

CRISIS MANAGEMENT IN TOURISM INDUSTRY

旅游危机管理研究

(英文版)

Written by Gu Huimin (谷慧敏 著)

Translator-in-Chief: Wang Xiangning (王向宁 总主译)

Translated by Gu Huimin (谷慧敏 译)

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Preface

International Tourism Cooperation Needs More Academic Exchanges Between China and Other Nations

—Preface to China Tourism Academic Collection

In 1979 China started the policy of reform and opening-up. During these thirty years of development, the tourism industry has gained valuable experiences in all phases of modernization, industrialization and marketization. However, in the early years, the real focus of the policy was to earn hard currency from the inbound tourists. Today a new strategy has been initiated to develop the three main tourist markets—inbound, outbound and domestic markets. In the early stages, the tourism management organizations integrated the needs of both the government authorities and the private entrepreneurs. The current situation is that tourism associations and commercial enterprises cooperate under the supervision of the government authorities. In the early years, the tourism operations were labor intensive with management mainly based on experience. Today's industry is driven by business innovations and supported by modern technology and capital operation. China's tourism industry not only merges gradually into the nation's economic and social strategic development system, but also plays a leading role in international tourism community. In 2008, in spite of the impact of the worldwide financial crises, China achieved remarkable tourism records of 131 million inbound tourists, 45.84 million outbound tourists and 1.712 billion domestic tourists. Evidence reveals that China's tourism industry has now entered into a new phase

of development—mass-based tourism. This is undoubtedly the golden age for Chinese tourism, but it also presents old and new challenges. China has never been in such an urgent need to reinforce cooperations with other nations and regions, so that a nationwide sustainable development in tourism industry can be enhanced with more mature international experience, managerial expertise and technology. China's tourism industry has the capability as well as responsibility to make a more practical and effective contribution to the prosperity of the global tourism industry and distribute tourism's benefits to all.

China's tourism industry embraced the international community three decades ago with open arms. Likewise, its related academic research and higher education initially began by studying methods used in developed countries, but it was also closely related to the real practice. In the early 1980s, China's tourism study was after the western methods in almost all aspects such as basic concepts, academic framework, university level course books, training programs, faculty teams, and managerial staff. Until now, the research paradigm, evaluation system, and values orientation in the Chinese tourism academic were all based on the western academic system. Tourism in China has developed quickly, especially during the mid-1990s when domestic tourism was booming. Rapid growth in Chinese outbound tourism started early in the 21st century and was coupled with the government promotion of higher education and scientific research institutions. A group of tourism scholars with both indigenous consciousness and modern academic norms attempted to establish a tourism academic system with both Chinese characteristics and an international perspective. Beijing International Studies University (BISU) is one of the typical academic institutions established under this axiom.

Beijing International Studies University was founded in 1964 and has become fully committed to the business of tourism since 1981 when the National Tourism Administration of China became its governing body. BISU has also become China's leading academic center for higher education in tourism and tourism academic research. This is not only because it has a large number

of institutions including the School of Tourism Management, the Academy of Tourism Development, the Tourism Education Press, the Academic Journal (Tourism Edition), the travel agencies and the Beijing Hospitality Institute—the first independent college of hospitality in China, but also because of the many reputable and influential academic elites it attracts. For years, BISU has played a leading role in the areas of student enrollment, both undergraduate and postgraduate, academic theses, monograph and textbook publications and applied research achievements for both government authorities and private enterprises. These achievements symbolize BISU's ideology which emphasizes International Perspectives, Indigenous Consciousness, Problem-Solving Orientation and Academic Norms. It is the development of an energetic national tourism industry that provides higher education and academic institution, including BISU, a valuable foundation of theoretical research. Meanwhile, it is the best time ever for China to develop international communication and cooperation for the purposes of tourism academic research. It is acknowledged that the Chinese tourism market has been vital to the global economy during the past 30 years; equally, tourism academic research from China should also make a great contribution to the prosperity and development of the international tourism arena.

China's academic research in the field of tourism has achieved tremendous success in both the tourism industry and in the higher education of tourism. Nonetheless, due to the differences in research topics and methods, as well as the language barrier, a full understanding of the reality is yet to enlighten the mainstream of the international academic organizations. With that in mind, the Beijing Educational Committee has launched a visionary program to support Beijing International Studies University's efforts to promote China's tourism academic achievements internationally and to expedite the process of international academic communications. Therefore, the academic committee of the Beijing Tourism Development and Research Base has selected the academic outcomes that represent the academic works of the theoretical

construction and applied research reports. The selected works highlight the different research methods and comprehensively reveal the typicality of the research group and the diversity of the research methods. English translation of the first set of achievements is presided over by Professor Wang Xiangning and her team of ten experts and scholars from both China and overseas who have both language advantages and tourism knowledge.

It is our hope that this project will introduce Chinese tourism scholars' research achievements to the tourism scholars in other countries. We also expect to follow up with more frequent and larger scale academic exchange between the Chinese tourism scholars and the international experts. More academic exchanges and cooperation between China and other nations will promote further communication and strategic collaboration in the tourism industry.

Dai Bin

Professor, PhD

Vice President of China Tourism Academy

6th July, 2009

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Any book represents to a greater or lesser collaborative effort, even though it is only the author's name that often appears alone on the title page, while of course, it is the author who takes responsibility for the contents. However, there are many people that need to be thanked. They are my colleagues, Prof. Dai Bin, who proposed that my original text with sufficient value could be translated into English so its contents could be exposed more wider. I should thank the publishers Tourism Education Press and Nankai University Press, for their support and belief in this supposition. Some of the text has formed the basis for a joint conference paper and publications with my colleagues and friends, Professor Geoffrey Wall from the University of Waterloo in Canada, and Prof. Lindsay Turner from Victoria University in Australia. I would wish to thank them for their comments and insights into the SARS crisis and much of the material on Toronto in this book owes much to his help, although again the translation offered here are all by my own. I would wish to thank Professor Chris Ryan from the University of Waikato, New Zealand, who spent part of his Christmas holiday going through the translation text and making some further editorial changes. I would wish to thank my colleagues in Beijing International Studies University, with whom daily contact has been important in helping me hone my ideas and who have supported me through the various trials and tribulations. They are Prof. Duan Jianguo, Wang Zhiyou, Chen Weiya, Xi Huanming, Qin Yu, Liu Guoqin, Zhang Hui, Zhang Lingyun, Han Yuling, Yin Min, Zou Tongqian, Wei Xiang, Liu Dake, Lv Qin, Niu Yuesheng, Zhang Chao etc.

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Gu Huimin

Prologue

It is widely recognized that tourism is a major force in the global economy with substantial implications, for both good and ill, for the places that are visited. As tourism has expanded, China has played an important role in international tourism over the past quarter of a century or so and it is expected that it will be the most visited country and one of the largest generators of international tourism by the year 2020. At the same time, Chinese domestic tourism has also grown enormously. The sheer size and rate of change in both global and Chinese tourism make them worthy of attention to both domestic and international audiences.

This global growth in tourism has occurred in an increasingly volatile world as natural events such as earthquakes, tsunamis and volcanic eruptions, and human-made circumstances such as wars, threats of wars and terrorism have dislocated tourism patterns. Medical emergencies in both humans, such as SARS, and animals, such as bird flu and foot and mouth disease, have also disrupted tourism flows. These are all circumstances that are out of the control of the tourism industry but to which it is forced to respond, often at short notice. Although in the long term, tourism has often proven to be resilient to such shocks, the immediate consequences are often devastating. Thus, in the increasingly turbulent environment in which tourism occurs, external perturbations should no longer be considered as unusual events but are circumstances that are to be expected and prepared for.

In the case of China, the country has grown from being a minor to a major player in international tourism in a few decades—a remarkable achievement! Nevertheless, its recent tourism history is often divided into pre-and post-1990s' phases. Furthermore, SARS essentially eliminated tourism in China for a period of time in 2003, but in less than a decade, the Beijing Olympics and the Shanghai World Fair will place China at the apex of the international tourism world.

This book is written in the belief that volatility and crisis are now a normal part of the tourism operating environment and that the prudent operator will have plans in place to respond to the extreme circumstances that are to be expected but that cannot be predicted. The author sees both natural and human-made crises as part of the same set of unexpected events that are outside of the control of the tourism industry but to which it must respond. She draws upon the international literature and case studies from throughout the world but places primary emphasis on the Chinese experience with SARS, examining this situation from international and domestic, demand and supply, and policy and marketing perspectives.

Tourism, particularly international tourism, is a global phenomenon that is now fundamental to the economies of many places and the events that occur in one location can have implications for distant destinations. There are often spatial discontinuities between cause and effects. As such, this book will be of interest to all those interested in the forces of global change, the fluctuating fortunes of global tourism, China's changing role in the international tourism economy and the impacts of various unexpected events on the tourism industry. It is also important reading for those in charge of managing tourism enterprises in a hostile environment, for those making crisis management plans and implementing them and, more generally, for those seeking to make the best of bad situations.

Dr. Geoffrey Wall
Professor of Geography
Faculty of Environmental Studies
University of Waterloo
Waterloo, Ontario N2L 3G1, Canada

25 October, 2006

Foreword

The state of crisis is not uncommon, but the consequences that flow from it are often determined by reactions to it and the degree to which prior contingency planning has taken place. As Churchill said, while an optimist can always find opportunities in each crisis, a pessimist will see the threat in each opportunity.

As proven by history, it is usually difficult to predict a disaster or crisis, which, so far as tourism is concerned, often happens unexpectedly and is not easy to deal with. In the decade before the 9/11 terrorist attacks, the world had experienced many disasters or crises, ranging from those with significant impacts, such as the foot-and-mouth disease in Britain, the earthquakes in Taiwan of China and Japan, the Gulf War and the Asian financial crisis, to countless minor ones which were not widely reported. According to Francesco Frangialli, the Secretary General of the United Nations World Tourism Organization (UNWTO), the continued development of tourism is encountering a series of negative events that have far greater impacts on tourism than on any other economic activity. The 9/11 attack not only brought the most serious impact on international tourism since the end of World War II, but also revealed tourism's ability to touch off a worldwide economic decline through a decline in travel. The War in Iraq, SARS and the economic recession in 2003 and the tsunami suffered by the countries near the Indian Ocean in 2004 are also examples of crises that negatively impacted on regional and world tourism. Such events demonstrate the necessity of establishing planned crisis-response mechanisms.

In spite of the problems experienced by world tourism after the tsunami in the Indian Ocean, Francesco Frangialli did not think it an overall disaster. According to him, the decline in tourism only occurred within certain areas. The continued demand for tourism and recreation is a key characteristic of consumers in post-industrial society, and this guarantees the recovery and rebound of tourism from negative circumstances. If we could avoid possible crises, if we would not be overwhelmed by terror (which is sometimes irrational), if the government can take necessary security measures, especially in airline trans-

portation, the desire for travel will not die out. We have every reason to believe in the sustained development of tourism. There is also at least one positive consequence derived from the difficulties just described. While tourism is often taken for granted during “normal” periods, crises such as those mentioned highlight its important role in economic growth, foreign relations and employment.

Although tourism itself is subject to the impacts that flow from disasters, few tourism organizations seem to perfect contingency plans, whether from the viewpoint of a destination or an enterprise, and make them an integral part of a strategy. The 9/11 terrorist attacks at the United States in 2001 demonstrated, in an extremely dramatic way, the vulnerability of tourism in the face of crises. Fortunately, this kind of incident does not happen frequently, but once it occurs, it will have severe impacts. Unfortunately, it is often forgotten instantly. The essential need for establishing a contingency-crisis-response mechanism is still ignored. Many countries, including China, have not established inclusive, systematic and effective contingency planning for tourism. It appears that governments of various countries have taken very different attitudes to the damages on infrastructure and assets caused by differing types of disasters. In his research in the US, Drabek notes that in spite of elaborate preparation and the informal advance strategies and documents completed by tourism executives, they often aim at a specific disaster. At the same time, high personnel turnover necessitates frequent staff training, the absence of which leads to a misunderstanding of disasters' impacts and an inadequate attention to the plans. He also notes that comparatively large professional management enterprises are more prepared for crises than small ones.

As in the past, new and unexpected crises might attack tourism in the future. Without an official and appropriate tourism crisis management system, tourism will continue to encounter unnecessary damage. Similarly, without any organization, public or private, to integrate the knowledge and experiences learnt for common crisis management, and to keep it updated, we will soon forget the valuable lessons and repeat historical tragedies again.

Accordingly, this text aims at summarizing and organizing past experience and knowledge from tourism encountering disastrous threats as a basis for improvement and innovation in tackling these problems.

Gu Huimin

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Chapter 1 Introduction

1.1 Questions and Significance

1.1.1 Research Background

Since the beginning of the 1990s, tourism has become the largest industry in the world, exceeding such industries as automobiles, steel and electronics. In 2003, world tourism revenue reached US\$ 420 billion, 10.4% of the world's GDP; 20 million people were employed in tourism, 8.1% of the total (WTTC, 2004). However, a series of large-scale crises in the past years have had unprecedented negative impacts on some economic activities in the world. The global tourism, as the more sensitive industry, has been severely influenced by such crises as the international terrorism, wars and natural disasters. Since World War II, tourism has generally grown at an annual rate of 5%, except in 1982 (at -0.4%, mainly due to the Falklands War, the military conflicts in Poland and the dispute between Israel and Lebanon). Even during the Gulf War in 1992, tourism witnessed an increasing growth of 1.2% (WTO, 2002a). It survived relatively unblemished in 2003, in spite of the war in Iraq, SARS and an economic recession. In Francesco Frangialli's words, "tourism is heavily impacted, a tough situation never encountered by any other industries". Yet international arrivals decreased by only 1.2% in 2003. After three years of zero growth, international tourism recovered in 2004, reaching 760 million person-times (WTO, 2005), 10% more than that of 2003. However, the tsunami of December 26, 2004 threw the tourism of nearby countries into another period of tribulation. Thus again, attention was paid to the ways of dealing with the impacts of crises and how to rejuvenate tourism.

Tourism has become an important indicator of the current relative prosperity of China. Since the adoption of open policies in 1978, and after more than 20 years' rapid development, China's industrial scale has been further broadened, its structure

improved, and its industrial position, level and position in the world all enhanced. By the end of 2003, there were totally 293.8 thousand various tourism enterprises in China, an increase of 8.5% over the year before; 6,126,300 people in direct tourism employment, 6.0% more than the year before, and a fixed asset of 823.820 billion RMB Yuan, becoming the fifth largest inbound tourist receiving country in the world and the sixth in foreign exchanges. After SARS, with the then initiatives adopted by the government and enterprises, tourism in China quickly recovered and inbound arrivals reached 109.0382 million person-times in 2004, a number beyond 100 million for the first time, and an increase of 18.95% and 25.99% respectively over 2003 and 2002. Foreign exchange gained from international tourism reached US\$ 25.739 billion, an increase of 47.87% and 26.26%; domestic tourism revenue was 417.7 billion RMB Yuan, an increase of 36.86% and 21.47%; and the total tourism revenue added up to 684 billion RMB Yuan, an increase of 40.11% and 22.89%. The total number of outbound tourists in China was 28.8528 million person-times in 2004, an increase of 42.68% and 73.80% over 2003 and 2002 respectively (China Tourism News, 2005).

SARS and other crises in 2003 have had severe social and economic impacts on China and its tourism, which has suffered the second overall decrease since 1978 (the first happened in 1989 due to the "6/4" incident), with the leading travel agencies that dominate the market in China, such as China International Travel Agency, China Travel Agency, and China Youth Travel Agency, encountering huge economic pressures. Thanks to the development of the domestic market and a comparative ability for market substitution, hotels and restaurants were not impacted so heavily. However, the negative experiences still meant a sudden drop in business during the crisis. Meanwhile, the image of China as a safe destination that had been established over a long period in the international market was subjected to some doubt.

These experiences at home and abroad reveal the nature of the problems tourism has to face, and thus it is imperative that research examines such problems as how to deal with unexpected contingencies and learn lessons from crises.

1.1.2 Academic Significance

First, research on crises and market rejuvenating mechanisms from the viewpoint of the tourism industry will contribute to the science of economics. With its current political, social and technical development, the present society seems to encounter yet