

INSIGHTS COLLECTIVE

Pandemic Economics Think Tank



How can Scenario Planning in the Age of COVID-19 Benefit a Destination

By Tom Foley and Carl Ribaldo for Insights Collective

Abstract

The following paper is based on an industry discussion to identify if scenario planning can benefit a tourism destination during the COVID-19 pandemic. This is a moment of destination travel evolution that has a beginning, no middle and a long-tail end.

Objectives

1. To identify the macro-level drivers of the operating tourism environment during the pandemic.
2. To identify the potential use and development of scenario planning by Destination Marketing Organizations (DMOs) to better develop management strategies during the pandemic.

Conclusion

The authors conclude there is a range of scenarios destinations can consider. In this paper, we have identified the drivers of the tourism environment and a developed a matrix tool which identifies a range of scenarios for any destination. Overall the authors believe contingency planning and the use of scenarios are an often overlooked yet a critical management tool for long-term success.

As a result of COVID-19, visitation to destinations is undergoing significant changes. The smooth and predictable visitor demand patterns that drove destination visitation across the country during the past decade have been replaced by a patchwork of demand that leaves tourism stakeholders grasping for insight.

A combination of regulations, time horizon, risk tolerance of both visitors and jurisdictions, and resident's acceptance of tourism has transformed destinations to a point where there is a need to begin to envision the future of how visitation should continue to unfold and be managed.

During the time since COVID-19 has appeared, many destinations have seen countless data and analysis and have set up and passed many anticipated deadlines for a market return to pre-pandemic "normal" to no avail. We offer another approach for consideration: instead of developing a single outcome for a destination, we suggest Destination Marketing Organizations, governmental jurisdictions, and city councils think in terms of multiple scenarios. The challenge and the art of developing scenarios in each destination is different, and the scenarios will be different due to inherent circumstance and competitive necessity. In this paper, we have sought to provide a framework for destinations to develop their scenarios.

What are the benefits of scenario planning?

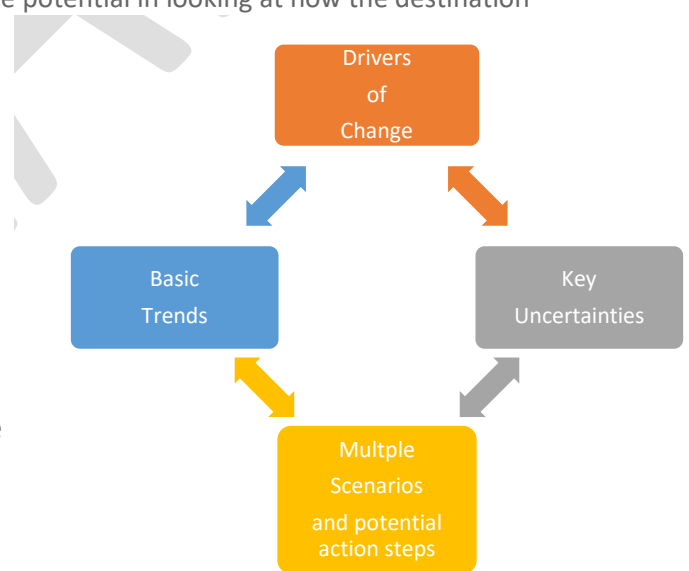
Scenario planning provides a variety of benefits in building a community-wide vision to dealing with COVID-19 and the destination.

- To help manage the impacts of COVID-19 in a destination.
- To develop a common framework with which to envision the future of a destination.
- To help manage uncertainty in the dynamics that impact the destination/community.
- And, let's add something about ".....envisioning a broad range of challenges – and opportunities"

Our approach is to utilize scenario planning as a tool for the town, the community, and tourism stakeholders to assess the impacts of COVID-19 and the potential in looking at how the destination could be shaped to deal with the pandemic in the short to medium term. The end outcome should be a consensus-based framework for moving forward and proactively addressing the issues and challenges presented by COVID-19 for the community and the destination.

Building Blocks for Scenario Planning

The building blocks for developing COVID-19 (and other disasters) scenarios for each destination are based on defining the drivers of change that will impact the community, identifying the underlying trends from visitation and their impacts on the community, identifying the key uncertainties, and from there developing multiple scenarios.



What is scenario planning for the destination?

It's essential to understand that effective scenario planning balances the knowledge that *is* known about the destination to uncover an understanding of the knowledge or information that *is not* known as destinations move through their Covid-19 evolution. .

Specifically, scenario planning for a destination is identifying a specific set of uncertainties, different "realities" of what might happen in the future to the community.

The key to the success of this approach is building a set of assumptions and getting agreement on those assumptions among critical stakeholders. The process to create destination scenarios includes the following:

- **Identify the Stakeholders**

Before assumptions can be built, the boundaries of those assumptions need to be understood. That will come from a collaborative approach that includes the whole community. Identifying the stakeholders that will drive and support your scenario planning is the key first step.

- **Identify the focal issue(s)**

In this case, the focal issue might be how tourism demand will be in the next three to 12 months. How will tourism evolve in the COVID-19 era?

- **Identify the key factors:**

Once the focal issue(s) has been identified, a list of factors will be identified that could affect how demand evolves.

- **Identify the Destinations Driving Forces**

Identify the driving forces that are impacting visitation and the destination. These could include everything from the economy to marketing and understand how these forces will impact the town and the residents.

- **Identify critical uncertainties:**

Once the driving forces have been identified, prioritize them as to the impacts they have on the destination over the next three to twelve months.

- **Develop a range of plausible scenarios for the town:**

The goal is now to form a kind of matrix with critical uncertainties as an axis depending on what direction each of the uncertainties will take; you are now able to draw several possible scenarios for the time frame.

- **Telling the story of each scenario**

Tell the story of each of the scenarios in a compelling way.

- **Implications and options**

Identify the implication of scenarios and the strategic options that arise out of the different scenarios.

- **Strategy development**

Scenarios by themselves do not determine a strategy for the council; instead, a strategy needs to be developed considering the scenarios that were developed.

Destination Revenue Drivers

The Insights Collective have identified seven primary revenue drivers and two secondary revenue drivers that will impact destinations during the COVID-19 era, they are summarized below

1) The Primary Revenue Drivers:

1. **Varying Case Load** per capita (usually per 100,000 or 1,000,000) in both feeder and destination markets will determine visitation
2. **Pent Up Demand** will drive travel, may override local or feeder market conditions, but may create fulfillment, image, brand, and health issues
3. **Local Sentiment:** Destination residents that are somewhat or highly resistant to outside visitation will push back against publicly funded entities marketing the destination, having an impact on previously more independent DMO / government directives
4. **COVID-19 Management**
 - **Version 1:** How do you manage local masks, social distancing policies, and how do you market / discuss those issues in the marketplace?
 - **Version 2:** How is the destination managing visitation capacities, calls to action? How far is the destination opening the door? "The Gatekeeper" role.
5. **Schooling** - changes to visitation behavior both within local and feeder markets creating opportunities
6. **Economic uncertainty**, particularly in the consumer marketplace, will create uncertainty on the fulfillment side and is not easily foreshadowed this time around.
7. **Defunding and re-funding of the Destination Marketing Organization** will change how – or if – destinations make a call-to-action, which will change fulfillment volume, branding, competitive advantage

2) The Secondary Factors:

- a. **The weather** may have a positive or negative impact on visitation
- b. **Outdoor capacity** is a perceived driver but is not a unique attribute of most destinations

Comments on Primary Factors:

1. **Varying Case Load per capita (usually per 100,000 or 1,000,000) in both feeder and destination markets will determine visitation.**
 - a. **In Feeder Markets**
 - i. **What it Means:** Higher caseloads in feeder markets create a dichotomy of behavior. On the one hand, and under the harshest conditions, complete shutdowns that include stay-at-home orders will compel potential travelers to

shelter in place for the worst of the conditions. On the other hand, feeder markets are seeing a (minor) exodus of outbound travelers for both short- and long-term escape from the more crowded urban centers for the more remote destination travel locations.

1. The downside: creating a call-to-action in an infected feeder market creates angst and will likely suffer pushback in the destination community. There are ethical questions about potentially transplanting infected persons to the remote community. Consumers in the infected market will be disinclined to travel during the most extreme conditions. Longer-term stays are not subject to lodging taxes in most jurisdictions outside the SE sunbelt. Longer-term residents will behave more like residents, with reduced incidence of restaurant and bar / retail usage during the term of their stay, reducing per-capita tax revenue from visitors. NIMBYs will prefer isolation to visitation. Second, homeowner usage reduces available transient inventory.
2. The upside: remote destination communities can look at the long-term guest or second homeowner as a new opportunity to change how lodging operates in the community. Property managers will have occupancy and revenue flow, albeit at a lower nightly rate. Second homeowners, while lower spenders, will still require supplies (groceries) gasoline, and other day-to-day items, generating some revenue (some is better than none). Allows for a slow reintroduction of visitation in the community

b. In the destination community:

- i. What it means: Higher caseloads in the destination community create a one-two punch of economic and social negatives. With health at the forefront, communities are forced to shut down economic operations, including bars, restaurants, etc., or impose limited operations. Negative imagery is hard to overcome with marketing, and there are ethical questions about positive image marketing at a time of community infection (i.e., inviting the world to the petri dish).
 1. The downside: limited to ceased operations requiring businesses to function at levels below margins. The balance of staffing vs. revenue becomes tricky, and the overhead of managing health and safety can be unsustainable. The image in the marketplace is hard to overcome, and destination communities with higher infection rates are going to lose out to those communities that have conditions under control.
 2. The upside: None

2. Pent Up Demand will drive travel but also create fulfillment and health issues

- a. What it means: As a consumer-based population, Americans (where we will put our focus for purposes of this conversation) are accustomed to a particular lifestyle, and consider it a part of their culture to consume all manner of exotica. In a nutshell, the consumption of travel & tourism products is part of being American. Recent booking

volume in the Southeastern United States was undeniably driven by pent-up demand and a need to 'do what we want when we want, and how we want.' This pent up demand is a powerful tool for marketers. It will undeniably drive visitation in destinations that are open for business, from all manner of feeder markets irrespective of conditions there (with a few exceptions noted above).

- i. The upside: Pent up demand requires little to no marketing and is very organic. The overhead associated with it is limited. Room rates are stable when demand is high, and lodgers, retailers, and F&B providers have an opportunity to make the grade during such periods.
- ii. The downside: Controlling visitation is not something that destinations are equipped to do, either from a messaging or enforcement point of view. Service providers are similarly limited and are highly motivated to capture revenue as it becomes available. Overcrowding has COVID consequence (reference SE USA in June / July) and as well as a social consequence (NIMBYs, etc.). And pent-up demand behaves very much like a wave motion, with a large number of visitors flooding a market for a short time, then tailing off, assuming operations can continue in the wake of increasing infections. Negative media coverage in a time of recommended social distancing can come into play. Staffing is a significant concern right now, and sudden demand can put excessive strain on service providers, creating a failure to meet clients' expectations and possibly resulting in more harm than good to the lodge, service, activity, or even destination in question.

3. Local Sentiment: Destination residents that are somewhat or highly resistant to outside visitation will push back against publicly funded entities marketing the destination, having an impact on previously more independent DMO / government directives

- a. What it means: Governments are publicly elected to work in the best interest of the majority of the community, and DMO's are often funded by governments or part of the government itself. Large numbers of local citizens in the destination community that oppose outside visitation may apply pressure, either politically or socially, to discourage visitation to the community. There is also a threat of violence or action against visitors by more passionate tourism opponents that can further complicate image and messaging for the destination.

4. COVID Management Version 1:

- a. What it means: Jurisdictions, whether they be state, county, or local, are working to enact protocols around disease management, including mandating face coverings, social distancing, limiting capacity at eateries/bars, closing individual businesses, etc. Which policies a destination enacts, how they enforce them, and how they choose to discuss both the policies and enforcement in the marketplace will drive visitation (or not). Different risk groups will respond to different policies, and these policies can be put in place both with a mind to public safety (as the priority) and to targeting your desired audience (high-risk tolerance vs. low-risk tolerance).

- 5. Schooling: Homeschooling and remote learning create opportunities for destinations to capture new travelers will create new opportunities and may help flatten visitation spikes**
 - a. With students in most jurisdictions likely to be doing at least some percentage of their schoolwork remotely, destinations have an opportunity to capture visitors that might otherwise not be able to travel until weekends. The absence of a classroom setting frees families to travel to destinations midweek, where learning can take place remotely from a lodging property, and then recreation takes place. The midweek advantage has an appealing marketing message as families look to practice some version of "isolation travel" where they can get away without encountering the crowds of a typical weekend in a destination. School breaks may be less impactful, taking anticipated volume out of the hands of marketers. Still, with some degree of that volume presumably spreading over a greater time, the revenue consistency may prove valuable.

- 6. Economic uncertainty, particularly in the consumer marketplace, will create uncertainty on the fulfillment side and is not easily foreshadowed this time around.**
 - a. What it means: To-date, the economic impact of COVID 19 has been softened by federal assistance to the consumer market. While unemployment rates have been historically high, consumer confidence has not declined as expected, and financial markets continue to grow in their ever-increasing disconnect with consumer reality, creating a false sense of economic security. Unemployment subsidies from the federal government have added to state unemployment efforts, and one-time (perhaps two) stimulus checks have also put dollars in consumers' pockets. However, as the pandemic continues, these are not reliable mechanisms, nor are they sustainable, and consumers are likely to withdraw further if and when federal subsidization expires, which will drive down both consumer spending and confidence. Discretionary spending on travel and other luxuries is likely to be further curtailed over the months ahead.

- 7. Defunding and/or re-funding of the Destination Marketing Organization will change how – or if – destinations make a call-to-action, which will change fulfillment volume, branding, competitive advantage**
 - a. What it means: As funding tax dollars dry up, jurisdictions will be forced to reprioritize their spending, with health and safety (police, fire, health services), infrastructure, enforcement, tax collection likely rising to the top. With fewer dollars to go around and relatively fixed costs on those operations, funding for DMOs and other non-operationally critical functions will be redirected towards these critical services, leaving DMOs with fewer dollars at a time when they are most needed. This will force the DMO to change the means of messaging and perhaps even the intent. The DMO will be reshaped to a more virtual organization or perhaps eliminated as a stand-alone entity. Look for the re-emergence of the Chamber / Resort Association semi-private partnership of the 1990s to re-emerge as an alternative, non-governmental entity, funded by Association Fees on goods and services on travel goods, with a smaller percentage supplemented by the local government/jurisdiction. Marketing may decentralize and lodgers, activity providers, and mountain/beach/theme park

operations will message on their own. This may result in brand erosion or a lack of brand awareness over time.

The Destination Scenario Continuum

The Insights Collective has identified several destination typologies that represent a range of destination scenarios. These three types include closed destinations, don't bother us, open destinations/COVID 19 be damned and that DMO's and destinations that are somewhere in the middle. The destination continuum below illustrates the difference between scenarios among destinations. For example, destinations in the Southeast were much more likely to support a much more open approach to tourism, as exemplified by Myrtle Beach, which had no mask, social distancing, capacity limits, etc. That contrasted with Truckee in California that were telling visitors not to come. Each destination has to decide where they want to be on the continuum.



To help destinations shape their scenarios, we have developed the following matrix base on four key elements; CVOVID-19 management in the destination, the level of risk of targeted consumers, local community sentiment towards tourism during the pandemic, and the time frame for each destination.

Destination Scenario Planning Matrix

	Regulatory and COVID Management	Unregulated COVID Management	
Consumer Risk Adverse			Long Term Timeline
Consumer Risk Tolerant			Short Term Timeline
	+ Community Sentiment	- Community Sentiment	

The DMO and the destination can shape their scenario based on a balance of policy prescriptions, including:

- COVID management, a short or long-term focus, understanding community sentiment, and risk-averse or risk-tolerant markets.
- DMOs must determine the dominant set of variables they want to develop their scenario. (short or long term time frame, the risk level of target segments, Community sentiment, regulatory and management approach
- DMOs can fine-tune their scenario based on the management of the drivers.

Example: Regulation and COVID Management Dominant Driver

Scenario 1: The Less Regulated Scenario

- Characteristics: Less regulated, positive community sentiment, short term perspective, risk-tolerant market

Scenario 2: The Regulated Scenario

- Characteristics: Highly regulated, negative community sentiment, long term perspective, risk-averse market

Summary

Given the dynamic change of pace in the market today, its highly unlikely that one single outcome will prevail when considering the future. As such, destination and DMO's must think more and more in terms of scenarios and manage their destinations accordingly.

The development of scenarios can and should be a creative process that taps into the industry and the community to find the most realistic but most competitive options to consider.

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Insights Collective is the tourism industry think tank whose purpose is to assist the industry and solve complex and challenging questions and issues that arise. The Collective includes industry experts from across the country in a variety of specialty areas.

Tom Foley

Tom Foley is Inntopia's Senior Vice President of Business Operations and Analytics, and previously a co-founder and the Director of Operations for DestiMetrics Resort Intelligence, beginning from its inception in 2005. With almost thirty years of quantitative and qualitative research experience, Tom believes that business is both informed and supported by well-structured data and the stories that those data tell. Tom presents from a global perspective about macro and micro economic and business trends & conditions in destination travel markets, making presentations informative and actionable.

Originally from Vancouver, Tom and his wife divide their time between mountain and desert destinations, allowing them to enjoy the four season outdoor lifestyle on which they thrive.

Carl Ribaud

Carl is a strategic thinker, thought leader and innovator in the tourism industry. As the President and Chief Strategist of SMG Consulting, Carl has developed and implemented a wide range of services designed to improve the competitiveness of destinations. Most recently, he has developed programs to assist organizations and destinations in developing effective change strategies that link a DMO's capabilities to the ever-changing market environment.

He enjoys riding his BMW motorcycle on two-lane roads throughout the west, trap shooting, river rafting, and skiing.