Business models post Corona

Research project 2021-2023

- *Vísindi og grautur fyrirlestur – í mars 2023 – 11.15 til 12.00. 30 mín fyrirlestur + 15 umræður*

- *Lýsing á fyrirlestri – Björn Margeir Sigurjósson, lektor við EA Dania Business Academy, Randers, Dk.*

- *Þriggja landa rannsókn sem lýkur í vor 2023, Ísl, Lettland og Danmörk og spannaði 2 ár.*
- *Við erum ad rannsaka áhrifin af Covid, t.d. á vidskiptamódel í ferðaþjónustu.*

- *Ég hef einnig gert samanburð á ferðamennskunni í þessum löndum, þar sem Ísland hefur mjög mikla sérstöðu.*

- *Einkum beini ég sjónum að fjárhagslegri stöðu, hvernig markaðir haga sér, viðbrögðum stjórnvalda og hvort Covid hafði áhrif á hvernig fyrirtækin haga sér.*

- *Þá spinn ég adeins vid ástandið eftir Covid, þar sem Úkraínu stríðið hefur miklu alvarlegri áhrif á bransann í Dk en Covid, hins vegar virðast áhrifin á Ísland miklu minni.*
- *Sérstaklega um þau dreifingar- og vidskiptamódel sem eru að koma upp á Ìslandi sem eru mjög áhugaverð og svo breytt notendahegðun á mörkuðum í Dk, sem fyrirtækin eiga erfitt með a bregðast við.*

- 14.00 Introduction to the Nordplus project ”Tourism business models post Corona”.
- *By means of a comparative analysis certain trends have been identified in tourism in Denmark, Latvia and Iceland. They all show diverging patterns of how these countries were affected by the pandemic and consequently how government aid was construed to assist tourism organisations in battling the decrease in demand. Data points to how these three countries have developed their tourism post Pandemic and what challenges the future might bring.*
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- 14.20 Tourism as a career path for our students
- *By means of supplying data to participants of the workshop, dialogue is encouraged in smaller groups, where the axis of the discussion is how our students view tourism as a career path and how we as educational institutions can address that.*
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- 15.00 Tourism and education
- *What are the challenges we face as educators in the tourism sector? How can we address them? What can we share across the board as coming from different countries and different parts of the sector.*
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- 15.30 Rounding off and conclusions.
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- 16.00 Heading off to networking event at Memphis mansion

Main purpose

- Document the effects of the pandemic in each participant country on the tourist industry
- Investigate the response of the tourist industry via cases
- Investigate whether the pandemic has changed the business models of the tourist industry

The main questions when regarding the individual cases/organisations:

- What are the direct effects of the pandemic on financial structure?
- What are the direct effects of the pandemic on strategic decision making?
- What are the direct effects of the pandemic on organisational restructuring?
- What are the direct effects of the pandemic on business models as applied in tourism?

A comparison of tourism stats in the three countries

- Denmark: Slow growth, steady demand, low fluctuations
- Latvia: Slow but marked growth, low fluctuations
- Iceland: Phenomenal growth, big fluctuations

The pandemic at a glance for tourism

- Global decline in the number of arriving passengers 73%
- 3.7% of the world production lost.
- 61 million jobs lost worldwide.
- EU overnight stays decreased by 52%.
- Biggest losers Greece, Cyprus and Malta, and it amounted to over 70% loss of overnight stays.
- Smallest decline the Netherlands and Denmark, less than 35%.
- **76% decline in the arrival of foreign tourists to Iceland**

Denmark tourism stats

- From 1994 – 2021
- Growth of 2.0% GNP to 2.5% GNP
- Overnight stays from 34m to 52m
- Domestic tourism (overnight stays) 45-50% of total overnight stays.
- German tourists account for 75-80% of overnight stays

A growth of 4-6% is considered a record growth in Danish tourism.

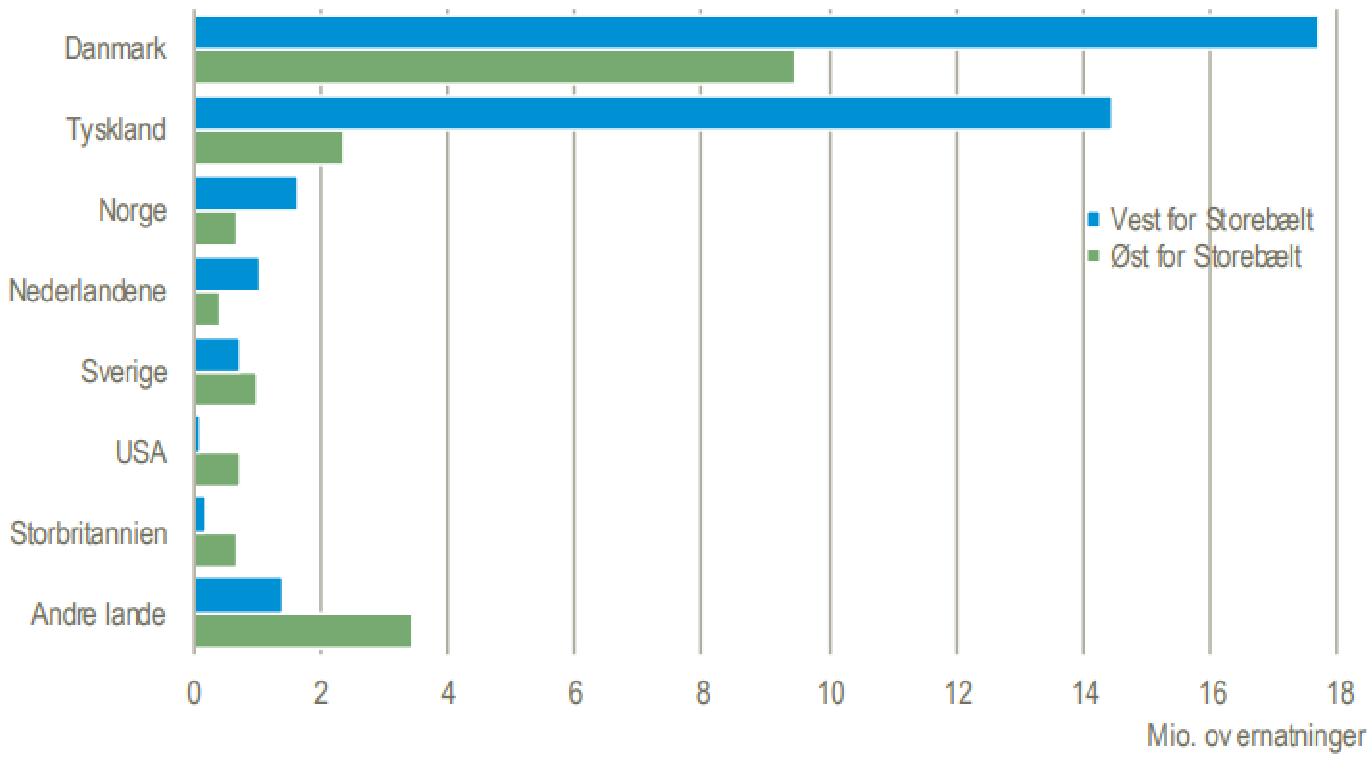
Nyheder 11.02.2020

Rekord i dansk turisme

Med 56 mio. overnatninger satte dansk turisme endnu en gang rekord i 2019. Stærkt anført af Tyskland voksede de udenlandske overnatninger med 4,5 pct., og antallet af udenlandske overnatninger i skuldersæsonen er nu steget med 3,4 mio. siden 2014.

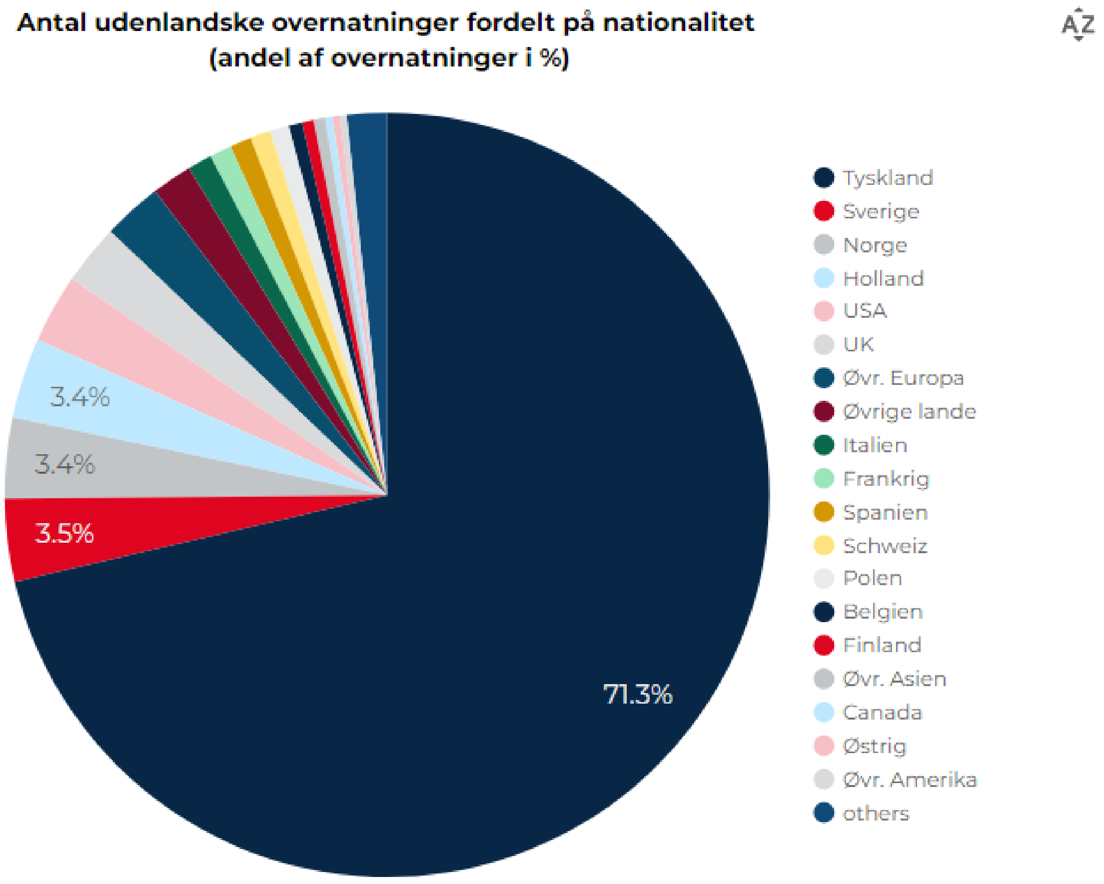
Domestic tourism 45% of total overnight stays

Overnatninger i Danmark fordelt efter geografi og nationalitet. 2019



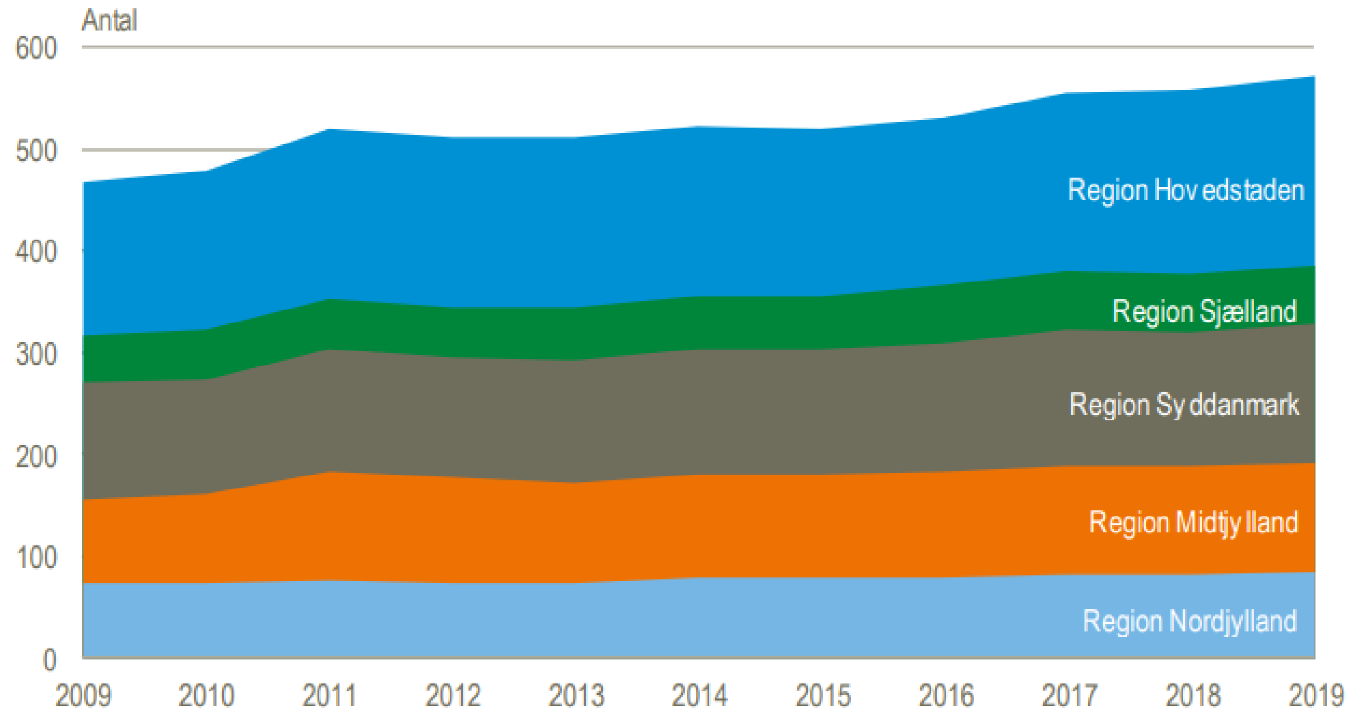
Kilde: www.statistikbanken.dk/turist.

German tourists 74% of foreign visitors (overnight stays).



Development of capacity of hotels Denmark 2009-2019

Antal hoteller fordelt efter område



Anm.: De maksimale kapacitetstal for regionerne summer ikke nødvendigvis til totalen for hele landet
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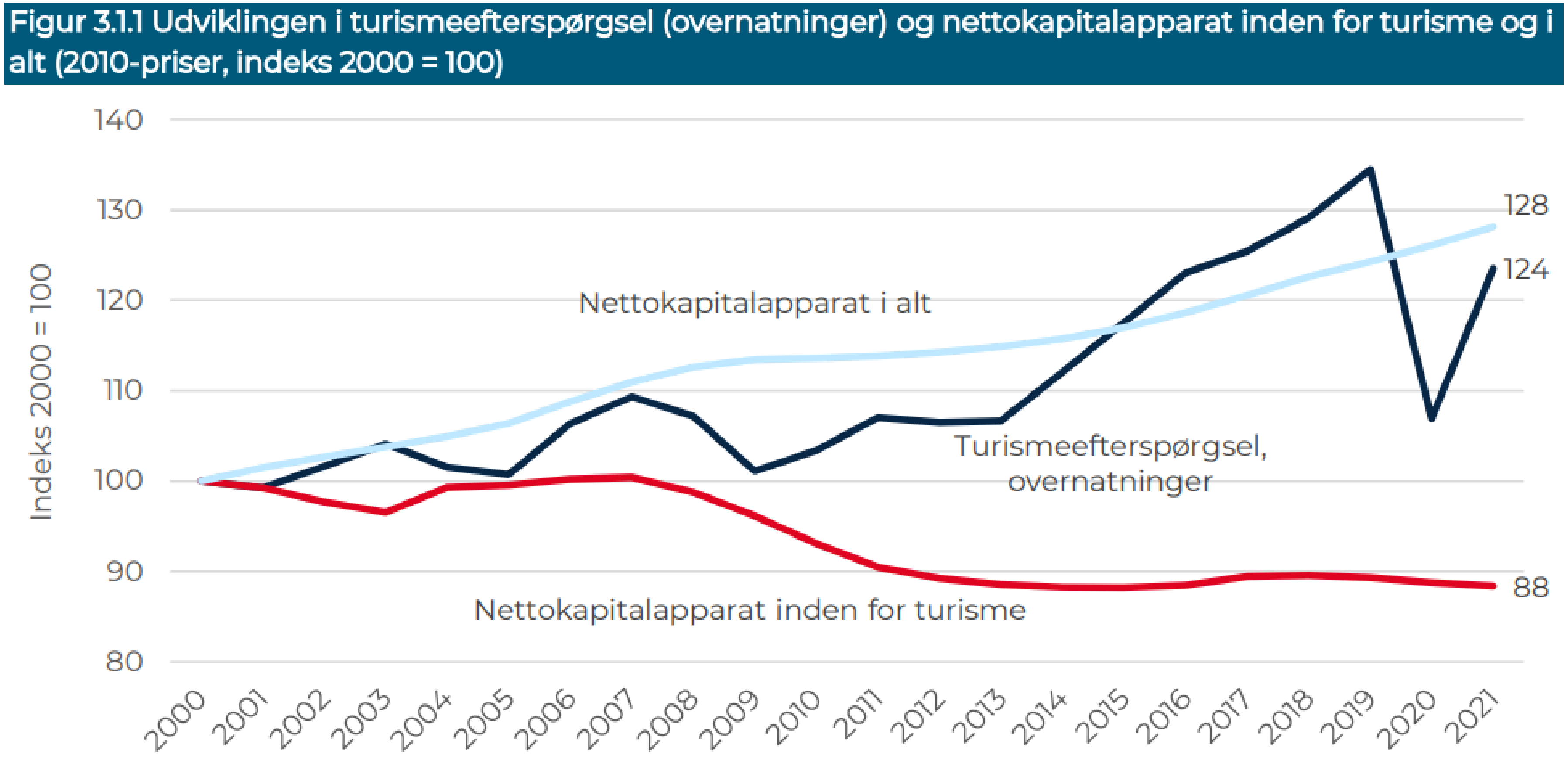
Indexed demand vs investments in Danish tourism 2000 - 2021



Pandemic effects on tourism in Denmark

- A total drop in 35% of overnight stays
- Domestic tourism increased – softened the blow
- Hotels account for 16% of capacity – harder hit but….

Why did it not hit harder in Denmark?

- Foreign tourist expenditure fell 50%
- Typically foreign tourists account for 44% of tourist receipts, fell to 26% as a result of covid.
- National export revenue from foreign tourists thus fell from 4.5% to 2.1%
- Business tourism fell from 25% of total demand for overnights, to 21% demand for overnights.
- Domestic tourism increased as Danes could not travel abroad. Instead they vacationed in the vacation homes, typically reserved for foreign tourists.

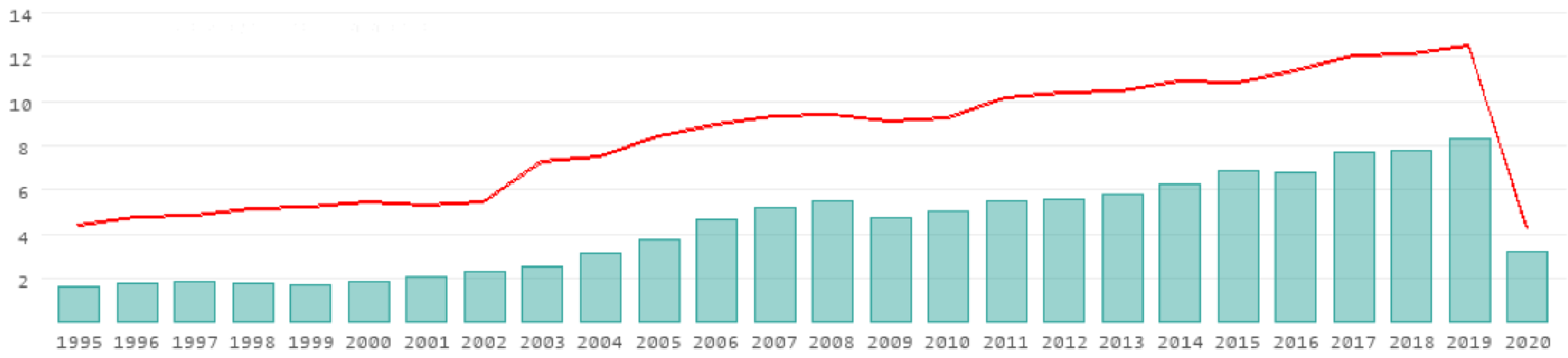
Domestic tourism softening the blow

Source: VisitDenmark 2022

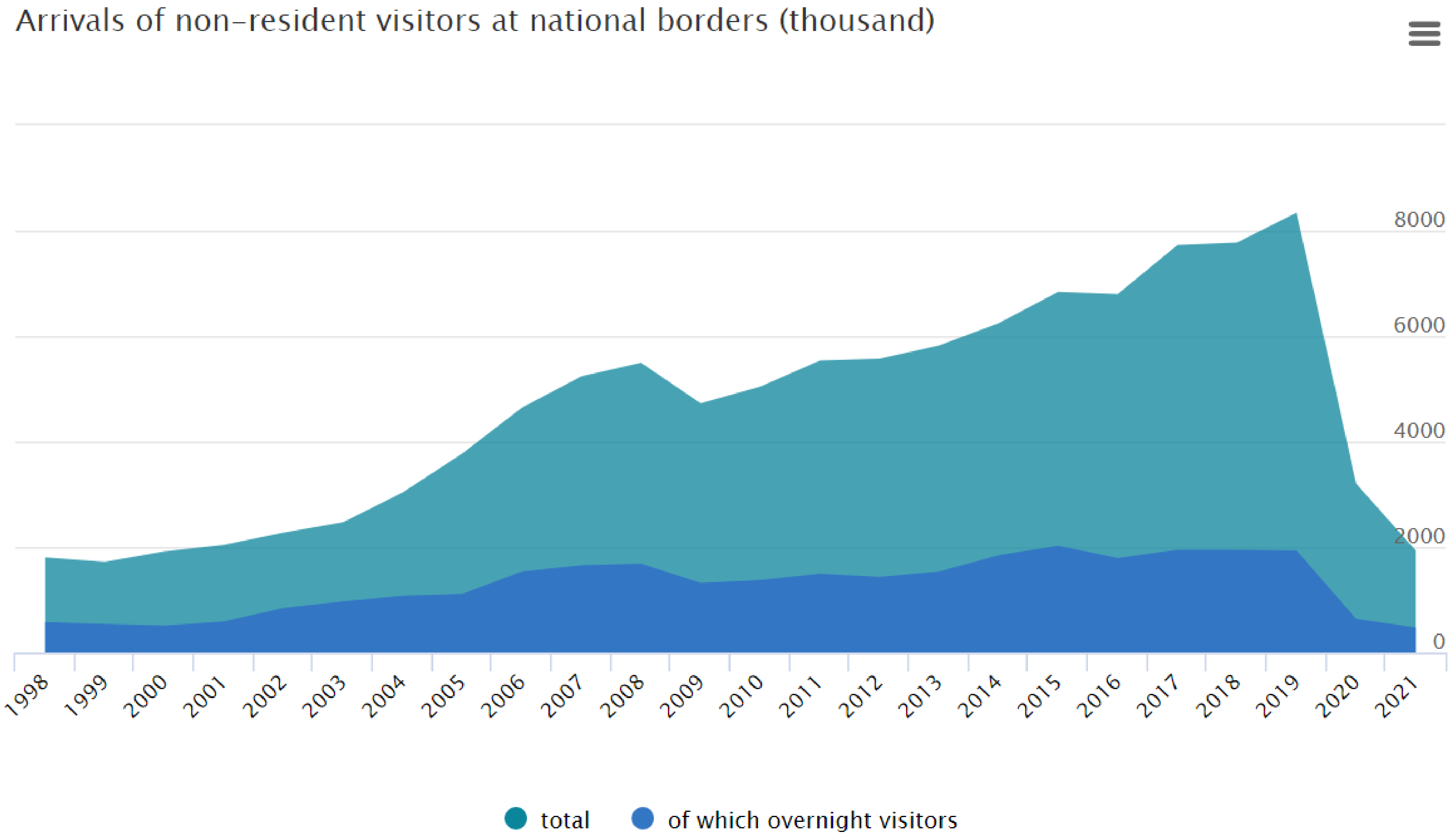
Latvian tourism

- In 1995, 0.64 percent of GNP
- In 2019 3.1 % GNP
- 1.63 million tourists 1995
- 8.3 million tourists 2019

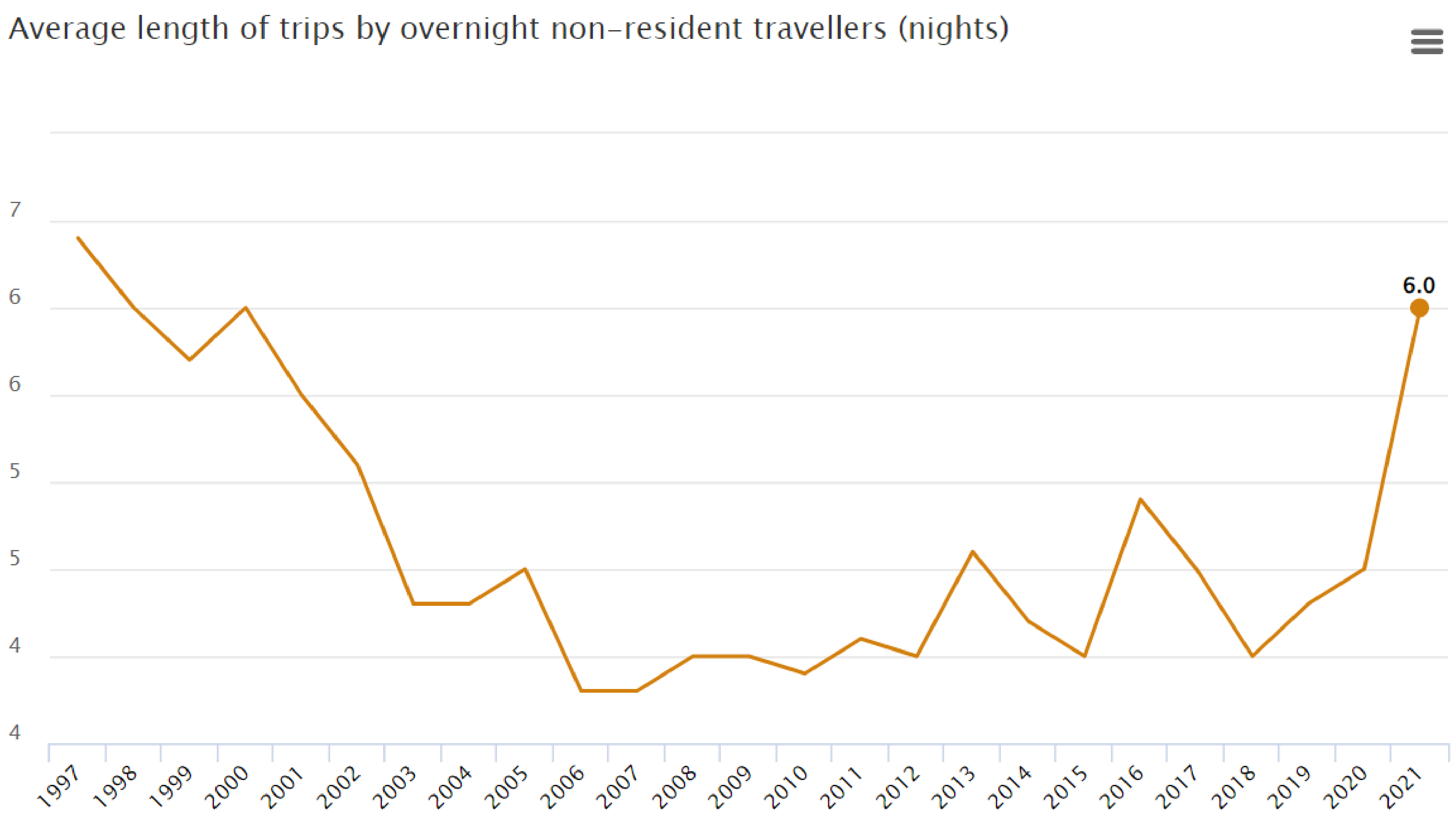
No. of tourists Latvia 1995 - 2020



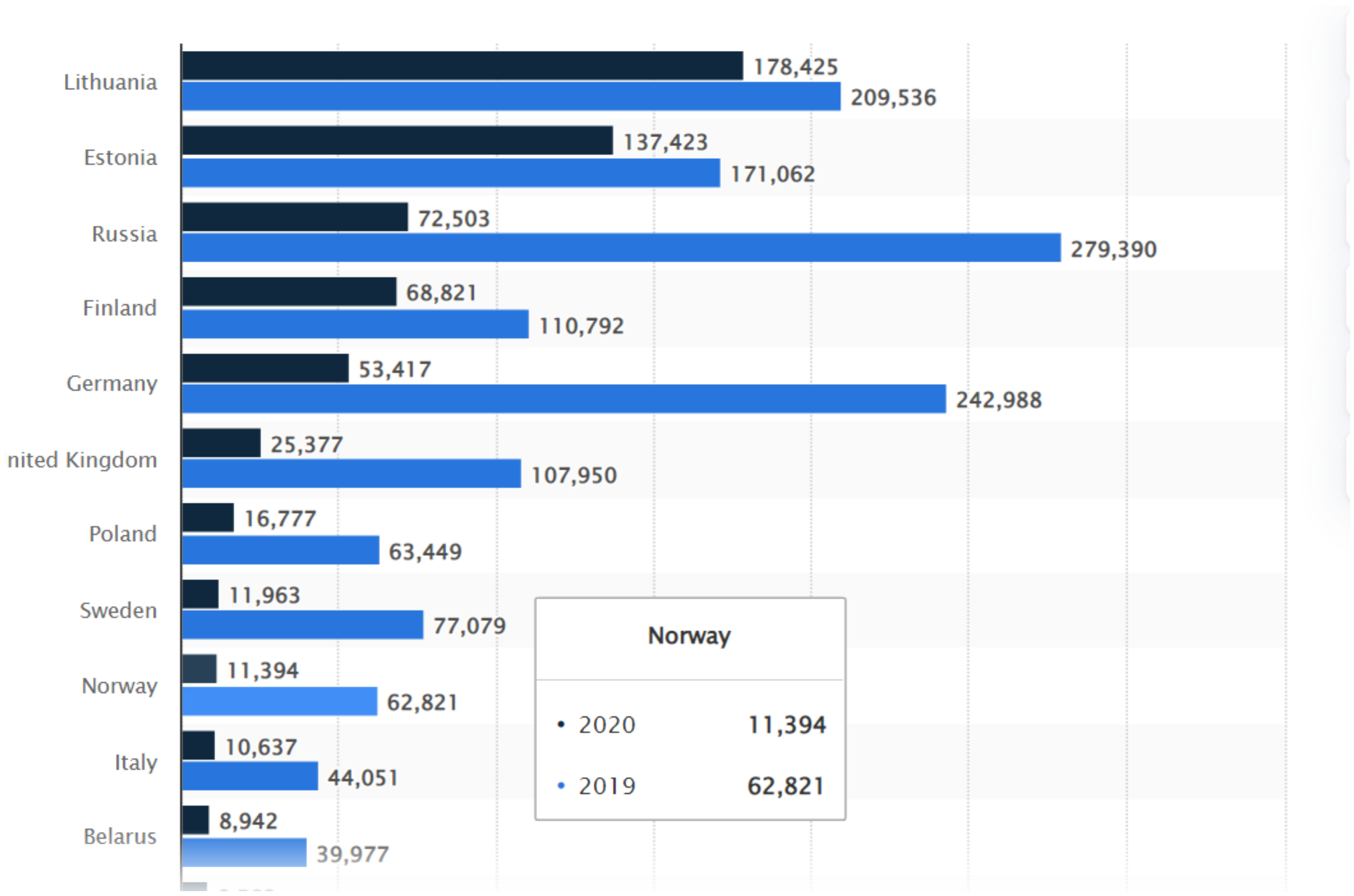
Non resident visitors daytrips and overnight



Avg length of stay Latvia 1997 – 2021 official statistics Latvia 2022



Major tourist markets Latvia

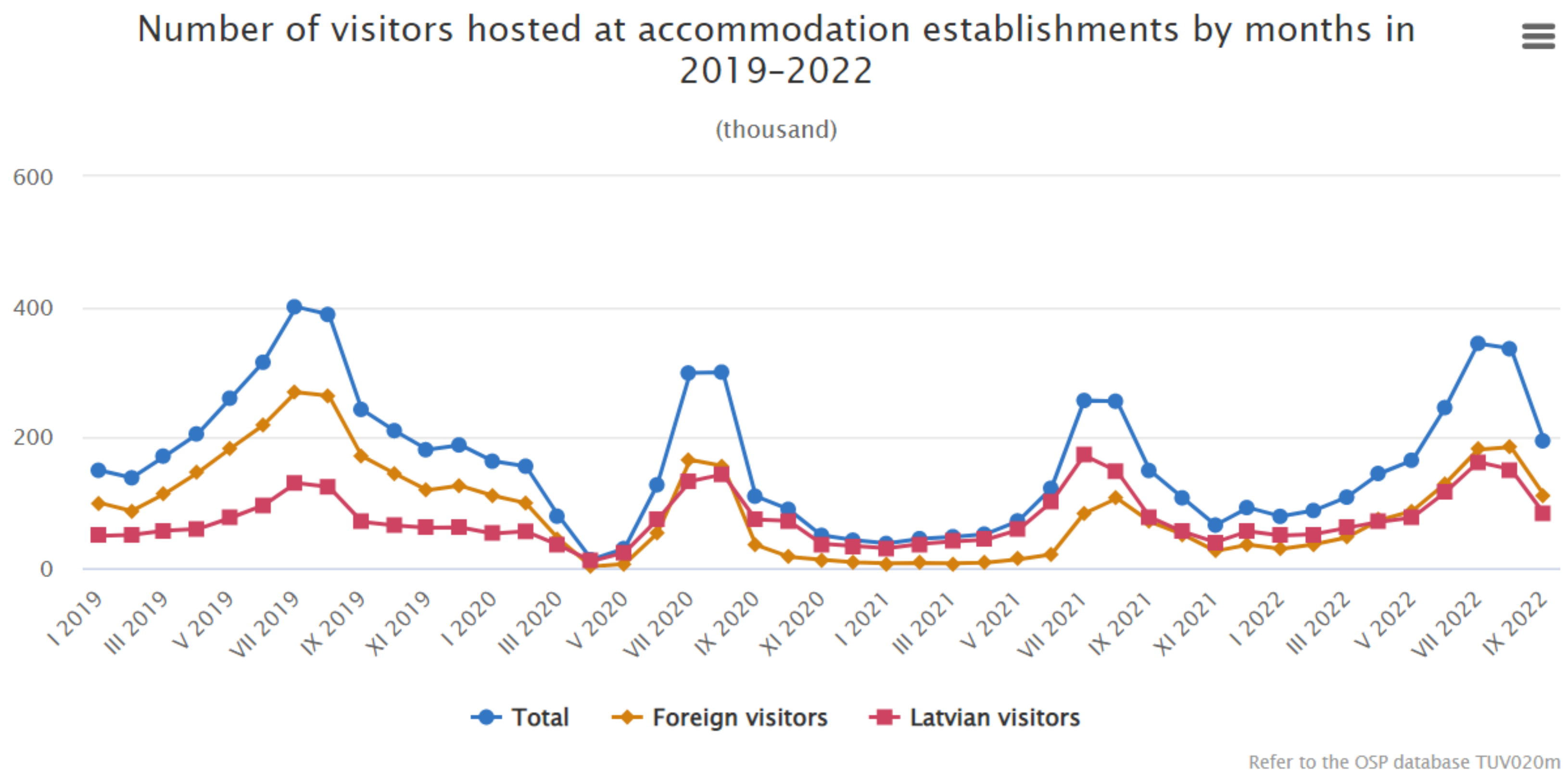


Effects on tourist numbers to Latvia

Number of visitors and nights spent in tourist accommodation establishments

	2021		2020		Changes % (2021 / 2020)	
	Number of visitors	Nights spent	Number of visitors	Nights spent	Number of visitors	Nights spent
TOTAL	1 306 588	2 379 777	1 462 965	2 889 342	-10.7	-17.6
residents of Latvia	864 400	1 516 390	747 990	1 385 037	15.6	9.5
foreign visitors	442 188	863 387	714 975	1 504 305	-38.2	-42.6

Latvian visitors in accomodation 2019-2022



Tourism industry in Latvia – an emerging industry

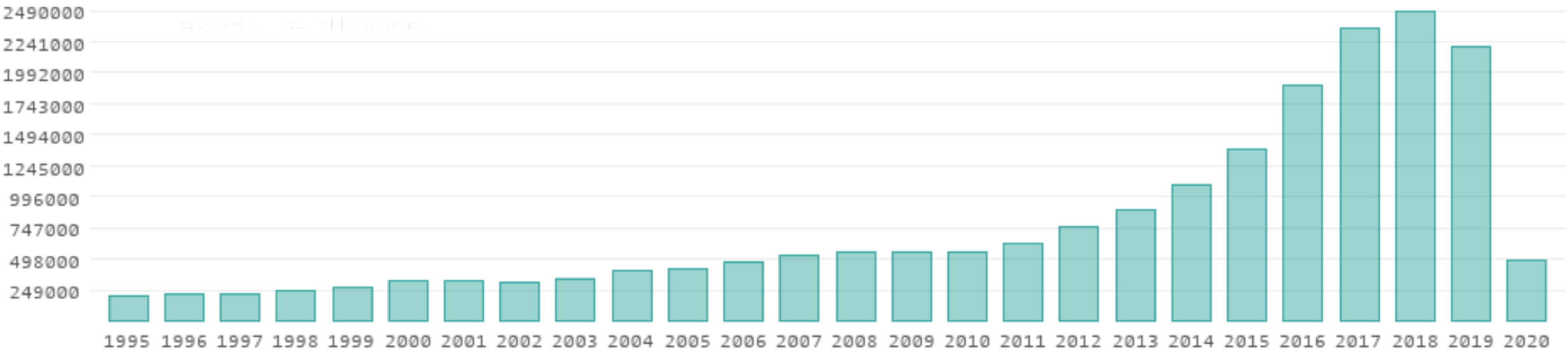
- Tourism and related industries provide 77 100 jobs, accounting for 8.5% of total employment.
- Growth in accommodation sector 2016-18 of 37% increase in bedspaces primarily in guest houses and youth hostels.
- Consequently avg length of stay and spend decreases as pctg of tourist numbers increasingly choose guesthouses and bnb´s.
- Result being less income pr. average pr tourist.
- The most strategically important tourism markets in Latvia are MICE, health tourism, nature tourism and cultural tourism (OECD 2022).

Effects of pandemic slower and longer in Latvia

- 77.3 % decrease in tourist arrivals in from 2019 to 2022
- 42.6 % decrease in overnight accommodation in hotels
- The average length of stay of foreign visitors in tourist accommodation establishments was 2 nights in 2022.

Iceland and the pandemic

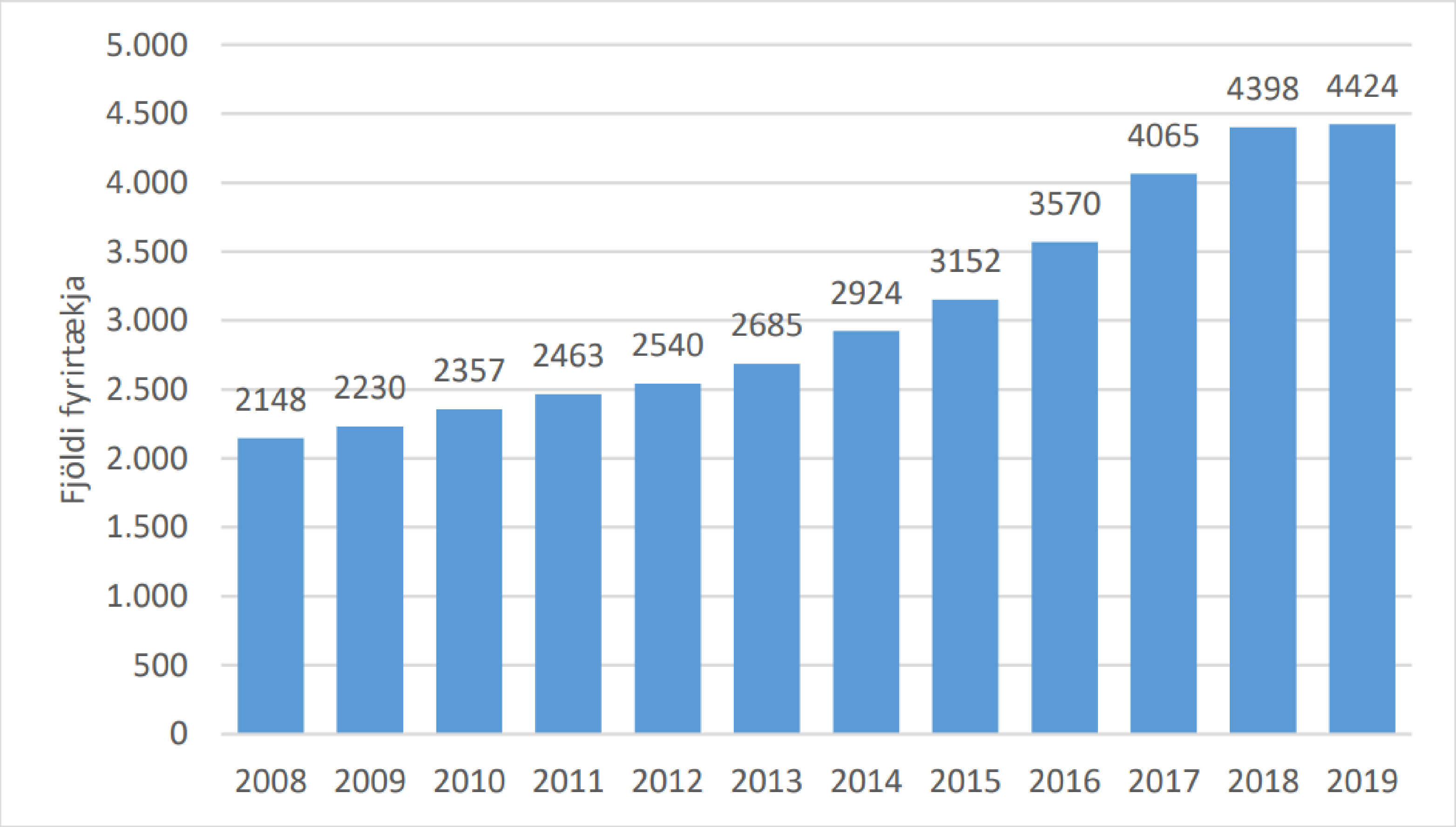
flights are also not considered as tourists in most countries. If the same person travels in and out more than once within the same year, each visit counts again.



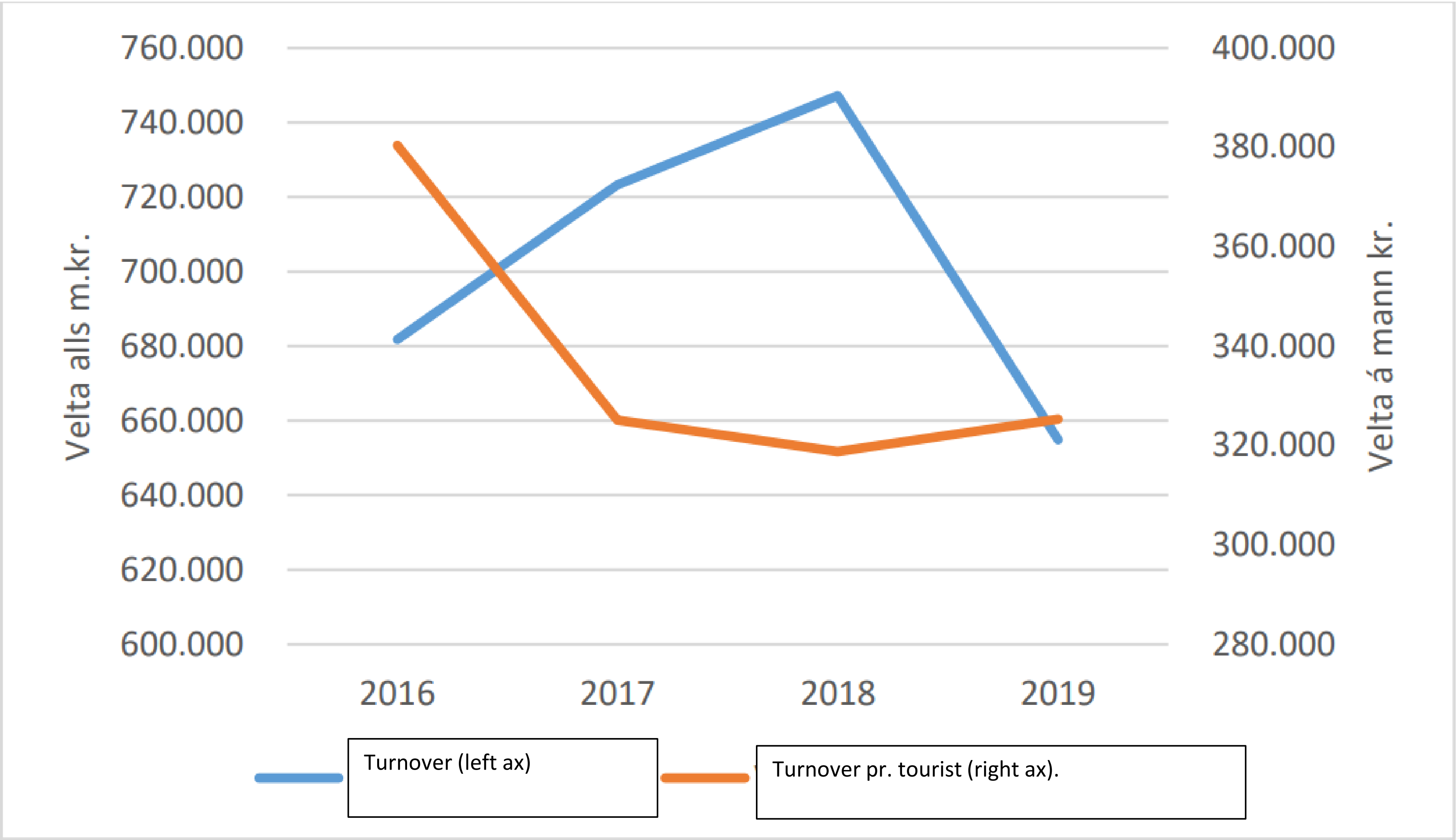
Tourism statistics Iceland

- Tourism % of GDP grew from 3.5% in 2009 to 8.1% in 2016-2018
- the percentage of people working in tourism was almost 14% of Icelanders labor market in 2019
- Highest within OECD (higher than Spain)
- High proportion of foreign labour; 32% in 2019

Increase in tourism enterprises

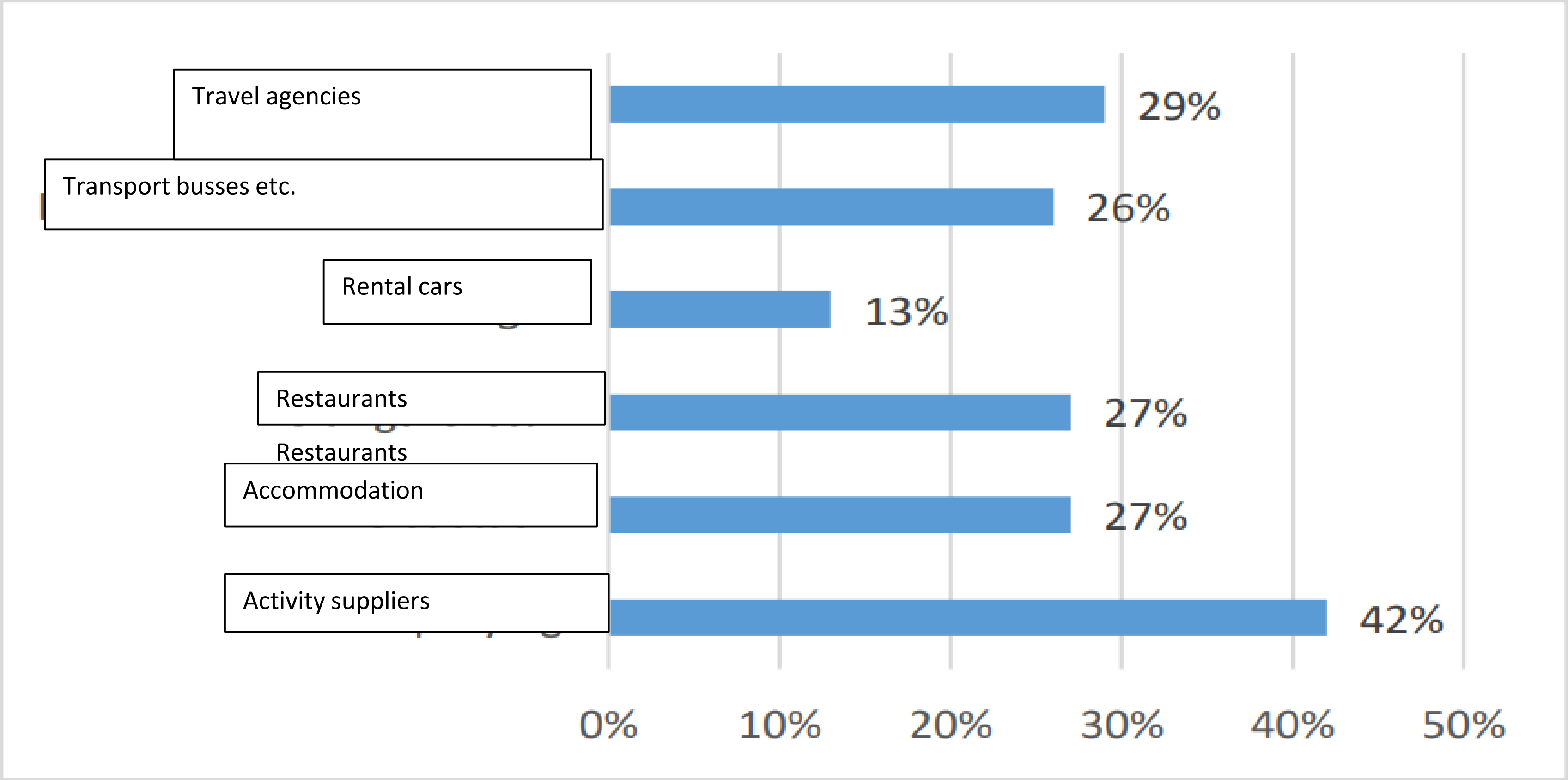


Less money pr. tourist



Rapid growth equals rapid investments

- 2016 to the end of 2019, the sector's debts increased by 83%



Characteristics of Icelandic tourism

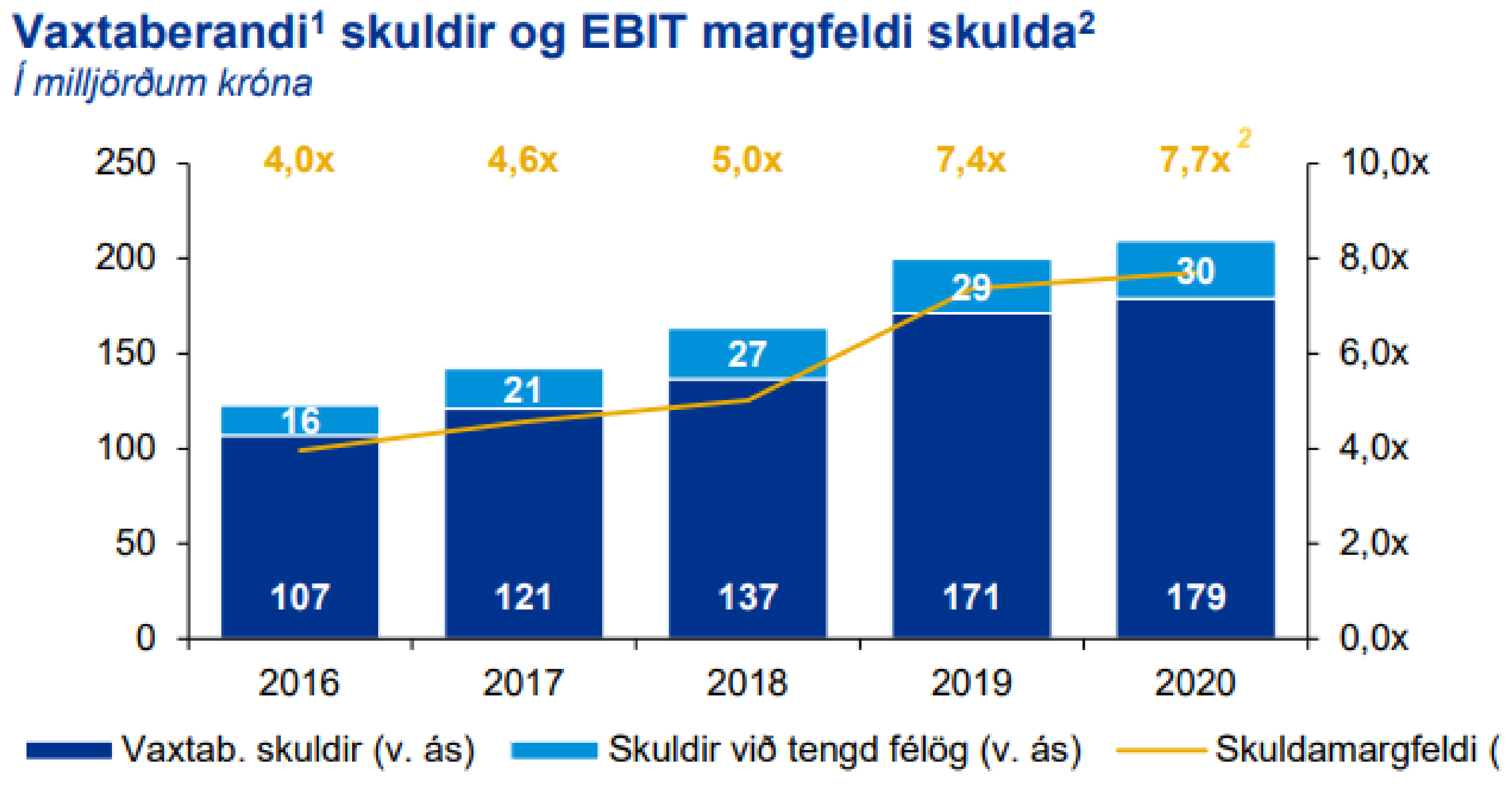
- Heavily dependent on commercial transport
- Rapid growth results in rapid indebtedness
- Hardest hit (above EU average) as a result of pandemic 74% drop in tourist arrivals
- Tourism highest of GDP (8%)
- Employment in tourism highest on the OECD list (14%)
- Indicators of lower equity and liquidity than f.eks. Denmark

Equity comparison Iceland Denmark

- Avg. accomodation Equity in Denmark 45%
- Avg. accomodation Equity in Iceland 27%

- Avg debt vs Equity Denmark Gearing under 1
- Avg debt vs Equity Iceland Gearing increases 7+
- (Increase from 4 in 2016 to 7.7 in 2019)

Gearing in Icelandic tourist enterprises



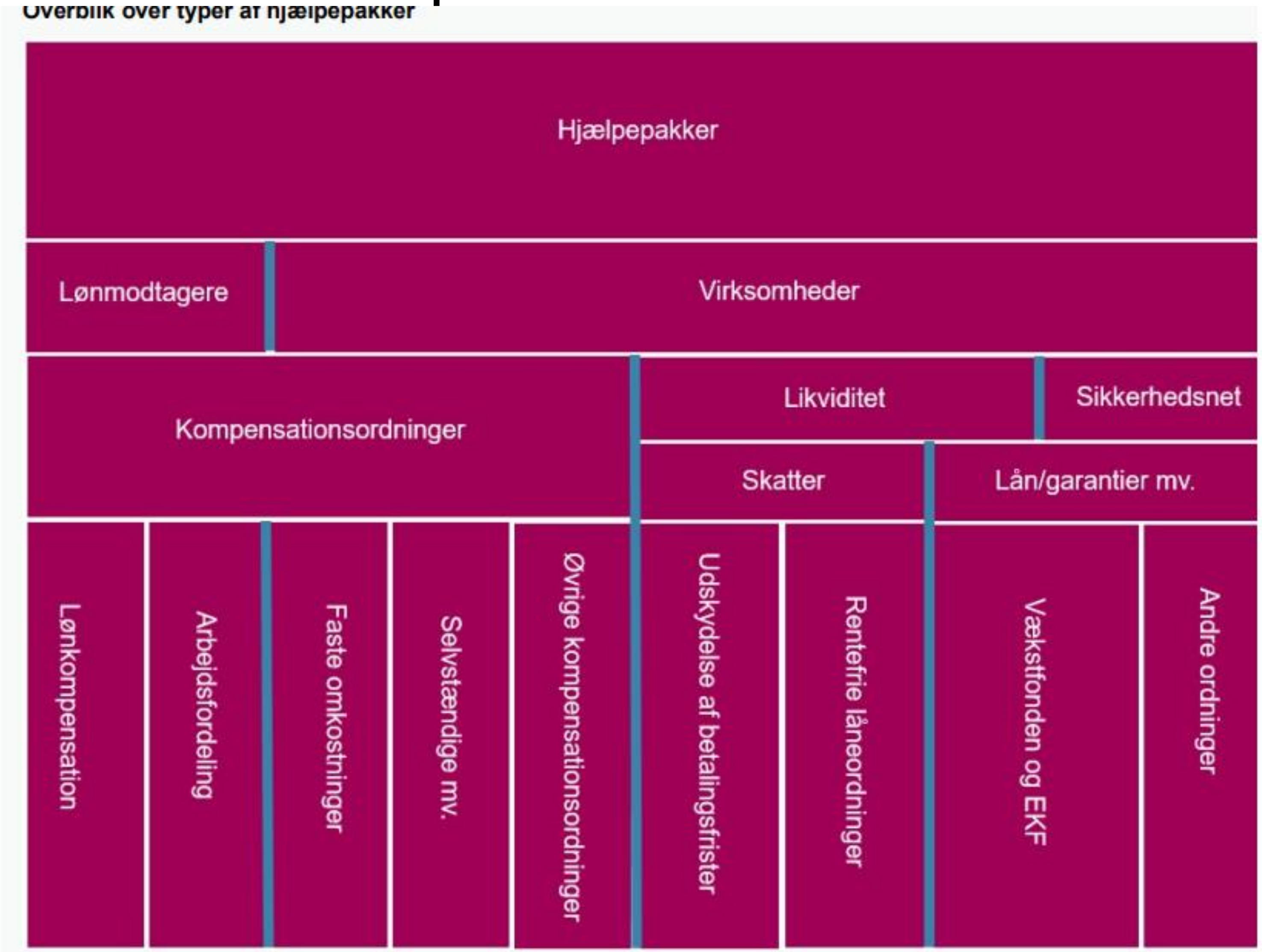
Conclusions of meta analysis

- Marked difference in development of demand for tourism in Iceland vs. Latvia and Denmark
- Marked difference in the travel patterns and supply in Iceland vs. Denmark/Latvia
- Marked difference in GDP/GNP and employment as % of employement in Iceland vs Denmark/Latvia
- Marked difference in how hard the pandemic hit in Iceland vs. Denmark/Latvia
- Difference lies in travel patterns and travel behaviours.

Government response in all three countries

- Financial aid to laid off workers
- Financial aid to enterprises
- Loans
- Grants
- Deferral of taxes in Denmark and Iceland
- Direct financial incentive to general public in Denmark and Iceland

Denmark government initiatives as a response to the pandemic



Denmark compensation scheme

- Wages for laid off employees
- Loans and grants to cover fixed costs
- Deferral of tax payments for enterprises
- Loans and credit collateral/guarantees for enterprises

- Payout of previously planned deferral of vacation wages to the general public to stimulate commercial spending.

Latvia compensation scheme

- Coverage of 75% of wages for workers up to EUR 700 per month.
- Support for “employee downtime” 75% of their salaries, capped at €700
- Loan guarantees and loans for crisis solutions
- Interest rates on loans for tourism sector businesses cut by 50%
- Tax relief measures

Iceland compensation schemes

- Compensation to supplement wages during layoffs
- Support loansintended for smaller operators
- Additional loan / Bridging loan for larger companies
- Deferral of tax payments
- Salary during notice period
- Lockdown compensation for smaller operators
- Salary in quarantine employee suffering job loss due to quarantine
- Travel gift 5000 ISK gift certificates to Icelanders to spend on domestic tourism
- Marketing efforts in favor of Icelandic tourism
- Income reduction grants operators suffering a significant drop in income
- Resistance grants operators suffering considerable drop in income from

Response Iceland ctd.:

- Laying off employess and thereby cutting costs, this was evident already in the first few weeks of the first lockdown.
- Selling assets if possible, in the case of transport, selling vehicles or other assets that could be easily liquidated to cash
- Protecting primary intangible income generating assets with remaining employees, such as sales contracts, sales accounts etc.
- Seeking out substitute markets or carving out new niche markets, such as the domestic market for travel and leisure.
- Using government aid where applicable and as much as possible to relieve the financial burden of carrying high fixed costs.

Response to COVID individual cases

What they did

- Finding a niche market – swift response
- Increasing marketing – establishing a better presence in market
- Selling the company or merging with others
- Adjusting the internal organisational structure (minimal)

What noone did:

- Change the basic business model, how they create and capture value
- Change their distribution channels or channel management
- Change their financial structure or turn to more or less sophisticated financial management methods.

Was the high gearing or indebtedness a causal factor in success or failure during the pandemic?

- No – even companies that were geared to 11 survived
- A high cash reserve enabled one company to secure its position in the market and create a stronger market presence.
- Swiftness to change markets and find different niches seemed a stronger factor
- Being highly dependent on the vertical value chain creates more rigidity for a company

Danish and Latvian response very similar

- 1. Laying off employees
- 2. Longterm lease of hotel rooms where possible (Latvia)
- 3. Availing themselves of government support
- 4. Some indicators of increased longterm and shortterm lending in Danish companies
- 5. No indicators of switching consciously to different target groups, i.e. no indicators of adapting the supply side to a different target group.

Main differences Lat/Den vs. Iceland

- Lat/Den low depency on vertical distribution and value chains
- Lat/Den domestic markets and one day visitors dominant
- Lat/Den Slow growth, high equity and low gearing

- Iceland High depency on vertical distrb. and value chains.
- Iceland High gearing and low equity
- Iceland rapid growth, higher labour depency on tourism, higher GNP