crisis management
in the tourism industry

Dirk Glaesser
Crisis Management in the Tourism Industry
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Dirk Glaesser
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To those who dedicate their lives to tourism
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Preface

The tourism industry is like no other economic sector challenged by negative events. Its above average sensitivity towards these kinds of occurrences has given it such an exposed position that it already serves as an early warning indicator of critical situations for other sectors.

The destinations and businesses active in tourism have to face these challenges. Some years ago, companies could consider negative events as extraordinary and less likely. However, the developments of the last decade indicate the necessity to make crisis management a permanent part of the practical and scientific considerations. While doing so, organizations are confronted with the fundamental difficulty that despite the best intentions and highest efforts of prevention, risks cannot be completely controlled and therefore totally excluded.

Under these circumstances, besides the necessary implementation of measures which minimize risks, it is important to analyse negative events from every angle, to systematically identify critical success factors, to integrate them and take them into account when considering the strategic corporate orientation. Marketing is in this perspective very important. As many crises in tourism are causing impacts on companies and destinations whose products and services are objectively not affected or damaged – in other words subjective distortions of perception are taking place –, it is important to consider the store of knowledge of marketing for coping with crises but also for preventing them.

That is the aim of this book, which develops a general framework for crisis management and offers the basis for further analysis. It looks at the important area of prevention but also on how to cope with emerging crises; it discusses strategic dimensions but also operational techniques. It has one overall aim: To ensure a sustainable development for those working in the tourism industry and for those enjoying the services of this sector.

For the second edition of this book new chapters have been introduced, several restructured and the overall text has been completely revised and updated. New checklists, descriptive illustrations and additional representative case studies aim at giving a close and realistic insight into the practise of crisis management.

While preparing a book like this, which intends to offer a comprehensive approach to the topic of crisis management and which, above all, tries to connect the bits and pieces which are so important for understanding why some situations occur, in ways that no one would have expected, I had the assistance of an excellent team.

Firstly, I want to thank my wife Matilde for supporting me and having the time to discuss all the facets of this book. Prof. Dr. Peter Keller, a profound expert on the issues of international tourism policy was again a great help with his comments and advice. Ute Meyer, Stefanie Theuerkorn, Jens Oliver Glaesser and Sarah Beswick helped me with plenty of comments to improve the script. Anika Mattheis, Maryen Blaschke, Tamara Nebel, Fabian Rütschi assisted me in the research. I also want to thank Prof. Dr. Guillermo Aceves for his valuable comments from a U.S. point of view.
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1 Tourism in a changing world

Objectives

- To obtain an overview of developments which are influencing the tourism sector
- To understand the importance of the study of crisis management
- To understand the influence of climate change on the natural environment and the consequences for tourism

Key terms and concepts

- Technological progress
- Climate change
- Natural catastrophe

Nowadays, tourism is an absolutely normal part of our daily life. Even if there was travel to the Olympic Games or to the Knight Games in the ancient world, society’s extensive participation in tourism started only a few decades ago.

The positive effects of tourism are varied. For tourists, a holiday means satisfaction as travel gives them the opportunity to bring their hopes and dreams to life. Furthermore, by holidaying outside their usual surroundings, tourists increase their knowledge of other cultures and ways of life, be it knowingly or unknowingly. This changed view of things helps to foster greater acceptance and tolerance among the human race.

As far as the national economy is concerned, the tourism industry has, in many countries, achieved such a leading position that it counts as one of the most important sources of income and foreign exchange. This growth will continue in the future and will contribute to make tourism the most significant industry in the world. Besides, tourism is, like no other industry, in a position to create prosperity and economic development opportunities even for places that would otherwise be considered as difficult to develop.

However, the positive development of the tourism industry is gradually being threatened by negative events. Incidents, that have taken place in the recent past, had economic consequences which were previously unheard of in other economic spheres. The Terrorist attacks in Egypt, SARS, 9/11, Tsunamis in Asia, are a few prominent examples of crises that caused economic losses to the tourism industry in the millions or even billions of U.S. dollars. But also indirect effects have a considerable
impact like, for example, the rise in transport and travel costs across the globe, which especially threaten the competitiveness of long haul tourism destinations. At the same time, a number of other effects are becoming apparent such as image damage and the limitation on entrepreneurial room for manoeuvre from which businesses are still affected in both the medium and long term.

The reasons for the increased appearance of crises are complex. However, a first analysis shows that there are different areas contributing to this rising number of negative events.

1.1 The living conditions of humans

Among the first ranking influences is the fact that living conditions in the most important source markets are changing at an increasing speed. These fast changes become especially clear when one looks at the social developments from a very early perspective.

Today’s information indicates the existence of human beings on earth at around 2,500,000 years B.C. During the first one million years, human beings became accustomed to the use of stone tools. It took many generations for minor changes to occur. Man started to dominate fires some 500,000 years ago. Again, during many generations, he had the time to get used to these innovations and to its impact on his social environment. Man as we know him today, from his anatomy and physiology and especially from the size of his brain is only 40,000 years old. Even younger is the Neolithic revolution which is only 9-10,000 years old. Only at this moment, Man started to actively shape nature, to settle and to domesticate animals. Thus, life as we know it today only started some 9000 years ago.

Diagram 1: Development speed

Age is another important factor of influence. 35,000 years B.C., the average life expectancy was around 20 years. As shown in the following diagram, changes over time in the average life span were only minimal. In fact, it only reached 35 years some 200 years ago. Since then, with the changes brought about by the Industrial Revolution and the ensuing developments in science and social structures, among others, life expectancy has more than doubled. Today, a woman in Western Europe has a life expectancy of some 80 years.
Taking these developments into account, it is hard to believe that only four hundred generations have passed since the Neolithic revolution. It also becomes clear how technical developments in the past several generations took longer to happen, whereas in this day and age several technical revolutions take place within one generation. Looking at telephone use since it was introduced, it took around sixty years before one could speak of wide dissemination. The personal computer on the other hand needed only thirty years to become part of our daily life. The cell phone achieved this in only twenty years. However, these technical changes, which we consider to be positive developments, can also have negative impacts. The first PC virus appeared in 1993. Twenty years later we speak with normality about the existence of these damaging programs, which can change the overall social structures worldwide in seconds.
The demographic trends of human beings are also changing. Looking at the development of the average household size over the last 100 years, we can observe that at the beginning of the last century, the majority of households, specifically 44 per cent, contained five or more people. At the beginning of the twentieth century, there was a clear tendency towards smaller households. In 1998, 36 per cent were already single households.

*Diagram 3: Size of households (in percentage)*
In addition to this, it can be observed that marriages are taking place at a much later age. There is a wider existence of unmarried couples and the average time of marriage is permanently decreasing. In the extreme case of the United States, some 40 per cent of marriages end in divorce after only 15 years. For younger couples, i.e. under 45 years old, this quota of divorces reaches 50 per cent. And, if a couple was already divorced, new marriages normally last much less.
These are only some factors that describe the environment in which human beings live today and indicate the challenges they are faced with.

One of these challenges is the worsening supply of information. This might surprise at first as we live in an age where there is precisely no lack of information. In fact, there will be more data produced in the next three years than in the last 300 000 years in total. With the oversupply of information it can be difficult to filter that which is considered to be important. In addition, the changing family environment makes it more difficult to transmit information to the individual that is tailored to their individual needs. This is of crucial importance for an improved perception and processing of information.
Furthermore, demographic developments cause insecurities, which were previously dealt with by traditional family communities but are now resting with the individual. This represents an enormous challenge for the individual. Therefore, we can observe that more and more occurrences, which are normally considered as dangers are now labeled as risks. By this, the ‘unavoidable’ shall be made ‘avoidable’. While dangers are sourced in the environment and cannot be influenced by man, risks are often traced back to decisions and are associated to individuals.

Secondly, individuals aim to find institutions, which can be used to cope with these insecurities. This includes the State, which is confronted with tasks and expectations which it has not previously been responsible for. But also private companies are affected by these changes. Increasingly, companies are made responsible for occurrences and situations which do not form part of any contract nor which have been considered in the past as part of their scope of responsibility.

It remains to be mentioned that human beings are creatures of habit. What Man has learned once, he aims at continuing. He tries to avoid changes that are too big or tries to postpone them at least up to such a moment that they are impossible to avoid. Man has difficulties in adapting and absorbing all the changes in the technical environment as fast as they take place. Large and small technical revolutions do not happen across generations any longer but rather within one same generation. Eruptive changes are the consequence and there is a natural defense reaction that needs to be overcome. This is very often only possible when situations are carried to an extreme.

1.2 Natural changes

Man has always attempted to become independent from the powers of nature. Technological progress has helped him in this effort; but this progress can be partly considered a result of this continuous effort of independence. Thousands of years ago human beings were seeking protection from natural adversities in caves and attempted to shield themselves from nature. Nowadays they are experimenting with natural environments such as the Biosphere experiment in Arizona (USA) and an increasing number of tourist attractions such as indoor skiing-arenas and fully climate-controlled leisure parks.

However, despite these intensive efforts, the powers of nature cannot be controlled fully. It seems that exactly the opposite has happened in the meantime. During the past 100 years, more than 50 000 natural catastrophes have been accounted for worldwide, which collectively claimed more than 4 million human lives. In the past fifteen years between 500 and 700 natural catastrophes have been registered annually. This does not take into account the unnumbered droughts and famines which cost the lives of many more millions of people. Interestingly, those catastrophes, which have geological origins such as earthquakes or volcanic eruptions, remain constant.
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Great natural catastrophes
Natural catastrophes are classed as serious if the region is clearly unable to help itself, making interregional or international assistance necessary. Great natural catastrophes account for half of the overall loss on average.

Diagram 5: Great natural catastrophes

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<td>63</td>
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<td>Economic losses in US$ billion (2003 values)</td>
<td>42.7</td>
<td>76.7</td>
<td>140.6</td>
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There are several important reasons that explain this increasing number of natural catastrophes. Firstly, there is the exponential increase in world population and the developments linked to it such as urbanization, water shortages and use of exposed areas. If the population continues to grow by 1 billion every 10–15 years, by mid 21st century, the density of the population will be 50 per cent higher than today. This will have an especially strong impact on cities, which have absorbed an above average percentage of the population growth in the last fifty years. While in the 1950s only 30 per cent of the world population (about 2.5 billion) lived in cities, this figure has changed to some 50 per cent of the 6 billion people of today. And this tendency is very likely to continue. Areas, which are exposed to a high level of natural risks, are increasingly used because of tourism interests but also because of the deficit of further areas of expansion, especially in those fast-growing urban zones.

The strong tourism development of Florida, which is explained by the agreeable climatic conditions, the nice beaches, changed a mostly agricultural geographical area into one of the most densely populated areas of the United States. Despite the known tracks of hurricanes and their extensive damage, this is an area which is not avoided but rather looked for. The record of the most expensive natural catastrophe was caused by hurricane Andrew in 1992 with losses for the insurance industry of 17 billion US$. Other areas such as the Alps where there are frequent avalanches, demonstrate that the use of particularly exposed areas for tourism is extremely risky.

Without any doubt, the climate change is also playing a fundamental role in the increase of natural catastrophes. As the following chart of the Intergovernmental Panel on Climate Change (IPCC), an institution of the WHO and UNEP, shows, the average global temperature increased by 0.7 degrees during the last 100 years. Taking into consideration that the average difference between the moderate periods and the ice ages was only 5 degrees, this is a value to be taken seriously. Today, we can observe some of its consequences: melting of glaciers, shortage of snow at traditional ski destinations, warming of the oceans and the resulting increase in the water level of the oceans, but also the increase of floods.
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through extraordinary rainfalls and storms in areas which were until recently spared of these occurrences.

*Diagram 6: Climate change*

Our extreme confidence in technological achievements has caused natural events to trigger not only more often but also stronger damages than necessary. As most of the engineering measures help to protect us against floods or make buildings earthquake-resistant, they at the same time make us forget that these measures bring little to protect us against larger events. The absence of consequences from regularly smaller and medium-size natural occurrences gives us misleading confidence. Events which finally exceed a certain threshold like the earthquake of Kobe in 1995, Northridge 1994 or Mexico City in 1985, the flooding of Red River in the north of the United States and the south of Canada in 1997, the flooding in central Europe in 2002 or the devastating Tsunami in Asia at the end of 2004, is hitting largely unprepared populations and administrations.
Questions for review and discussion

- Can all negative events be avoided?
- Why has the importance of crisis management in tourism risen?
- Which role does the family play in coping with insecurities?
- What are the driving factors of the worldwide population growth?
- How is the use of high-risk areas assessed by the tourism industry? E.g. construction in coastal or mountainous areas.

Suggestions for further reading


Useful websites

- www.world-tourism.org
- www.ipcc.ch
- www.unfpa.org
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