

SPANISH TOURISM AT A STANDSTILL, NEW STRATEGIES AND MODELS NEEDED



A change in the business model may be possible to endure, but Spanish tourism businesses are running with little to no liquidity in an economy heavily affected by COVID-19.

Even before the high season for travel companies began, the forecasts were disastrous. 30,000 businesses could disappear as a result of the crisis over the coronavirus pandemic, **and 1.5 million jobs in tourism had already been lost.**

Almost all the companies that focus on tourism have barely made it through the summer. How will those who made it through the summer season survive the rest of the year?

Luckily, there are no certainties in tourism. Nowadays, airlines in Spain keep more than 80% of the almost 19,000 employees who were in April on extended ERTes (the Spanish furlough scheme), between 30% and 40% of the travel agencies are expected to disappear before the end of the year, and only about 20% of the hotel businesses in the two main Spanish cities are open.

There are companies and areas, however, that have managed to survive thanks to their versatility and ability to adapt to new formulas, protocols and measures in a more efficient way.

At the beginning of the pandemic, the most versatile ones, such as startups, aimed to weather the storm by changing business strategies as much as possible. This way, 'surprise boxes', which often include flight and hotel packages, were extended to national destinations since this model did not present many opportunities for development abroad given the global travel restrictions in place.

However, the reality of Spanish tourism is much harsher. Small, medium and large travel agencies, regardless of the specialization (destinations, international circuits, corporate, receptive and creators of their own product, etc.) are in a catastrophic zone, whether they are online, offline or mixed.

The turnover of these companies, which had already dropped by 90%, has fallen to 100%. Many travel businesses are in a situation of zero income and many partners have filed for bankruptcy.

This is a part of what the industry as a whole is experiencing because the outlook is not very different for hotels and airlines. In Spain, only one out of every five passengers who flew in the summer of 2019 did so this year. In fact, the average occupancy rate has been 60%, meaning that in general terms, planes have been almost half empty.

It has been domestic flights (with 60% of passengers who flew in August 2019 compared to 30% in general flights that month of this year) what has generated enough income for airlines to survive this far into 2020. However, all agree that the figures cannot be sustained without liquidity injections coming from the Public Administrations.

"Without aid, many agencies will fail," says the president of FETAVE, "both large and small". The aviation industry "it is not ruled out that this winter some companies may be left behind if no new

batch of aid is approved.”

According to Álvaro Carillo, general director of the Hotel Institute of Technology (ITH), in the case of short-term hotel companies, the only option is to “minimize expenses by choosing; and in the case of hotel chains, which hotel to keep open in the same destination based on occupancy.”

Still, some hotels openings have taken place amidst the health crisis. The Bestprice chain, for example, just opened a new establishment in Madrid, and it already boasts competitive prices.

With this atypical crisis that makes us live day by day, there’s no doubt that being able to change travel plans at the last minute has moderately encouraged consumption. Introducing flexible reservation policies has been the most used measure in all tourism companies. It has become such an important strategy that cancellations end up being free in many cases (even the day before) and flight ticket changes have been standardized without cost.

It has never been so cheap to fly, given the fact that it is now possible to fly for 5 or 10 euros, with airlines making offers to boost demand on all segments through prices. But the ability to stimulate demand based on price has a limit. It is a strategy “marked by the urge to fly”, which does not benefit events and fairs cancellations, for example, or the distrust of the consumer in the destination.

In segments such as the hotel industry, very strong offers and price reductions are easy to do, but very difficult to recover from, aware of the client’s rejection of a logical price adjustment to obtain profitability under normal conditions.

Remote work is also seen as an opportunity to save on furniture costs in a hotel setting whose usual demand has dropped by at least 70%. Some establishments have already sought to expand their clientele by advertising a business diversification in this regard.

Thus, the hotel-office model has appeared, taking advantage of technological equipment (such as Wi-Fi), ergonomic furniture, and adequate lighting that adds to the food services of a hotel establishment. Mobile, agile and budget offices, already well established in New York, and which allow, if desired, to work from a place other than home or saving office rents.

The fact is that this private initiative seeks to promote Spanish tourism, but others like airlines are focused on surviving (looking to secure investment with capital increases, for example). **However, as losses are going to be large for a long time, the collaborations between low-cost and network airlines to provide long-haul flights can be a recipe for reorganization.**

The capacity for innovation is however limited because the entire economy as a whole is affected.

One word that is often repeated today along with tourism is ‘endurance’. To achieve this, tourism already looks forward to Easter 2021. It is its main viable goal while the industry remains at a standstill since it is not known if ski resorts will be able to open this winter. For most, it’ll be a time to hibernate while waiting for a change of era.

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