

The Recovery After COVID-19: Travel, Tourism, and Hospitality Industries of Indiana



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June 24, 2020

Executive Summary

- The COVID-19 virus pandemic has caused a major shock to travel, tourism, and hospitality worldwide.
- The shock of the COVID-19 virus has very seriously hurt the industry in Indiana.
- The economic recovery for the industry in Indiana will require a strong governmental response, funneling funds into improving the tourism infrastructure and ensuring visitors in Indiana that they will be safe to travel to and in Indiana.
- The economic recovery of the industry will require a number of coordinated policies with the state government taking the lead. Such policies to lead towards recovery will require funding of market research for the industry, a coordination of policies across the state for the industry, a rebranding of Indiana with the cooperation of the government, DMOs, and industry. Policies to train workers and encourage workers to return to the industry will also be necessary.

The Importance of the Industry in Indiana and Vulnerability to Shocks

Globally, tourism is a massive industry. According to the World Travel & Tourism Council (2020a), for the last year in which the data are available (2018), travel and tourism accounted for over 10% of global economic activity and was responsible for one in ten jobs globally, and was the second fastest growing sector in the global economy, second only to manufacturing, although travel and tourism has been growing for years at a higher rate than manufacturing. Travel and tourism is a critical part of the global economy and is responsible for supplying employment and services to many people in many countries.

The travel and tourism industry is also very important to the economy of the USA. US Travel Association (2020) reports that travel and tourism supported 15.8 million jobs in the USA in 2019 and their estimates show that without the tax revenue from travel and tourism, the average American household would pay about \$1,398 more in taxes. The significance of the travel and tourism to the economy is substantial, with one in ten jobs dependent upon travel and tourism in the USA (US Travel Association, 2020), illustrating that travel and tourism is as important to the USA's economy as it is to the global economy.

But travel and tourism's importance to the economy is not just isolated to those major destinations in the USA typically visited by international tourists, such as New York City, Miami, or Las Vegas; but it is also a major component of the economy in many states. The 2018 data on tourism suggests that 1 in 23 Indiana workers is employed because of tourism (Visit Indiana Tourism, 2019). The same data also show that the Indiana tourism industry directly supported over 152,000 jobs in Indiana in 2018 and that if tourism did not exist in Indiana, each Indiana household would have to pay around \$566 dollars more in sales and local taxes to keep the current level of tax receipts (Visit Indiana Tourism, 2019). Despite not being a major hub of international tourism, Indiana's travel, tourism, and hospitality industries are important to the economy of Indiana, providing significant input into the economy of the state.

However, what has been noteworthy about the travel, tourism, and hospitality industry worldwide is its vulnerability to the current pandemic (Vox, 2020). The World Travel & Tourism Council (2020a) shows that there are over 100 million jobs lost globally in the industry due to the virus. The estimates for the losses of jobs in the sector are substantial for many reasons. One reason is that there is little to be done in terms of moving to virtual tourism that can benefit the labor that works in bricks and mortar tourism and hospitality establishments. So, while software engineers, accountants, and university professors (among many others) can easily move their operations to their home offices, many in tourism and hospitality do not have that option. Also, because of health risks, travel has been curtailed. In addition, travel, tourism, and hospitality suffers from the issue of perishability. While shoe manufacturing may stockpile finished products, hoping that a boom will occur later to sell the finished good, hospitality and tourism products cannot be treated in the same way. A lost night in a bed in a hotel cannot be sold the following day.

Many have researched how destinations, firms, and management in travel, tourism, and hospitality have dealt with crises and the recovery from crises. The academic literature shows that tourists avoid unattractive destinations (those with poor human rights records, crime, terrorism, and political conflict), according to the findings from substantial databases (see, for example; Llorca-Vivero, 2008; Neumayer, 2004). Many other studies confirm this (see, for example; Araña & León, 2008; Björk & Kauppinen-Räsänen, 2011; Causevic & Lynch, 2013; Larsen et al., 2011; Saha & Yap, 2014; Wolff & Larsen, 2014). What can be learned about tourism from this is that we can expect that while there may be some pent up demand globally for travel and tourism, destinations matter and that those destinations that demonstrate that they are safe for visitors will best bounce back from the pandemic. This suggests solutions that are visible and tangible to ensure visitors that they are safe as visitors.

Some of the literature on the recovery of tourism and hospitality following shocks deals with destinations and how they counteract the damage a crisis plays on the negative image that can occur due to a crisis (Avraham 2015, Allan & Alkushman, 2019; de Sausmarez 2007; de Sausmarez 2013; Webster et al., 2016). The consensus of the academic literature on negative shocks to tourism flows to destinations (whether it is a city, state, or country) seems to be that a

rapid and affirmative response to a substantial shock to tourism flows to destinations can assist in the recovery from the shock. An example of this is the way that a destination can recover from a shock is the way that Visit Indy unveiled its “Indy Welcomes All” campaign in response to the political crisis that resulted following the passage of RFRA in Indiana in 2015 (Webster et al., 2016). Repositioning and the communication of such by the destination marketing organization is shown to be an important element in recovery following a crisis, as shown by others (Chacko & Marcell, 2008), who discuss the rebranding of New Orleans following hurricane Katrina. So, it seems that the communication of a rebranding seems to be critical to attracting visitors, whether individuals or corporate in nature.

Something far less common in the literature on crises is the way that firms and managers recover from crises or survive a crisis (see, for example; Alegre & Sard; 2015, Jallat & Shultz, 2010). One of the best studied crises and the way that the travel and hospitality industry reacted to it was the Crimean Crisis of 2013 (see; Ivanov, Idzhylova & Webster, 2016; Ivanov, Sypchenko & Webster, 2017; Webster et al., 2017). These studies of the Crimean crisis show that managers in enterprises will adopt different policies in their situations based upon their needs and abilities to shape policies. Managers will implement policies to survive crises, including demanding payment in cash, demanding payment in different currencies than usual, delaying payments to suppliers, laying off staff, or other pragmatic policies on the ground that allow the enterprise to continue its operations under crisis conditions. But these lessons are more about the survival of firms in hostile conditions rather than a resurgence following a shock.

The SARS outbreak of 2002-2003 was a catalyst to raising awareness to the threats to tourism and hospitality and a substantial literature was developed in reaction to that, linking the SARS event and the experience to lessons with regards to how destinations and industries can recover from such an outbreak (see, for example; Cooper, 2005; Hung, et al., 2018; McKercher, 2004; Zeng, et al. 2005). However, there are other outbreaks/events (Ebola, H1N1 swine flu, MERS) that made an impression upon the academic literature with regards to how travel, tourism, and hospitality could recover from biological threats (Hall, 2005; Hung et al., 2018; Joo et al., 2019; Maphanga & Henama, 2019; Novelli et al., 2018). In addition, a very recent literature (see, for example; Jamal & Budke, 2020; Hanrahan & Melly, 2019; Sönmez et al., 2019) investigates

disease and the role that tourism plays as a threat to public health. The literature deals with how tourism spreads disease and how the spread of disease can be mitigated against. A central theme in this research is the conflict between the benefits of globalization for tourism and the health threat that such a flow of people between countries can bring. The solutions are largely political, stressing the role of government and regulation but also include the ways that industry can regulate itself to ensure security and the growth of the industry. At any rate, the current threat illustrates that a real threat should be counteracted with policies to ensure visitors of their safety and security from a biological threat.

From what we know from the literature, we see that there are biological risks to tourism, as most have come to see in a very dramatic way in 2020. For those in the general public and in the travel and tourism industry, it is also quite evident now that the dependence upon the free flow of people to and from destinations brings economic benefits but also brings with it a number of biological risks, as the COVID-19 experience of 2020 illustrates. For example, as early as February of 2020, 90% of the bookings for March of 2020 had been cancelled in some parts of Italy (the Local, 2020), devastating the industry there. The question becomes how governments and industries will react to this in order to mitigate the risks while enjoying the economic rewards of a vibrant tourism and hospitality industry. Most probably, industry will have to have more proactive approaches to crisis mitigation, due to the immense costs of the COVID-19 pandemic of 2020, although the new policies put into place in the wake of the event will likely seem to be reactive, imagining another viral pandemic that will behave in similar ways as the COVID-19 pandemic. As they say, “generals fight the last war.” So, we can expect that the policies put into place will largely be an artifact of the specific threat of the COVID-19 pandemic of 2020.

The Way Forward

The COVID-19 pandemic of 2020 will likely have significant and lasting effect upon government and the travel, tourism, and hospitality industry for years to come. Since the impact has hurt the general economy in substantial ways (such as the increase in unemployment) and has hurt the travel, tourism, and hospitality industry in very direct ways with the cancelation of

events and reduction in the use of hospitality facilities; there will be steps that will have to be taken to revive the general economy but also the economy as it pertains to travel, tourism, and hospitality.

1. **New Services and New Thinking are Needed.** One of the biggest needs right now will be professionals and services that can make customers in hospitality and tourism firms feel secure. What that that means is that private enterprise and government will have to improve and expand services available to hospitality and tourism companies and the industry. Already, the World Health Organization has established some guidelines to assist in the necessary steps needed in hospitality (Hospitalitynet 2020). One of the biggest needs will be government inspections of facilities used in order to ensure that there are adequate safeguards in place so that customers do not feel as if they are putting themselves into unnecessary risk in travel and hospitality businesses. There will be an increased need in the economy for private companies to produce the goods and services that are demanded due to the new reality. Already firms and residences are producing personal protection equipment and disseminating it in response to the demand. Many other businesses will come into being to support the need to protect customers and other members of the public.
2. **Keeping Employees Interested in Hospitality and Tourism.** Inducements should be thought of to encourage people to stay in the hospitality industry. Since the COVID-19 situation hit the hospitality industry first and hardest, those working in the industry and those who had thought of working in the industry will not see the advantage of staying in the industry. Since the industry is so large and important, a good workforce that is dedicated to the industry is needed, the way to encourage people to go into the industry is needed, whatever the specific policies may be. The Indiana Relief Fund is a good example of what the industry can do to encourage workers to stay in the industry after the pandemic. By offering financial support to those in the industry, the Indiana Restaurant & Lodging Association has worked in ways to support workers in the industry by giving them small grants of 500\$ to relieve them of the financial hardships that they have experienced from the pandemic.

3. **Strike while the iron is hot.** Rahm Emanuel many years ago famously said, “You never want a serious crisis to go to waste. And what I mean by that is an opportunity to do things that you think you could not do before.” This is the chance to do things that would be advantageous to the tourism industry, hopefully leveraging the disastrous things that have happened to ensure that funding comes in ways to revive the tourism and hospitality industry in Indiana. Policies should be taken by the state to revive the tourism economy in Indiana and can help it in a very direct way. Those in the industry should make it clear to policy makers what they need in order to revive the industry. There are already signs of a rebound of the industry with some suggestion that it will rebound quickly and strongly (Deflorian, 2020).

4. **This is a time to rebrand.** Since the COVID-19 virus is a pandemic, many places will have a chance to have a fresh start. This is an opportunity for Indiana to rebrand itself in any way that it wants; however, timing is key. Those destinations that recovered from major cataclysms used the period as a time to rebrand themselves, taking advantage of the opportunity and communicating this to the general public/potential visitors. Even in the state of Indiana, there is a precedence for this, as VisitIndy rebranded Indianapolis as a welcoming place in the wake of the RFRA crisis in 2015. A notion that Indianapolis is a safe place will resonate well with many. In addition, the promotion of local venues and sites of interest will be important since visitors will likely not want to take airplanes in the near future, preferring to stay in their automobiles to reduce biological risks to themselves.

Specific Policies Needed

1. **Increased investments in health and safety in tourism.** What industry will dislike is increased regulations. However, what the travelers in the state would like to see is increased vigilance in regards to health and safety in establishments, especially if it is something visual and linked with biosecurity (the biological security of the environment). There should be increased investments in the industry to ensure that travelers feel safe, as

this is a measure that can relate to the return of the tourists and overall destination's attractiveness. Any destination will have to stress that it has taken action to prevent another pandemic as a communication to travelers. Although reactive, rather than proactive, travelers and government will have a favorable view of this. The hiring of increased numbers of inspectors and the adding of health and safety protocols mandated by the state will add to costs for industry and the state, but also create a greater sense of security among visitors and users of facilities in Indiana. Since Indiana does not have a massive agritourism sector, it is reasonable to funnel investments into ensuring that hospitality and tourism facilities enforce high levels of hygiene to ensure that customers are as safe as safety protocols allow. Since hospitality often employs many lower-paid workers, giving incentives and enforcing safety protocols away from the view of the customers.

2. **Encouragement for workers to return to travel, tourism, and hospitality.** Many workers in the industry were the first to be laid off, as this was an industry that was hit very early with the reduction of visitors and general business. Offering incentives to workers in the industry may be an important policy issue. The need for such incentives would be necessary as to keep standards in the industry high and to ensure that there is a trained and enthusiastic workforce in the industry. There could be creative policies, possibly giving tax incentives for increased salaries to employees. Policies that encourage education and training in the industry should be put into place also because it was an industry that reacted swiftly to the pandemic, laying people off quickly following the reduction in business. This is referred to as upskilling, the process of improving the skills of the hospitality and tourism workforce. The experience may have turned many away from the industry that may seem fickle and willing to lay off workers readily. Encouragement could include tax incentives to employers, as well as scholarships to those studying in fields linked with the industry.
 - a. Specifically, the state should fund scholarships at state universities and community colleges to ensure that there is a skilled workforce that feels encouraged to enter into the industry.

- b. Specifically, the state should use tax incentives to ensure that small and medium sized businesses have the encouragement to reopen, as they employ people all over the state and sometimes in smaller businesses. Tax incentives could include a lowering of tax rates for hospitality services to encourage increased consumption by consumers, even if such a reduction only lasts a few months.
 - c. Specifically, the hospitality and tourism industry should pool resources to support community partnerships in developing training and education programs that align to higher level employer needs. Outcomes will include industry-focused training and education programs for in-demand occupations; curriculum based on necessary skills and competencies as identified by local employers; employability skills (soft skills) instruction that can be utilized across all hospitality and tourism careers; and work-and-learn opportunities for youth and adult learners wishing to enter the industry workforce.
3. **Funding of market research.** Market research is needed to learn about how visitors perceive their safety after the crisis. The industry can respond if it knows about how different markets feel about travel. The knowledge of how people perceive their safety during travel and how they feel about spending money following the crisis will help us learn about how to rebrand and market the products for visitors in Indiana. There will be a large boom following the worst of the restrictions, people will have discretionary funds saved for their summer travel and businesses will be active again. However, each segment of the market may have different concerns and access to funds to travel and pay for services.
- a. Specifically, market research should be funded to ensure that convention centers can be filled, as much as possible. Since there has been greater demand for convention centers (relative to supply of space) and many meetings will have been postponed; there will be a massive pent up demand and Indiana should ensure that it can get access to this.
 - b. Specifically, market research funded by the state should look into what visitors expect with regards to health and safety in travel. Since the pandemic is so

recent, providers will have to know what concerns service providers will need to address during a rebranding and recovery effort.

- c. Specifically, market research should look into travel by those with discretionary funds and who do not work in sync with the academic calendar (the retired). Market research should look into how this segment of the population will behave with regards to what they plan to purchase and under what conditions.
 - d. Specifically, market research should look into how business will behave following an easing of restrictions, since this is a very lucrative market and is based upon the needs of business rather than the whimsy of individuals.
4. **Encouragement of cooperation between DMOs, government, and industry.** Government will likely have to take the lead but DMOs and industry will have to be involved in the discussion. Government should not move ahead without learning about all segments of the industry to gather insight into the industry's needs. For example, smaller operations such as bed and breakfasts have to be a concern, as they generate employment and income for families and will not be the first thought of, most likely, as government may be concentrating upon major enterprises and employers.
- a. Specifically, state government authorities should organize meetings with destination marketing organizations, industry, and other relevant authorities such as those responsible for campgrounds, parks, and hospitality firms. These meetings should organize to come up with strategic plans to develop a recovery strategy and define specific goals for subsets of the industry. For example, there should be a specific plan designed to ensure that conventions are revived in the state and the same should be done for other components of the industry.
5. **Develop a state-level recovery strategy.** The various regions of the state should work in a coordinated way in order to ensure that various destinations in the state do not compete against each other, but rather complement each other. This is where the state should step in, likely setting up a tourism revival task force to create a strategy and funnel investments into those particular parts of the travel, tourism, and hospitality economy that are most needed.

- a. Specifically, the state has to create a state-wide strategic plan, designating components of the industry that are most important to revive and which ones are less important. The intention is to provide a list of priorities and to designate those most critical for the use of resources to rebuild following the current crisis. This should be done in conjunction with local tourism authorities and representatives from the travel, tourism, and hospitality industries.

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