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# Tourism needs to adapt to survive in the new normal

By Nitin Pangarkar

IT HAS been a challenging few months for all sectors in Singapore, especially for travel and tourism because of restrictions on movement within Singapore and across countries. While there are signs that restrictions will be lifted, especially for movement within countries, a return to the volumes before the Covid-19 crisis seems a long way away.

The general consensus is that while the current crisis is particularly severe, crises will recur in different forms in the future. Having experienced the pain in the current crisis, tourism companies might as well prepare themselves for future ones.

So what should tourism companies do to survive in the new normal?

Since social distancing norms are likely to be around for at least the next few months, tourism companies might focus on outdoor activities (for example, at the Singapore Zoo, Jurong Bird Park, or walking tours). These activities can be adapted more easily with some modifications to pre-crisis standard procedures, such as restricting visitor numbers, in the new normal. So, these could feature prominently in the service offerings.

A next important thrust could be reducing dependence on international tourists. In 2018, as many as 18.5 million international tourists visited Singapore. Since foreign visitors are unlikely to return in large numbers anytime

soon, tourism companies might as well shift their focus towards local customers. This strategy would entail attracting repeat customers, which is never an easy task. For instance, for attractions like the Zoo and the Bird Park, only a small demographic from the local population (families with young children) may constitute repeat visitors. To attract repeat visits from a broader segment, it is imperative that attractions and tourism companies be creative in coming up with new and innovative strategies, including focusing on service offerings and their marketing, especially pricing.

Partnerships can play a crucial role in attracting repeat visitors. Many different service providers such as attractions, tour operators, hotels and restaurants might come together and craft bundled deals for local customers. The many different components in the service bundle may help maintain a sense of novelty because more permutations are possible with several elements. Given that some of these businesses such as hotels and restaurants have low variable costs, offering attractive prices will also help attract more patrons since promotional prices may result in better capacity utilisation.

With regard to international tourists, tourism companies have to adopt targeted strategies and become ready to respond quickly to changes in travel policies. Tourists from some countries may be more likely to visit

simply because those countries have forged a cooperative air travel arrangement with Singapore. Thus, strategies need to target tourists from these countries, even if they were not on the radar pre-crisis. There needs to be a good understanding of their preferences, and service offerings crafted to cater to those preferences. While travel is still restricted, companies can use this lull period to forge new partnerships and research visitor preferences to gain an advantage.

## LEAN AND MEAN

Tourism companies should also aim to have a lean cost structure. This is crucial because of the expected lower volumes in the future. While aiming to be lean and mean, it is important to not lose sight of the key strengths, especially key people, because ultimately this is a people business. It is important to lose the fat, but not the muscle, such as trained and knowledgeable employees. Technology adoption is also a great tool for improving efficiency. Lower costs, thus achieved, would not only improve competitiveness but also provide insights to craft targeted strategies.

There are many other suggestions that tourism companies can adopt to deal with future crises. Whatever they plan to do, they should aim to build the strongest balance sheets they can. When they are generating surpluses (during the good times and hopefully in the near fu-

ture), it is important for companies to squirrel away money for a rainy day. Prudent debt management means three things: avoiding debt unless essential and internal funds are not available; using debt to fund capital (fixed investments) or building a "stock" of essential skills (for example, related to branding; customer service or productivity improvements) for long-term performance and not using debt to fund day-to-day expenses.

Given the fluidity of the current situation, it is challenging to see beyond the short term. However, tourism companies also need to keep an eye on the long term. Any crisis brings about a change in the industry in multiple ways including changes in customer profile, buying preferences, identity of competitors and operating models, among others. Openness to new ideas is critical to understanding how new trends might affect your business. Flexibility and agility are critical to shaking off inertia and building the capabilities needed to capitalise on the new trends.

The present time is clearly challenging for tourism companies and they need to survive this difficult phase to have an opportunity to define their new state of being and compete in the (hopefully brighter) future.

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