

## Factors Influencing Tourism Crisis Vulnerability

### ปัจจัยที่ส่งผลต่อความอ่อนไหวของอุตสาหกรรมการท่องเที่ยว

\*Kom Campiranon

คม คัมภีรานนท์

#### **Abstract**

*The tourism industry has been influenced by a wide arrays of global crises in the past few years, such as the September 11th terrorism, Bali bombing, SARS, bird flu, and tsunami. Unlike other industries (e.g. manufacturing), tourism has been suffered from crises tremendously and therefore tourism is unarguably vulnerable to crises. In order to make explicit those root causes of tourism crisis vulnerability, this paper examines factors influencing crisis vulnerability of the tourism industry, by using a critical review of literatures, and suggests key implications for tourism businesses.*

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\*Director of Hospitality & Tourism Management Program DPU International College  
Dhurakij Pundit University  
Email : kom@dpu.ac.th

### บทคัดย่อ

สภาวะวิกฤตต่างๆ เช่น เหตุการณ์วันที่ 11 กันยายน (September 11) การระเบิดที่บาห์ลี โรคซาร์ส ไซ์หวัดนก และสึนามิ ล้วนส่งผลกระทบอย่างร้ายแรงต่ออุตสาหกรรมต่างๆ โดยเฉพาะอย่างยิ่งอุตสาหกรรมการท่องเที่ยวซึ่งมีความอ่อนไหวสูงต่อสภาวะวิกฤต บทความนี้จึงใช้การทบทวนวรรณกรรมที่เกี่ยวข้อง (Critical Review of Literature) เพื่อวิเคราะห์ปัจจัยที่ส่งผลกระทบต่อความอ่อนไหวของอุตสาหกรรมการท่องเที่ยว รวมทั้งเสนอแนะสิ่งที่ธุรกิจใ่อุตสาหกรรมการท่องเที่ยวสามารถนำไปปรับใช้ได้

**Keywords :** *Crisis management, Risk management, Tourism, Hospitality, Market segmentation*

## Introduction

International tourism flows are subject to disruption by a wide range of events (Prideaux, Laws et al. 2007), leading tourists to search for substitute tourism destinations (Anderson, Prideaux et al. 2007; Freyer and Schroder 2007). Major disruptions are felt in both origin and destination areas and affect both public and private sectors while disrupting the travel plans of potential tourists (Prideaux, Laws et al. 2007). Moreover, major disruptions to tourism flows as a result of crises have been challenging the tourism industry as a whole in recent years (Hopper 2002; Henderson 2003; Rosenthal 2003; Lyon and Worton 2007).

A number of authors (e.g. Lyon and Worton 2007; Prideaux, Laws et al. 2007) have suggested that a thorough understanding of the impacts unexpected crises can have on tourism flows is essential. Although there are many crisis types which can affect tourism, every crisis is unique. Their characteristics, evolution, and resolution are shaped by a multiplicity of forces both internal and external to the organization and the industry (Henderson 2007). As a result, not all crisis types lead to similar consequences, differing from one another

in both the scope and extent of damage caused (Aktas and Gunlu 2005). An example of this is made by Sonmez et al. (1999) that terrorism has higher impact on tourism than natural disaster. Moreover, while a natural disaster can impede the flow of tourism, terrorism risk tends to intimidate the traveling public more severely, as demonstrated by the realignment of travel flows and cancellation of vacations during periods of heightened terrorist activity.

Without a doubt, tourists who have seen a flood of media coverage immediately after the crisis struck will perceive that crisis-struck destination as a place that has a high level of risk. This issue poses a serious threat to the tourism industry as tourism relies heavily on an atmosphere of safety, security, and positive perceptions (Cooper and Erfurt 2007; Gurtner 2007). Moreover, tourist destinations that rely their economy on tourism (e.g. Maldives, Phuket, and Bali) will be suffered immensely from such a negative destination image. This means that tourism is vulnerable to crisis and therefore it is crucial for tourism organizations to understand root causes of crisis vulnerability in tourism in order to minimize such vulnerability and sustain their businesses. In response to

these issues, the following discussion will examine factors that influence crisis vulnerability of tourism.

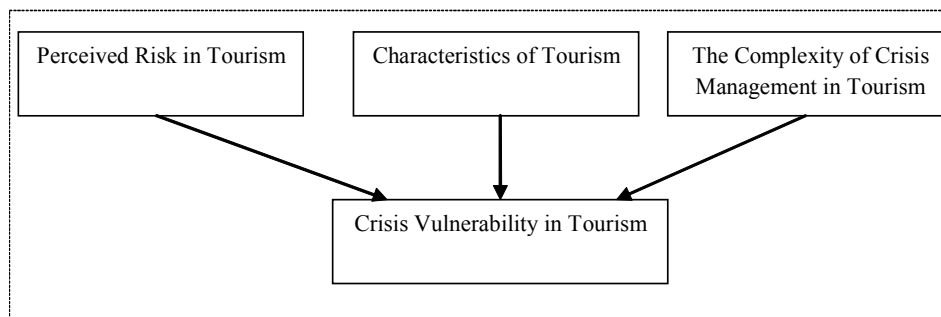
### **Factors influencing Crisis Vulnerability in the Tourism Industry**

Vulnerability can be defined as 'susceptibility to attack' (The American Heritage Dictionary of the English Language 2007), and it remains crucial for organizations to reduce susceptibility in order to ensure business continuity and profitability (McEntire 2005). In the context of this paper, the tourism industry remains highly vulnerable to crises (Sonmez, Apostolopoulos et al. 1999; Evans and Elphick 2005; Cooper and Erfurt 2007; Gurtner 2007), and heavily reliant on maintaining an atmosphere of safety, security, and positive perceptions (Cooper and Erfurt 2007; Gurtner 2007). In addition, tourism is vulnerable to

changes in tourist demand at the best of times, with decreases in the level of tourist expenditure having potentially considerable adverse effects on a destination (Kennedy 1998).

While tourism organizations are not really capable of preventing or even controlling many types of crises, they can certainly limit their vulnerability to crises when they occur (McEntire 2005). In order to minimize crisis vulnerability, a number of authors have attempted to understand vulnerability in the context of tourism. Although their opinions vary to certain extent, it can be seen that the key roots of crisis vulnerability in the tourism industry include, but are not limited to, the following issues: perceived risk in tourism, tourism characteristics, and the complexity of crisis management in tourism, as illustrated in Figure 1.

Figure 1: Factors influencing crisis vulnerability in the tourism industry



### Perceived Risk in Tourism

Perceived risk is a consumer's importance-weighted, subjective assessment of the expected value of inherent risk, in each of the possible alternatives for a given decision goal (Conchar et al. 2004, p. 422). Interestingly, perception of risk varies by nationality (Lepp & Gibson 2003, p. 612), gender (Emblemsvag & Kjolstad 2002, p. 843; Schubert 2006, p. 709), age, and culture (Emblemsvag & Kjolstad 2002, p. 843). In addition, individuals also often perceive the same risk situation in different ways (Delerue 2005, p. 533; March & Shapira 1987, p. 1405).

Perceived risk plays a key role in the decision-making process of potential buyers. In tourism, risk perception is a decisive factor in decision-making (Freyer and Schroder 2007), and has considerable impacts on tourism demand. Simply put, the higher the perception of risk in terms of a destination, the lower the tourism demand (Sonmez, Apostolopoulos et al. 1999; Anderson, Prideaux et al. 2007). Because the image of a destination is a key factor influencing tourists' buying behavior (Lyon and Worton 2007), and as tourists are free to choose from a wide range of destinations, most are unlikely

to consider traveling to, or in the region of areas of perceived risk (Lyon and Worton 2007). As a result, if a destination is associated with negative images or sentiments, e.g. a tsunami or SARS crisis, tourists often simply choose to cancel and find safer substitute destinations (Freyer and Schroder 2007; Gurtner 2007).

Tourism involves an inherent component of uncertainty and unpredictability (Gurtner 2007; Moreira 2007). In addition, while distance traveling has always involved risks, the difference today is that risks are progressively more evident. Crises such as September 11, 2001, the Bali bombing and SARS are just several recent crises that have created a psychological link between risk and traveling to a new destination. In many ways, these crises have changed the tourism industry worldwide, and harmed the international image of specific destinations leading to decreases in flights and tourist arrivals, and subsequent impact on tourism related businesses (Gurtner 2007). Moreover, these crises have also involved an increase in perceived risk the result of travel advisories and warnings issued by the governments of generating markets, and, in some cases, exacerbated by media

coverage (Lepp and Gibson 2003; Aktas and Gunlu 2005).

The image destinations invoke can be improved by decreasing perceptions that specific risk factors are present (Lepp and Gibson 2003). As images of destination-specific risks can at times influence tourists' decision-making behavior, the tourism industry needs to understand what can potentially scare tourism market segments (Dolnicar 2007). To achieve this, portfolio analysis can be used to calculate the risk-minimizing distribution of tourists.

In general, portfolio theory has been implemented in the field of financial analysis to help investors allocate portions of their budget to different securities, given that the events of the forthcoming holding period remain unknown. Portfolio analysis tries to compute the risk-minimizing portfolio of assets given the historic risk and expected return on individual assets. Similar to securities, tourism markets have different levels of risk and expected return, which allows portfolio analysis to be applied in a tourism context also (Kennedy 1998).

Loi (2004) emphasized that a portfolio analysis is crucial to the tourism

industry as it is a highly seasonal and demand-driven industry. It is also so vulnerable that it is often the first to be hard-hit during crises. This is compounded by the fact that the tourist-generating countries coming to a destination are very sensitive to negative image of the destination, thereby making the demand very unstable.

While the very nature of the tourism industry cannot be changed, a well-diversified tourist-generating market portfolio can help minimize the downside effect in bad times. To do so, the destination first needs to identify its current tourism mix (portfolio) and then decide whether such a mix is the most preferred (Loi 2004). In most cases, destinations affected by risk factors need to target tourists with a higher tolerance for risk (Lepp and Gibson 2003). However, while perceptions of risk associated with international tourism vary by nationality (Kennedy 1998; Lepp and Gibson 2003), it should be pointed that different individuals also perceive the same risk situation in different ways (March and Shapira 1987), which complicates any attempt to identify crisis-resilient tourists.

### **Tourism Characteristics**

While all industries are susceptible to crisis, the tourism industry is unusually exposed due to the nature of its services, markets, and operations (Henderson 2007). The characteristics of service organizations which contribute to crisis vulnerability include: labor intensive operations; having a high level of integration and engagement with their customer groups (inseparability); displaying an increasing scale of operations over time; and a range of internal and external cultural factors important in shaping the nature of the sector (Smith 2005). The key characteristics of tourism which contribute to its high level of crisis vulnerability will now be discussed in further detail.

Unlike the tangible products of other industries, tourism products have inherently unique characteristics including their perishability, intangibility, and inseparability (Kotler, Bowen et al. 2003). For an example of perishability, lost revenue in terms of unsold airline seats and hotel rooms cannot be retrieved after a crisis due to the perishable nature of these tourism products. Another example which differentiates tourism products from other consumer goods is

their intangibility; in other words, tourism organizations cannot simply recall their products if tourists are unsatisfied due to the impacts of a crisis (Henderson 2007).

Unlike perishability and intangibility, the concept of inseparability recognizes that a service is 'produced' at the time of consumption (Barrass 2002, p. 411). An example of this can be the hotel's difficulty to maintain a high service standard during the tsunami crisis as there may be a lack of staff or even a lack of electricity. Such a difficulty is caused by 'inseparability' as services need to be delivered upon the guest's request although the hotel is under an immense pressure from the crisis.

Moreover, there are other significant differences between tourism products and those of other consumer goods which increase susceptibility to crisis. In tourism, the industry must move people to the primary place of consumption, and accommodate and entertain them upon arrival. Indeed the journey itself is considered an aspect of production (Henderson 2007). As each tourism trip consists of different tourism products therefore (e.g. air travel and a hotel room), a long-delayed flight can ruin the tourism experience as a whole

even though the other tourism products may be satisfactory (Holloway and Taylor 2006). For instance, both tourists and business travelers felt it was unsafe to travel by airplane after the September 11 terrorist attacks (Stafford, Yu et al. 2002), thus canceling trips even though destinations themselves were unaffected by the crisis. SARS proved a similar case in deterring potential tourists based on concerns about air travel alone.

### **The Complexity of Crisis Management in Tourism**

While managing tourism crisis appears difficult in itself, it should also be recognized that crisis is unpredictable (Faulkner 2001) which means it is no longer a question of whether crises will happen (Anderson, Prideaux et al. 2007), but rather when and how best they can be dealt with (Henderson and Ng 2004). Moreover, the globalization of the tourism industry has led to a rapid expansion of tourism businesses internationally. In turn, this process has also opened up businesses to a wider set of 'global risks' (Ritchie 2004); in other words, the world is becoming more interdependent and interconnected whereby small-scale crises in one part of the world, can dramatically reduce

tourist travel patterns in another (Ritchie 2004; Aktas and Gunlu 2005).

Another issue further complicating crisis management is the 'ill-prepared' nature of many tourism organizations. In general, the tourism industry is characterized by the sheer diversity of its sector and range of organizations within it (Smith 2005), incorporating a large number of small or micro businesses (Ritchie 2004). In turn, while many large organizations are able to develop crisis management teams, small businesses are comparatively unable to devote resources in a similar manner (Lyon and Worton 2007). As a result, many small organizations believe there is little they can do to manage a crisis (Cioccio and Michael 2007), and thus remain particularly vulnerable and ill prepared (Henderson 2007).

### **CONCLUSION AND RECOMMENDATIONS**

This paper has achieved its aim by examining factors influencing crisis vulnerability in tourism. Using a critical literature review, this paper has found that such vulnerability is primarily caused by perceived risk in tourism, tourism characteristics, and the



complexity of crisis management in tourism. Taken together, these three factors have strengthened the literatures that the tourism industry is vulnerable to crises (Sonmez, Apostolopoulos et al. 1999; Evans and Elphick 2005; Cooper and Erfurt 2007; Gurtner 2007).

While it is clear that a crisis is difficult to manage particularly in the tourism environment, this paper has recommended that a portfolio analysis should be used in time of a crisis. Utilizing a portfolio analysis would help tourism organization to target the right market instead of "putting all eggs in one basket." Simply put, they will need to reexamine their current tourism mix (portfolio) and then target tourists in destinations with a higher tolerance for risk. This paper also suggested that tourism organizations, regardless of size, should be more proactive toward crisis management. Such a proactive step can

be achieved by establishing a crisis management plan that is flexible enough to be employed in different crisis situations.

Having discussed recommendations, this paper however has a limitation as it only gained insights through secondary data. This therefore reflects the need for further research in regard to tourism crisis vulnerability. There are several potential possibilities for future research. The first step is to conduct exploratory research with tourism organizations to identify factors influencing crisis vulnerability, which may include, but not limited to, perceived risk in tourism, tourism characteristics, and the complexity of crisis management in tourism. Secondly, descriptive research is recommended to test the findings from an exploratory research. This could lead to a better understanding toward crisis management in the tourism industry.

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