Coronavirus Pandemic and Its Impact on Tourism Industry as a Part of Experience Economy

Anastasiia Fesun¹, Dimuth Nambuge ², Leonora Sopaj³, Artan Qineti⁴
Slovak University Of Agriculture in Nitra¹,²,³,⁴
Faculty of Economics and Management, Institute of Economic Policy and Finance
Trieda Andreja Hlinku 2
Nitra, Slovak Republic
e-mail: anastasiiafesun@gmail.com¹, dimuth.nambuge@uniag.sk², leonora.sopaj@gmail.com³, artan.qineti@uniag.sk⁴
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Abstract
Even though the experience economy has been prevailing over the last decades, certain external factors can dramatically change the situation. The coronavirus pandemic became one of these factors. The pandemic has changed numerous life patterns, including those of experience economy since it was based on real-life experiences and impressions. Tourism is one of the brightest and clearest manifestations of the experience economy since it makes impressions and experience a commercial offer. Being a powerful global industry, it plays a significant role in the formation of GDP and the creation of additional jobs, having a huge impact on such economy sectors as transportation, communications, construction, agriculture and playing a role of catalyst for socio-economic development of the society globally. It is one of the industries that suffered the most from the pandemic outbreak and its consequences. The main objective is to evaluate to what extent the COVID-19 pandemic influenced tourism as a part of experience economy.

Keywords: experience economy, impression, tourism, COVID-19.

JEL Classification: O11, Z3, P4

1. Introduction
The experience economy has been gaining increasing importance for the society over the last decades. Its development indicates that everything that a person previously received outside of economic activity becomes an object of sale and purchase. Society is increasingly surrounded by an intangible economy, in which the largest sources of wealth and prosperity do not belong to the world of physical objects. Tourism is one of the most bright and clearest manifestations of the experience economy, since it is tourism business that makes impressions and experience a commercial offer.

Tourism has become a powerful global industry, playing a significant role in the GDP formation, creation of additional jobs and employment, having a huge impact on such economy sectors as transportation, communications, construction, agriculture and playing a role of catalyst for socio-economic development of the society globally.

The pandemic has changed numerous life patterns, and experience economy was not an exception since it was based on real-life experiences and impressions. Tourism was one of the industries that suffered the most from the pandemic outbreak and its consequences. With the 10,4% contribution to global GDP in 2019, the indicator shrank to 5,5% in 2020, which is change of almost 50%.
1.1 Theoretical background of the experience economy and tourism as its part

Economists, among whom is Allan Fisher (1939) define three large sectors of economy: 1) primary, which is extractive industries, agriculture and forestry; 2) secondary, which is characterized by processing industries; 3) tertiary, which is service sector or services.

The transformation of the services into the dominant sector of economies has become a global trend recently. The growth rate of the service sector in all countries of the world is twice the rate of growth of the manufacturing sector. The transformation of the service sector into the dominant sector of the national economy contributing to GDP and the number of employees was called the “service revolution”. Today developed countries obtain 70-80% of GDP and the total number of employees, more than 2/3 of capital investments and fixed capital concentrated in services (Cherevichko, 2016).

The service sector has become firmly established in the life of modern society, being a space for the implementation of service activities. A distinctive feature of the service sector is the creation of non-material goods that satisfy various social needs. The results of this sector’s operations do not take objective form but appear in the form of a useful effect inseparable from the activity itself. The 21st century is characterized by a service sector, which is linked with innovations and flexibility.

The emergence of the modern global economy forces different assessment of the service sector as a special branch of the economy. It should be considered as a component of the global infrastructure, understood as a modern transport and communication complex (McKinsey&Company, 2016).

Pine and Gilmore (1998) offered to identify experience as separate fourth economic offering apart from 3 economic sectors because consumers wanted experiences, and businesses responded to this need by precisely designing and promoting them. First there were goods to be commoditized, after the services followed, and the next would be for the experiences to emerge as the next step in the progression of economic value. Therefore, both b2b and b2c companies would realize that the next field to compete in would be staging experiences.

Currently, a product is mostly material standardized thing, which is transferred to the consumer according to the inventory. A service is an intangible, non-material personalized satisfaction of a need obtained at the request of an individual entity or a group of entities. An experience is a memorable, personal sensation or impression that manifests itself over time and remains in the memory of the subject, forming own inner world and beliefs. Unlike a service, an experience has no direct economic benefit since it cannot be “consumed” immediately (Pine and Gilmore, 2005).

Tourism is one of the clearest manifestations of the experience economy since it makes impressions and experience a commercial offer. The impressions purchased by a customer at all stages of the journey have utility, consumer value and cost. A cost is created via interaction with intermediaries and suppliers, who contribute to the creation of an overall travel experience and thereby add value to the integrated travel product. These products then create value chains uniting the most diverse businesses in the tourism system. All these businesses are values that are embodied into experiences.

1.1.1 Tourism as a part of global economy

The tourism industry is extremely sensitive towards crises. Within last 15 years the global tourism industry has survived 2 crises – global financial crisis of 2007-2008, and crisis caused...
by the COVID pandemic in 2020. The spread of the coronavirus put the tourism industry into the worst crisis in the history of the world economy. According to the World Travel and Tourism Council, the contribution of tourism to the world economy was 10.4% of world GDP (USD 9 170 billion) in 2019 and 5.5% (USD 4 671 billion) in 2020. This way, total tourism and GDP change in 2020 was of -49.1%, which equals to a decrease by USD 4 489 billion.

![Global tourism to GDP contribution, in USD billion](image)

**Figure 1: Total tourism to GDP contribution, in % and USD billion**
*Source: own elaboration based on World Travel and Tourism Council*

Before the COVID the industry has even been called world’s economy global driver, developing dynamically. In recent 15 years it accounted for about 6-7% of global world’s exports.

**Table 1: Tourism’s share in global world’s exports**

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism in total exports</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
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<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>3%</td>
</tr>
</tbody>
</table>

*Source: own elaboration based on UNWTO Global Tourism Dashboard*

To ensure the tourism processes continuity, large number of specialists from related industries are involved, which constitute the essence of the tourism industry and infrastructure. Total number of travel and tourism employees in 2019 was 334 million employees (1 in 10 jobs in the world) and 272 million employees in 2020 (1 in 11 jobs.) In 2020, 62 million jobs were lost, which is a drop of 18.5%.
As for the global international tourist arrivals, over the last 15 years the industry has been growing and the number of international tourist arrivals has increased – starting with 855.2 million tourists in 2006, it seized 1466 million tourists in 2019, with one drop in 2009 due to the global financial crisis. The next sharp decline happened in 2020. From 1466 million arrivals in 2019, the dramatical fall to the indicator 393.8 million in 2020 occurred due to the COVID-19 pandemic that resulted in economic crisis, and global travel and border restrictions.

If we consider percentage change of arrivals, the arrivals were stable in 2006-2018, with post-crisis decrease of 4% in 2009, but in 2020 it sharply decreased by 73%.
Concerning the international tourism receipts, in 2006-2019 there was year-to-year growth with only two exceptions in 2009 with the after-crisis receipts fall to USD 894,6 billion compared to USD 974,5 billion in 2008, and another decrease in 2015. Although, in 2020 we observe quite significant drop to USD 533,5 billion, which is 64% decrease. At the same time, individual receipts per arrival were more stable and fluctuated yearly in 2006-2019 and rose in 2020 up to 1330 USD per arrival.

According to the UNWTO, international tourism export revenues are composed of “passenger transport” receipts and “travel receipts” (receipts in destination). There was a constant growth with only two decreases in 2009 and in 2015, with decrease of 10% and 5% respectively, until 2019, and sharp decline of 63% in 2020.

2. Data and Methods

The survey called “Response to the post-COVID travel norms” was used in terms of this article. The survey was held anonymously within April 30 and May 10, 2021. It was distributed among 804 random representatives in 39 countries.

The survey consisted of 26 multiple choice questions, and it was divided in the following parts:

- introduction – mentions the goal of the survey conducted;
- basic questions – aimed to distinguish the audience of the survey;
- general questions – aimed to find out people’s general travel attitude;
- specified questions – aimed to find the impact of COVID-19 pandemic on travel attitude;
- attitude questions – aimed to reveal people’s attitude to travel-related businesses and decision-making in tourism.

The survey was conducted online via Google Forms. The link was distributed using social media means, namely posts in social networks and mailing over emails and messengers.

After the answers were collected, the data was transferred to the Microsoft Excel tool and analyzed. The results were provided both in numerical (quantity and percentage) and in graphical form.

Among 804 total respondents 267 (33,2%) were males, 537 (66,8%) were females.

The sample was divided into four age categories:

- under 25 – 325 (40,4%) respondents;
- age 25 to 40 – 309 (38.4%) respondents;
- age 40 to 55 – 146 (18.2%) respondents;
- older than 55 – 24 (3%) respondents.

As for the occupancy of the respondents, the distribution is as follows:

- 414 (51.5%) respondents are employed,
- 141 (17.5%) respondents are students;
- 131 (16.3%) respondents are students who are also working (either full-time or part-time, or freelancing);
- 75 (9.3%) respondents are entrepreneurs;
- 34 (4.2%) respondents are unemployed;
- 9 (1.1%) respondents are retired.

Table 2: Number of respondents by country

<table>
<thead>
<tr>
<th>Name of the country</th>
<th>Number of respondents</th>
<th>% of total respondents</th>
<th>Name of the country</th>
<th>Number of respondents</th>
<th>% of total respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>580</td>
<td>72.14%</td>
<td>Macedonia</td>
<td>2</td>
<td>0.25%</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>87</td>
<td>10.82%</td>
<td>Switzerland</td>
<td>2</td>
<td>0.25%</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>35</td>
<td>4.35%</td>
<td>Greece</td>
<td>2</td>
<td>0.25%</td>
</tr>
<tr>
<td>Turkey</td>
<td>9</td>
<td>1.12%</td>
<td>France</td>
<td>2</td>
<td>0.25%</td>
</tr>
<tr>
<td>Italy</td>
<td>9</td>
<td>1.12%</td>
<td>Moldova</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Poland</td>
<td>8</td>
<td>1.00%</td>
<td>Israel</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>USA</td>
<td>7</td>
<td>0.87%</td>
<td>Albania</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>UK</td>
<td>6</td>
<td>0.75%</td>
<td>India</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>5</td>
<td>0.62%</td>
<td>Syria</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Croatia</td>
<td>5</td>
<td>0.62%</td>
<td>Palestine</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Spain</td>
<td>5</td>
<td>0.62%</td>
<td>Kyrgyzstan</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>4</td>
<td>0.50%</td>
<td>Iraq</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Romania</td>
<td>4</td>
<td>0.50%</td>
<td>Latvia</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Serbia</td>
<td>3</td>
<td>0.37%</td>
<td>Uzbekistan</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Germany</td>
<td>3</td>
<td>0.37%</td>
<td>Estonia</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Peru</td>
<td>3</td>
<td>0.37%</td>
<td>Finland</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Norway</td>
<td>2</td>
<td>0.25%</td>
<td>Armenia</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>2</td>
<td>0.25%</td>
<td>Argentina</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>2</td>
<td>0.25%</td>
<td>Denmark</td>
<td>1</td>
<td>0.12%</td>
</tr>
<tr>
<td>Republic of Belarus</td>
<td>2</td>
<td>0.25%</td>
<td>TOTAL</td>
<td>804</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
3. Results and Discussion

In 2021 we conducted a survey to evaluate the society’s response to the changes in travel norms due to COVID and to understand what peculiarities should be considered upon conducting tourism activities.

We identified how much the attitude towards local trips changed. During COVID 27.6% respondents travelled 2-5 times a year, which is 33.5% decrease comparing to pre-COVID, 27.1% travelled once a year. 6.5% travelled only 5-10 times a year and 4.4% stated they travelled once in 2-3 years and even less often, which is almost half decrease for both indicators – 47.5% and 48.5% respectively. 2.4% managed to travel more often than once a month and 2.6% – 10-12 times a year with a decrease of 62.7% and 53.3% respectively. 29.48% have not travelled locally in their countries at all during the pandemic, which is 887.5% increase comparing to the pre-COVID indicator.

As for the trips abroad during the pandemic, the situation is different. Only little people travelled frequently: 0.2% managed to travel more often than once a month, 0.5% travelled 10-12 times a year, and 1.5% travelled 5-10 times a year, which is a dramatical decline comparing to pre-COVID responses – 85.7%, 83.3% and 78.2% decrease respectively. 10.6% travelled 2-5 times a year, which is also a big decline of 72.7%, and there were 3.9% of those who travelled once in 2-3 years and less often. Almost a quarter of respondents, 22% managed to travel at least once a year during COVID, while number of people who have not travelled during the pandemic at all seized 61.3%, which shows an extreme growth of the number of non-travellers of 460.2% compared to the pre-COVID indicators.

Table 3: Changes in local trips before and during the COVID pandemic

<table>
<thead>
<tr>
<th>Local trips BEFORE the pandemic</th>
<th>Local trips DURING the pandemic</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of respondents</td>
<td>% of total respondents</td>
</tr>
<tr>
<td>More often than once a month</td>
<td>51</td>
<td>6.3%</td>
</tr>
<tr>
<td>10-12 times a year</td>
<td>45</td>
<td>5.6%</td>
</tr>
<tr>
<td>5-10 times a year</td>
<td>99</td>
<td>12.3%</td>
</tr>
<tr>
<td>2-5 times a year</td>
<td>334</td>
<td>41.5%</td>
</tr>
<tr>
<td>Once a year</td>
<td>183</td>
<td>22.8%</td>
</tr>
<tr>
<td>Once in 2-3 years and less often</td>
<td>68</td>
<td>8.5%</td>
</tr>
<tr>
<td>I didn't travel</td>
<td>24</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Source: own processing and calculations based on survey conducted
Table 4: Change in international trips before and during the COVID pandemic

<table>
<thead>
<tr>
<th></th>
<th>International trips BEFORE the pandemic</th>
<th>International trips DURING the pandemic</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of respondents</td>
<td>% of total respondents</td>
<td>Number of respondents</td>
</tr>
<tr>
<td>More often than once a month</td>
<td>14</td>
<td>1,7%</td>
<td>2</td>
</tr>
<tr>
<td>10-12 times a year</td>
<td>24</td>
<td>3,0%</td>
<td>4</td>
</tr>
<tr>
<td>5-10 times a year</td>
<td>55</td>
<td>6,8%</td>
<td>12</td>
</tr>
<tr>
<td>2-5 times a year</td>
<td>311</td>
<td>38,7%</td>
<td>85</td>
</tr>
<tr>
<td>Once a year</td>
<td>209</td>
<td>26,0%</td>
<td>177</td>
</tr>
<tr>
<td>Once in 2-3 years and less often</td>
<td>103</td>
<td>12,8%</td>
<td>31</td>
</tr>
<tr>
<td>I didn't travel</td>
<td>88</td>
<td>10,9%</td>
<td>493</td>
</tr>
</tbody>
</table>

804 | 100,00% | 804 | 100,00%

Source: own processing and calculations based on survey conducted

Also, we identified how much the frequency of trips changed due to COVID based on the available data on respondents’ income. We performed the cross analysis of the 2 sets of data – income and data concerning trips of our respondents in their countries before and during the coronavirus pandemic, as well as trips abroad before and during the coronavirus pandemic. Concerning the local trips, we can see that in every income group most people used to travel 2-5 times a year in their countries before the COVID, the second most popular answer in most income groups was travelling once a year, and also travelling locally 5-10 times a year was a quite popular choice.

(UAH to EUR exchange rate 32,2 defined by the National Bank of Ukraine as at February 19, 2022.)
Figure 7: Local trips during COVID-19 based on the income of respondents

Source: own calculations based on survey conducted

However, during COVID the situation with travelling inside countries changed. People who earned EUR 500 and less have not travelled at all during the pandemic. At the same time, majority of people with monthly earnings of EUR 500 – 2000 managed to travel at least once a year, while those of incomes more than EUR 2000 even managed to travel 2-5 times a year during the pandemic.

As for the international trips before COVID, in every income group majority of people used to travel abroad 2-5 times a year. The second most popular option in all categories who had any income was travelling abroad once a year, while those people who did not have any income at all claimed to travel in other countries once in 2-3 years and less often.

Situation changed dramatically during the COVID-pandemic. Despite the size of earnings, in every income group majority of respondents have not travelled at all during the pandemic. However, the second most popular option for all the incomes was travelling abroad at least once a year.
Figure 8: International trips before COVID-19 based on the income of respondents

Source: own calculations based on survey conducted

UAH to EUR exchange rate 32,2 defined by the National Bank of Ukraine as at February 19, 2022.

Figure 9: International trips during COVID-19 based on the income of respondents

Source: own calculations based on survey conducted

UAH to EUR exchange rate 32,2 defined by the National Bank of Ukraine as at February 19, 2022.
4. Conclusion

This research aimed to identify how much and due to which reasons changes in tourism occurred to the coronavirus pandemic.

According to our findings, such a big number of people who have not travelled can be explained by border closures, transportation restrictions over the world, obligatory quarantines, special requirements such as obligatory PCR COVID tests or vaccination certificate, inability to get visas to enter foreign countries due to the closure of government bodies, lockdowns.

Even though the local tourism should not be influenced by the borders closure, there still were certain internal travel restrictions in numerous countries. COVID-19 enforced majority of countries to impose bans on internal transportations and lockdowns, which made trips either very complicated or even impossible at all. Also, due to the lockdowns numerous businesses closed and people lost their jobs, which influenced their willingness to pay for trips.

Apart from the mentioned restrictions, another limitation would be the financial one. Incomes also influenced people’s willingness to travel. People who earned EUR 500 and less have not travelled locally at all during the pandemic. At the same time, majority of people with monthly earnings of EUR 500 – 2000 managed to travel at least once a year, while those of incomes more than EUR 2000 even managed to travel 2-5 times a year during the pandemic.

Talking about financial limitations in international trips during COVID, we can notice how dramatically the situation with international travelling changed during the COVID-pandemic. Despite the size of their earnings, in every income group overwhelming majority of respondents have not travelled at all during the pandemic. However, the second most popular option for all the incomes was travelling abroad at least once a year.

The pandemic has fully reshaped lives, stimulating additional desire for real, offline, experiences, which is a necessity for human beings. Being a part of experience economy, tourism can satisfy society’s needs and desires. However, the out-crisis path for the tourism industry will be quite challenging.

The crisis related to the COVID-19 pandemic has forced the tourism business to step out of its comfort zone and look for innovative ways to develop and operate. Therefore, various innovations and dynamic actions, as well as flexibility and ability to adapt, are needed to accelerate tourism’s recovery. Together with state support for tourism and travel-related business initiatives, improved service, personalized offerings of impressions and active information campaigns the tourism can back to the pre-COVID norms.

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References


