China's Tourism Industry under COVID-19: Impact & Response

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Abstract. The outbreak of COVID-19 has strained the global economic situation, and many industries are facing serious threats. As COVID-19 continues to spread across the globe, countries around the world have introduced strict travel controls. The tourism business has experienced unprecedented effects as a result of unfavorable external circumstances and customer anxiety. This paper examines COVID-19's effects on the travel and tourism sector, explaining the development status of China's domestic, inbound and outbound tourism market under the impact of COVID-19 pandemic, discovering the changes of college students' travel decisions before and after the pandemic, and demonstrating the severe damages of tourism enterprises, in particular, enterprises that mainly operate the hotel business and travel agency business. After that, the effectiveness and rationality of the existing tourism recovery strategies are evaluated. This paper adopted the research methods of questionnaire survey and chart analysis to investigate the changes in college students' tourism consumption and the number of trips before and after the epidemic, and to evaluate the tourism recovery strategies which are implemented in China, such as issuing travel consumption coupons, the government's economic support for tourism companies. Eventually, the most suitable recovery strategy for China's current tourist market will be analyzed.

Keywords: COVID-19; the tourism industry; consumption level; recovery strategies.

1. Introduction

COVID-19 has severely damaged the prosperous tourism industry, causing a sharp decrease in visitors and operating difficulties for numerous small and medium-sized tourism companies. From the demand side of the market, after the outbreak of the pandemic, the number of visitors dropped significantly. The World Health Organization (2020) estimates that 900 million fewer people traveled internationally in the first ten months of 2020 compared to the same period in 2019, costing the global tourist industry $935 billion [1]. The decline in tourist numbers was probably attributed to two factors, fear of an unknown virus and government restrictions. Considering the elevated infection rates and the restriction of movement, people's demand for tourism probably continued to decline, hence the number of international tourists has dropped significantly. From the supply side of the market, many small and medium-sized tourism enterprises have faced a predicament that they cannot continue to operate. The American Travel Association (2020) states that more than 100,000 small businesses, or 2% of all small businesses in the US, have permanently closed in the first two months of the outbreak, with the catering industry particularly affected. The COVID-19 epidemic may have had a significant impact on small and medium-sized tourism businesses because to the interruption of their financial chain. Small and medium-sized tourism businesses were unable to generate cash through the provision of services as a result of the drop in the number of visitors. Furthermore, the housing rents, staff salaries, and other rigid expenditures of the majority of small and medium-sized tourism companies remained the same, resulting in a sharp increase in short-term financial pressure on small and medium-sized tourism companies. As a result, the outbreak of COVID-19 has led to a negative influence on both the demand and supply sides of the tourism industry, causing a sharp fall in the number of visitors and the hazard of bankruptcy faced by many small and medium-sized tourism enterprises.

Therefore, effective strategies to help the tourism industry recover from the unanticipated situation are urgently needed. A series of recovery strategies have been applied in China, such as releasing travel consumption coupons and the government offering more funds to tourism companies. Different regions in China have developed different tourism recovery strategies based on the development stage of the pandemic and the characteristics of local tourism. Under the condition that the epidemic will not spread again due to the recovery strategies, local governments try their best to reverse the development of the tourism market, promoting the recovery of the number of tourists and maintaining the operation of tourism enterprises.

This essay tries to assess the COVID-19's economic effects on the travel and tourism sector and determine the most effective course of action for its recovery. This essay will illustrate how COVID-19 has affected the tourist industry from the perspectives of the tourism market and the tourism-related businesses. The impact of the epidemic on the domestic tourism market, overseas tourism market and inbound tourism market will be analyzed and the development status of tourism enterprises will be shown, especially those mainly engaged in hotels and travel agencies. Moreover, the author investigated the changes of travel choices among college students in China before and after the COVID-19 pandemic, aiming to explore the impact of the epidemic on consumers' travel from a micro perspective. Finally, the situation of the tourism industry and the implemented recovery strategy will be analyzed in this essay, explaining the rationale behind the existing recovery strategies from an economic perspective, comparing the effectiveness of offering discounts on travel expenses, the government's economic support for tourism companies, companies' transformation of their service and products. This paper argues that among these economic recovery strategies, the transformation and diversification of tourism companies is the most effective method.

2. Impact of COVID-19 on China's Tourism Industry

In 2020, Chinese domestic visitors made 2.879 billion trips, 3.022 billion fewer than during the same period in 2019, a fall of 52.1%. This is due to the COVID-19 pandemic [2]. Domestic tourism revenue reduced by 61.1 percent from the same period last year, achieving only 2.23 trillion yuan. In addition, the money spent by each person per trip was 774.14 yuan on average, reduced by 18.8 percent from the same period last year [2]. According to the above statistics, it is concluded that China's tourism industry was largely affected by the pandemic, and the overall loss of the tourism industry was huge. This paper will analyze the situation and reasons of various tourism markets and travel companies affected by COVID-19, and demonstrate the changes of college students' travel decisions before and after the pandemic through a questionnaire survey.

2.1 Huge Shock on Tourism Markets

The domestic tourism market has suffered as a result of COVID-19. According to statistics, there were 415 million Chinese tourists during the Spring Festival in 2019 and 450 million are anticipated to travel during the festival in 2020 [3]. However, due to the pandemic, major attractions were closed, large-scale entertainment events were canceled, and inter-provincial travel was restricted. As a result, consumers were forced to cancel travel plans, and the number of tourists during the Spring Festival fell to 221 million.

COVID-19 has had a negative impact on the outbound travel market, as well. As the world's largest outbound tourism market, China reached 155 million trips in 2019 [3]. However, 134 countries have restricted the entry of Chinese tourists due to the pandemic [4]. Many countries and regions restrict the visa of Chinese tourists, and a strict exit and entry quarantine management system is also implemented in China, which considerably reduces the willingness of Chinese people to travel abroad, and impacts the development of China's outbound tourism market to a certain extent. The negative impact of COVID-19 is not only on the outbound travel market, but also the inbound tourism market. The number of inbound tourists reached 145 million in 2019 [5]. After the outbreak of the pandemic, the suspension of most international flights, the travel bans issued by some foreign countries, and the psychological fear caused by the novel coronavirus on foreign tourists severely hindered the development of China's inbound tourism market. The situation abroad is still dire even after the local pandemic scenario has been under control. China has implemented limitations on inbound tourism in order to stop the spread of COVID-19 from overseas, and the inbound tourism market has reached a standstill.

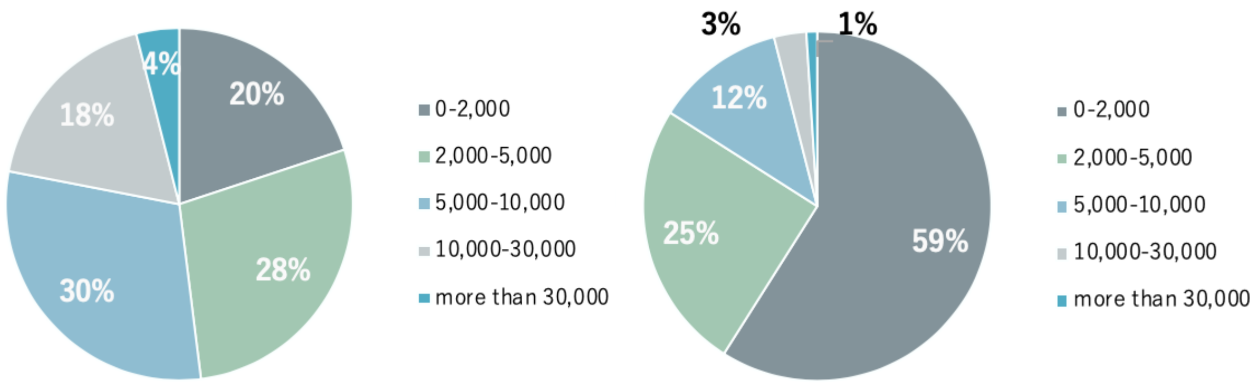
2.2 Plight of Tourism Companies

COVID-19 has had a negative impact on the lodging industry. From January 22 to February 5 in 2020, the total revenue of the lodging industry dropped by 85.56 percent, while labor costs increased by approximately 20 percent [6]. The lodging industry across the country has been hit hard by its heavy reliance on fast-rolling cash flow, high operating costs, and limited mobility due to the outbreak, which has led to the closure of some businesses. The cancellation of hotel conference, catering and accommodation orders, business trips, and postponement of post-holiday work brought huge losses to the lodging industry. Faced with high costs and expenses, such as rent, utilities, staff salaries and taxes during the pandemic, many enterprises are at risk of closing down.

COVID-19 has had a negative impact on the travel agency industry. Travel agencies are at risk of going bankrupt as a result of the pandemic, especially small and medium-sized travel agencies. First of all, during the pandemic period, the business volume of travel agencies was sharply reduced, which resulted in the lack of capital for the development of travel agencies [7]. Additionally, various fixed costs such as staff salary, rent and operating expenses still need to be paid, leading to greater financial pressure for travel agencies. Next, after COVID-19 was brought under control, the cost of returning to work of travel agencies increased, and the profits of employees were severely damaged, resulting in heavy business losses [4].

2.3 Influence on College Students' Travel Decisions

In order to investigate the impact of COVID-19 on micro individuals' travel choices, the author selected a group of college students to investigate their travel times and travel expenses before and after the pandemic. Between 5th and 26th April 2021, a questionnaire was distributed to freshmen and sophomores in Beijing Dublin International College and received 166 replies. Figure 1 shows money spent per year on travel before and after COVID-19. It is clear to see that people spent less money on traveling after the outbreak of the epidemic disease. More than 50% of people spent more than 5,000 yuan on traveling per year before COVID-19, but this number dropped to 16%. In addition, the proportion of people who spent less than 2,000 yuan on travel increased by nearly 40%, almost tripling. It is clear to see COVID-19 has had a huge impact on people’s choice of tourism.



(a) Before COVID-19 (b) After COVID-19

Fig. 1 Money spent per year in travel (RMB)
(Photo credit: Original)

From Figure 2, it can be concluded that people’s main concerns about traveling in relation to COVID-19 are the restriction of the movement of tourists and the risk of being infected while traveling. It is concluded that these factors should be considered by the government in order to provide better travel conditions.

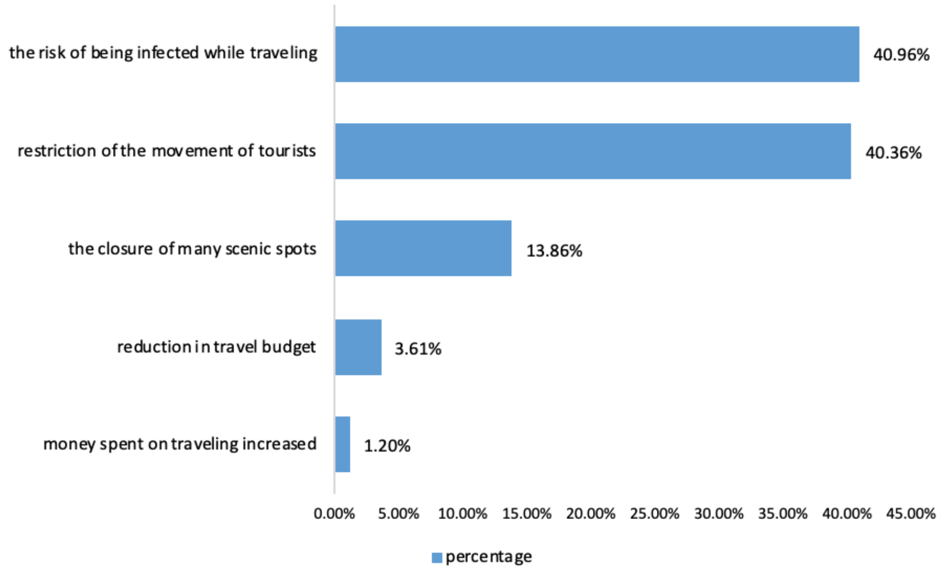


Fig. 2 People's main concerns about traveling in relation of COVID-19
(Photo credit: Original)

The results indicate that COVID-19 has a serious negative impact on college students' travel choices, both reducing people's willingness to travel and the money spent on travel. Most people drastically reduced their spending on travel. The potential reasons could be restriction of the movement of tourists and the risk of being infected during the journey. A certain number of people have shifted their preference from travel abroad to domestic travel. The prime reason for this change could be that the spread of COVID-19 is out of control in some foreign countries. It can safely be predicted that the tourism system may change for an extended period because of the novel coronavirus. In light of this, policymakers may need to pay urgent attention to the current situation, shouldering the responsibility for macroeconomic readjustment and taking fiscal actions to solve new problems of tourism under these altered conditions as soon as possible. If this is done, people will no longer have to worry as much about traveling and hence their willingness to travel and the money they spend could increase. Theoretically, in the long run, the tourism industry will gradually recover and rejuvenate. In order to more accurately track people's attitudes towards tourism, the author will continue to issue questionnaires along with the development of the pandemic. Finally, a more rigorous conclusion will be drawn by comparing the changes of people's travel decisions in different periods of COVID-19.

In conclusion, COVID-19 has had a huge impact on the tourism industry. The global tourism revenue loss in 2020 and 2021 was estimated to be about $3.3 trillion and the number of international tourist arrivals has decreased by 65-75% compared to pre-COVID-19 levels. COVID-19 has also influenced tourism enterprises. 6,456 travel-related businesses, including 1,670 travel agencies, 46 scenic site businesses, 1,890 hotels, and 274 airlines, have been shut down in China as of March 2020 [8]. Hotel business and travel agency business have suffered heavy losses. Meanwhile, the investigation results show that college students' travel intention and travel budget have also been reduced to some extent due to the pandemic. COVID-19 has had a negative impact on the tourism industry, severely affecting China's economic development, the operation of tourism companies, and curbing people's demand for travel. Therefore, appropriate tourism recovery strategies are indispensable.

3. Tourism Recovery Strategy Analysis

In order to maintain the stability of the tourism industry, the government has introduced fiscal policies to support the operation of tourism companies and minimize the number of tourism companies that go bankrupt due to the downturn of the tourism industry. At the same time, tourism enterprises themselves are also actively seeking for transformation, discovering more ways to gain profits, such as opening digital tourism, using live streaming to sell products. After COVID-19 was brought under control, the government partially reduced travel expenses for travelers, thereby boosting people's willingness to travel and facilitating the rapid recovery of the tourism industry.

3.1 Government: Reducing Consumers' Travel Expenses

Governments have conducted price promotions by providing travel consumption coupons or reducing tourist taxes after the outbreak of COVID-19. According to the China Ministry of Culture and Tourism (2022), Guizhou, Yunnan, and Zhejiang provinces in China have issued 8 million to 30 million yuan of local travel coupons to residents, encouraging them to spend money on tourism [2]. In May 2022, the Yunnan Provincial Department of Culture and Tourism issued a notice of ticket exemption for A-level tourist attractions, covering 73 tourist attractions with an average reduction of more than 50 percent, aiming to increase tourists' willingness to visit [9]. From economic theory, tourism is not a necessity in life, which indicates that appropriately reducing people's travel expenses is possible to improve people's willingness to travel greatly. However, there is an obvious gap between the expected effect and the practical application. For example, the tax cut introduced in the UK in July 2020 did not sharply increase the number of tourists. It was the time of the rapid spread of COVID-19 and there was no effective way to prevent its spreading since a vaccine was still being developed and tested in clinical trials. Hence, the increased willingness to travel brought by the reduction of tourism tax failed to compensate for people's concern about infection during tourism, resulting in the strategy not reaping the significant effect predicted. However, with the improvement of vaccination rates and the control of the pandemic, people's demand for travel has increased sharply. The statistics demonstrate that the implementation of a tax reduction strategy in 2021 may raise 50% of visitors in the Maldives according to the System Dynamics model [10]. In this situation, reducing people's travel expenses became a powerful booster to promote tourism recovery. In conclusion, it is productive to launch an expense reduction strategy to help revive the tourism industry when the pandemic is under control, rather than spreading wildly.

3.2 Government: Helping Tourism Companies Survive

From the aspect of stabilizing the tourism supply, governments' interventions could be critical for the recovery of the tourism sector [11]. Many governments around the world have offered subsidies to small and medium-sized travel companies and reduced the cost of loans to ensure that tourism enterprises do not go bankrupt on a large scale. Chinese authorities have taken action to support the tourism industry. For instance, the People's Bank of China mandated in a notice published in January 2020 that "banks should not blindly draw loans or cut off loans for the wholesale and retail, accommodation and catering, logistics and transportation, cultural tourism, and other industries, especially small and micro enterprises, which are greatly affected by the epidemic" [3]. The General Office of the Ministry of Culture and Tourism issued a notice that "all travel agencies nationwide that have paid the security deposit and obtained the travel agency business license will receive a return of 80 percent of the security deposit" [12]. A cooperation agreement between the Ministry of Culture and Tourist and the Industrial and Commercial Bank of China was reached in March 2020, and it established a new credit line of 100 billion yuan to assist cultural and tourism businesses in coping with the pandemic [13]. The government's financial support can help tourism enterprises overcome difficulties to a large extent, because in the case of a sharp decline in the number of tourists, tourism companies, especially small and medium-sized ones, cannot have enough income and are of high probability to face capital turnover difficulties and capital chain fracture. At that time, value-added tax exemption and subsidy strategies implemented by the government can effectively help travel companies reduce expenses and operating costs, therefore ensuring the normal operation of the company. In summary, government subsidies and cost-cutting strategies can help tourism enterprises to maintain stable operations to a certain extent, but small and medium-sized enterprises with poor management may still face the risk of bankruptcy.

3.3 Tourism Companies: Transformation and Diversification

In addition, tourism companies have also actively transformed to provide goods and services that could meet market demand during the pandemic, expanding more business and changing the ways they earn income. For instance, a deluxe hotel chain in Thailand has enrolled in the nation's alternative state quarantine housing program and provided a package for the required 14-day quarantine in its hotels [14]. The vacant hotel has been converted into an isolation place, indicating the space of the hotel was fully utilized and a government expropriation fee was collected. In addition, in order to meet people's travel demand during the outbreak of COVID-19, many tourist attractions in China have carried out "cloud tourism" projects, using the Internet technology to restore the scenery of the scenic spots, providing visit opportunities and digital services, to increase the exposure of the tourist attraction, helping tourists choose better tourism products and services after COVID-19. Therefore, tourism companies can explore market demand, transforming their services according to their characteristics, diversifying their products and services, and gaining profits from multiple channels. This approach is argued to be effective because it matches the demand and supply in the tourism market and makes profits through its inner transformation rather than relying on external support. Therefore, the transformation and diversification of tourism companies are possible to greatly increase companies' profitability, which could stabilize the supply of the tourism industry and then become an important driving force for the tourism recovery process.

4. Conclusion

In conclusion, tourism is an industry that has been severely affected by COVID-19, mainly reflected in the sharp drop in the number of domestic and foreign tourists and the difficulty for small and medium-sized tourism enterprises to sustain operations. In addition, the investigation of college students' travel decisions shows that after the outbreak of COVID-19, college students' willingness to travel has decreased significantly, with an average decrease of 30% in tourism expenditure. Therefore, it can be seen that the COVID-19 pandemic has a relatively serious impact on individual travel choices. In order to promote the recovery of tourism, different strategies for the economic recovery of tourism should be implemented. From the aspect of encouraging demand, the government could decrease tourist tax or issue tourism consumption coupons to reduce the travel expenditure of visitors. In terms of stable supply, tourism companies could actively transform and upgrade themselves, and the government could provide subsidies and value-added tax reduction strategies to secure the operation of small and medium-sized tourism enterprises. It is argued that only by implementing recovery strategies, which could help match the demand and supply sides, such as the tourism companies' transformation strategy, can it have a high probability of ensuring a stable market environment and then instantly and effectively promoting the recovery of tourism.

As the pandemic continues to develop, it may have different impacts on tourism development at different stages and lead to different recovery strategies. Since COVID-19 has been gradually controlled, the tourism recovery strategy will be adjusted according to the actual situation in each period. This paper only studied the recovery strategies in the case of the early stage of the pandemic, which has certain limitations. This is because the effect of the recovery strategy after the epidemic is not clear, there are certain difficulties in analysis. After that, the author will continue to pay attention to the tourism recovery strategies and their effects in different periods, and then carry out additional analysis and research.

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