2022

According to a study conducted by Deloitte, it is also important to account for some of the developments which will be required to trigger the business as well some others which may result in a slowdown in the business as illustrated in the image below.



The impact of COVID-19 was not just confined to developed economies, but also impacted the emerging economies. The consequences of the pandemic are beyond the general measures undertaken by industrial and institutional agents to mitigate and boost the tourism sector as it will be the last of the industries to recover from this crisis.

Along with existing traditional travel trends, new practices and ideas related to traveling

locally with open air activities, nature associated products and rural tourism are going to be incorporated in the future structures and policies.

Conclusion

This paper concludes that it is imperative to acknowledge that every cause or concern provides new lessons and ways to adapt. Within these structures, some new policies and protocols are to set the benchmark for the industry in its continuity and conduct. Some key insights that would play a vital role in the way forward are improving the traveler's confidence, understanding and tracking the new market needs and committing to building a new resilient inclusive tourism sector. From an institutional perspective, focus upon the mainstream product and its risk management is crucial as activities that increase investment in products of tourism are likely to be promoted by the government. Thus, the road to recovery of the tourism and travel industry will require innovation and collaboration.

Subsequent to focusing on the short-term goals and building the confidence of the investors and consumers, the industry and its agents will have to reassess their long-term goals of strengthening sustainability, building resilience and sharing the benefits equitably across the travel value chain to avoid future discrepancies and failures.

Especially at the government level, factors of resilience need to be incorporated through timely response, technological innovation and increased focus on boosting consumer & employee confidence.

Lastly, as the industry assimilates to a new global economic order, it will have to realign its goals and approach to focus on sustainable tourism, wellbeing of the society, climatic change mitigation and engagement, and collaboration of the local community. Thus, the approach will not only revitalize the tourism industry, but also establish a blueprint for future travel.

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