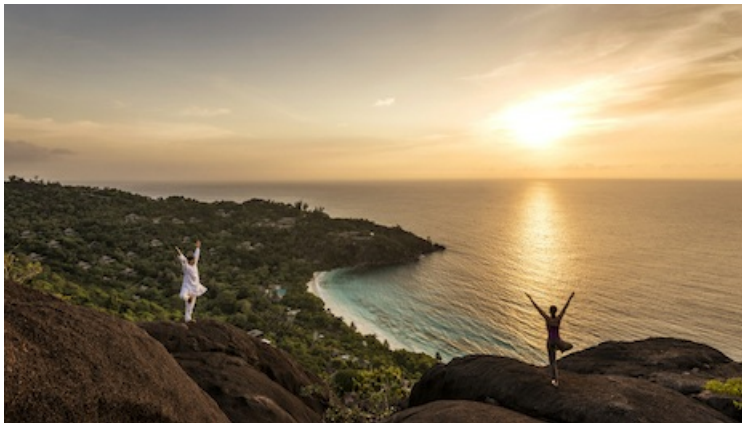


TRAVEL AND HOSPITALITY

## After coronavirus, what is next for travel and tourism?

March 11, 2020



*Travel and hospitality focused on wellness will accelerate after the coronavirus outbreak subsides. Image credit: Four Seasons Hotels and Resorts*

By **Richard Cutting-Miller**

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The coronavirus has sickened travel and tourism, but the industry will recover.

That is our advice to our luxury hotel, resort and destination clients over the past six weeks, as COVID-19 ripped and continues to rip through the planet, your stock portfolio and your kids' school year.

Clearly, the next six months will be unlike anything we have seen since 9/11 or the financial crisis of 2008-09.

Left holding the bag

There has already been billions of dollars in losses for Asia's tourism industry, with domestic numbers painting a grim picture for high-season occupancy performance that dropped from roughly 90 percent down to 25 percent.

Losses for global equity indexes are now measured in the trillions.

ITB, the world's largest travel industry gathering, was cancelled on orders from the German government.

Daily, corporate travel and events are being cancelled, with resorts, airlines and venues losing big in the process.

The U.S. government has also recommended that older Americans with underlying conditions completely forego all cruise trips.

The U.S. travel industry is now bracing for impact just like everyone else.

After all, according to Resonance's new *2020 Future of Luxury Travel* research in which we surveyed the wealthiest 10 percent of U.S. travelers in October 2019, "Safety" remains the #1 criteria in choosing a destination.

Outbreaks and the fear of an unanticipated and prolonged quarantine or astronomical foreign medical bills challenge even the most anticipated dream vacation.

There is also the growing concern that local experiences themselves will be altered or cancelled upon arrival as governments clamp down aggressively on life-as-usual in an effort to contain contagion.

And this is all going to get worse before it gets better, with most models globally forecasting a peak of infection between April and June in Europe and North America two destinations and sources of luxury travelers that to date, with the exception of Italy, have not experienced the disruption that Asia has.

Rebound?

In the near-term, the spread of the coronavirus is certain to disrupt both even the most recent forecasts for 2020 as both international and corporate travel are curtailed dramatically. How this impacts long-term leisure trends and the travel aspirations remains to be seen.

But just as there was significant disruption in leisure travel consumption after 9/11 and the financial downturn in 2008, travel aspirations, intentions and consumption eventually returned to the long-term trend and we expect post-virus travel patterns and consumption to do the same.

No one knows how much more deadly or widespread COVID-19 will be than SARS. But its effect on places such as Milan, Paris or Seattle should be the same as SARS was on Toronto: a steep drop-off until contagion drops, followed by intense, targeted destination marketing by affected regions to remind the scared and hesitant about all the coveted experiences that are still available, waiting without crowds, for the intrepid to satiate that inherent need to explore.

In all previous tourism crises Gulf Wars, 9/11, SARS, natural disasters and countless terrorism strikes the built-up demand has returned with significant gusto and almost always exceeded expectations for a timid recovery.

So while the near-term outlook is certainly negative, we do not anticipate any long-term changes to the volume and spending of the U.S. travelers, particularly among the most affluent ones.

What may change, in the short to medium term, is a shift in destination selection.

Home suite home

Since 2008, Italy has been the top international destination of choice for the wealthiest U.S. travelers in every survey we have conducted.

Even in recovery, it is likely that wealthy U.S. travelers will shy away from that country for at least the next year or two. Where will they go instead? Likely to destinations within the U.S. or closer to home in the Caribbean, Canada and Mexico.

As for the types of vacations they take, that, too, could change in the short term.

Our most recent survey of wealthy travelers found that vacations to cities surpassed the desirability of vacations to the beach for the very first time.

Plans to take a cruise in the next 12 to 24 months also increased significantly since our last study in 2016.

With outbreaks of the virus concentrated in cities and on cruise ships, it is likely that the types of vacations the affluent seek will also change. Think more private villa rentals and countryside getaways.

It is also likely that we will see a slower and longer recovery for outbound international travel from the hardest hit areas such as China, South Korea and Japan. Destinations, hotels and resorts that cater to these markets will be more affected. Not to mention the luxury brands that have become accustomed to these markets' consumers traveling to shop and purchase their wares.

AS WITH EVERY disruption, there will be winners and losers in this crisis.

We expect we will see heightened interest in health-, wellness- and wellbeing-oriented hotels, brands and destinations, which was already growing well before the crisis. And just as in the recovery post-9/11, more togethering and multi-generational trips being planned.

Perhaps this crisis will also sate our growing wanderlust and cause more U.S. travelers to stay closer to home, at least for a time, exploring less frequented places across the country and North America.



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