



Productivity *Insights*

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Tourism Recovery in the New Normal

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Asian Productivity Organization



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TOURISM RECOVERY IN THE NEW NORMAL

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PREFACE

The P-Insights, short for “Productivity Insights,” is an extension of the Productivity Talk (P-Talk) series, which is a flagship program under the APO Secretariat’s digital information initiative. Born out of both necessity and creativity under the prolonged COVID-19 pandemic, the interactive, livestreamed P-Talks bring practitioners, experts, policymakers, and ordinary citizens from all walks of life with a passion for productivity to share their experience, views, and practical tips on productivity improvement.

With speakers from every corner of the world, the P-Talks effectively convey productivity information to APO member countries and beyond. However, it was recognized that many of the P-Talk speakers had much more to offer beyond the 60-minute presentations and Q&A sessions that are the hallmarks of the series. To take full advantage of their broad knowledge and expertise, some were invited to elaborate on their P-Talks, resulting in this publication. It is hoped that the P-Insights will give readers a deeper understanding of the practices and applications of productivity as they are evolving during the pandemic and being adapted to meet different needs in the anticipated new normal.

COVID-19 AND ASIA

The COVID-19 pandemic starting in 2020 made no distinctions among region, wealth, etc. in its impact throughout the world. Almost all countries, industries, and people have been severely hit by it. Uncertainty about the virus and the unprecedented spread throughout the world made us realize that a pandemic that had been discussed as a global risk was real and that we truly live in a connected world. It has had significant impacts on all aspects of the society: how we live; how we work; how we move; etc.

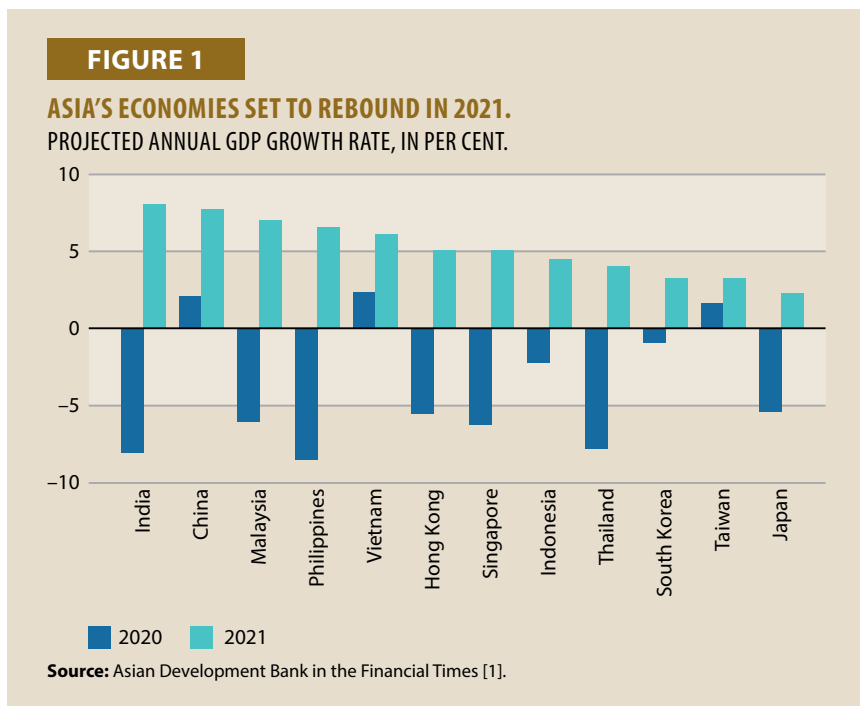
Asia has been hard hit. Asia had been expected to serve as the region of the highest growth potential until 2019. It has a young population with energy and vitality, room to build public infrastructure including “hard” elements such as roads and railways and “soft” services such as technology. As the expectation for the growing role of Asia was so high, the shock to the region caused by COVID-19 was even stronger.

According to the Asian Development Bank, regional GDP across developing Asia was estimated to have shrunk by 0.4% in 2020. But it forecast 6.8% regional growth for 2021 (Figure 1). India and PR China were expected to lead the way with expansion of 8% and 7.7%, respectively, in 2021 [1].

Service Sector Hardest Hit

Among all sectors, the service sector has been hardest hit by COVID-19 in Asia. This is because the service sector (including the part that has not been documented officially due to the lack of standardized data), is estimated to account for a large percentage of GDP in many Asian countries. In addition, the sector tends to be labor intensive and thus provides many jobs.

The travel and tourism sector, the topic of this paper, is the hardest-hit service subsector in Asia. Many countries in Asia have positioned travel and tourism as pillars of growth. In 2019, travel and tourism contributed USD8.9 trillion



(10.3%) to world GDP. According to the World Travel and Tourism Council's (WTTC's) annual research (with Oxford Economics), the travel and tourism sector showed 3.5% growth in 2019, much better than the 2.5% global economic growth for the ninth consecutive year. Among regions, the Asia-Pacific was the fastest growing with 5.5% growth [2].

Why So Severe?

The impact of COVID-19 on the travel and tourism sector was felt even more because of the following reasons. Immediate border shutdowns implemented by governments curtailed international travel and tourist flows in the region, damaging the image of the Asia-Pacific as a preferred destination. Despite geographic proximity, even short trips among neighboring countries were restricted.

The tourist sector depends heavily on face-to-face interactions, whether it is the service of travel agents or tour operators. Without face-to-face contact, it is extremely difficult to deliver travel service that satisfies customer needs. Remote work or work from home is almost impossible for many tasks they perform.

In addition, the travel and tourism sector consists of many SMEs, rather than large global companies. Due to the need to have specific local knowledge, SMEs can offer good customer service. SMEs tend to be short on resources and have had difficulty offering alternatives to face-to-face interactions. They lack skills such as database management and web design as those with fewer than 10 employees account for 30% of SMEs [3].

Jobs and Employment

The impact of COVID-19 on the travel and tourism sector in Asia is not limited to the halt of travel, which has shown a recent surge. This sector is very labor intensive and thus employs many people. The pandemic has caused job losses and lowered employee confidence [4]. According to an Andrew Chan International (ACI) survey report, 74% of respondents had been impacted, 24% made redundant, 50% experienced salary cuts, 36% were taking a 25–50% pay reduction, and 28% taking a cut of 50% or higher. Nine percent were currently unemployed.

Twenty percent of ACI survey respondents had lost confidence in the sector and would not pursue a career in the industry, while 68% planned to leave their jobs in the next 12 months. The trend of desire to exit the sector had been growing in the past two years and continued. Thirty-five percent of hiring managers did not expect to reach pre-COVID-19 headcounts until late 2021, and 25% expected it in 2022.

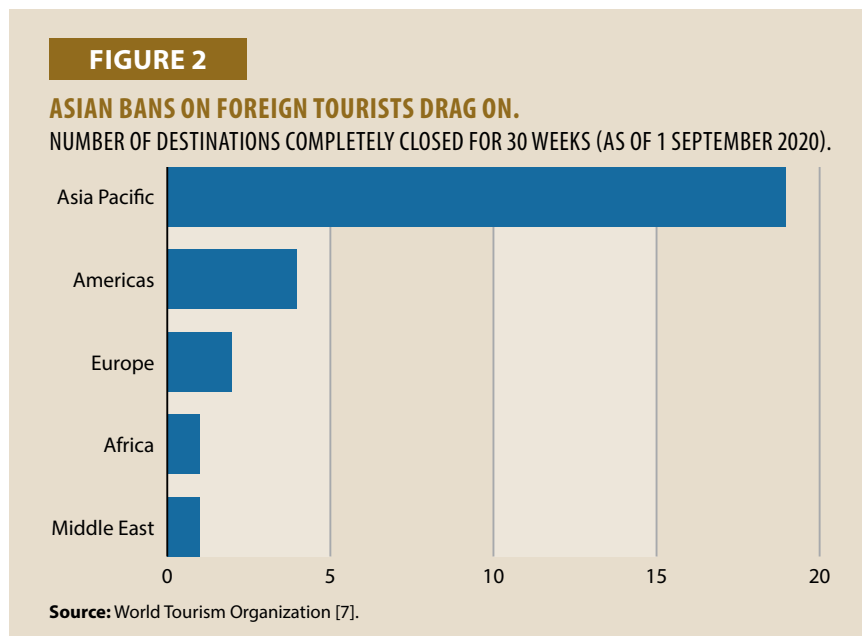
What was encouraging among the sad news was that people showed a willingness to learn, as 35% of ACI survey respondents had enrolled in short courses or higher education. Despite the need for face-to-face contact to deliver travel services, the work style may change. Fifty-one percent of ACI survey respondents preferred flexible work-from-home (WFH) options post-COVID-19. Due to government support, the real impact of job losses was not yet clear.

Rapidly Changing Outlook

In the middle of 2020, the travel and tourism sector in Asia showed some signs of recovery. PR China showed early recovery signs after the strict lockdown in early 2020. The ROC and Singapore controlled infection rates by contact and

tracing algorithms. However, early hopes for quick recovery have not materialized. For the third quarter of 2020, international visitor arrival figures in the Asia-Pacific declined over 90% from close to 150 million in 2019 to less than 14 million in the same period of 2020 according to the Pacific Asia Travel Association (PATA) quarterly tourism monitor of 38 destinations [5].

By 1 November 2020, 70% of global destinations had eased restrictions on travel according to the UN World Tourism Organization [6]. Figure 2 shows that complete closure of borders in Asia and the Pacific, however, was the highest at 61% among other regions [7]. As of 1 September 2020, close to 20 destinations in the Asia-Pacific had been completely closed for 30 weeks, as low scores of health and hygiene indicators and environmental performance indexes played important roles in restrictions.



Status in Early 2021

As of the end of 2020, COVID-19 had not been controlled, with second and third surges in some countries and vaccine availability still short. Some countries such as the ROC and Singapore had managed the infections well and were maintaining that status. On the other hand, others with initial good results began to show signs of ruptures, e.g., Japan and the ROK.

As of December 2020, with the emergence of more infectious variants of COVID-19 detected first in South Africa and the UK, the outlook appeared uncertain and the effects of current vaccines were not yet known. Vaccines by Pfizer, Moderna, and others had been approved in the UK, USA, and EU and vaccinations began in those countries, but distribution requiring strict temperature-controlled storage and transportation as well as the huge demand to vaccinate the vulnerable population made the task extremely difficult.

Some forecast that the recovery of tourism was not expected until 2024 or later. The WTTC set three scenarios for 2020, the upside, baseline, and downside, for the economic impact from COVID-19 [8]. Although the WTTC report was prepared in June 2020 and the situation has somewhat changed, the prospects were no better at the end of 2020. According to Euromonitor International, the four best to worst scenarios were a baseline drop of 50% for world arrivals in 2020 and a worst-case scenario of a decline of 60% [9].

Partly due to the labor-intensive nature and the prevalence of SMEs, the sector has not been well documented with data, making the estimate of impacts harder. Tourism is not known for statistical information systems, as robust, comparable, timely data are not available [10]. The outlook for tourism is therefore uncertain, and the interlinked consequences of the economic and health crisis on demand- and supply-side factors determine the recovery. All in all, the picture of the sector at the end of 2020/early 2021 was bleak with many uncertainties and issues to resolve.

CHANGES IN CONSUMER DEMAND

Changes in General Consumer Behavior

First on the list of changes in consumer behavior is mindsets, which play a significant role in developing recovery plans for tourism. Before discussing travel and tourism behavior specifically, more basic consumer trends indicate the drastic changes taking place in mindsets toward consumption. The needs of consumers in general have shown evolution during the COVID-19 pandemic over the past 10 months.

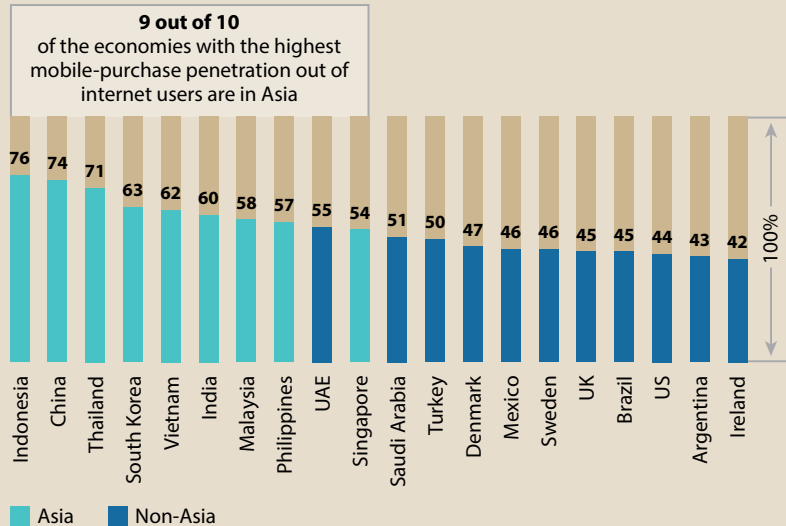
Overall, the following trends can be identified. There is more emphasis on essentials such as food and housing rather than spending on leisure. Increased online purchasing, in particular mobile purchases and cashless transactions, has been clear in most of Asia (Figure 3) [11]. More people work from home, although they are limited to jobs that can be conducted online. Labor-intensive work such as manufacturing of some types and tasks requiring face-to-face contact in many service sectors have had difficulties in converting to the WFH mode.

Consumer Mindset toward Tourism

Earlier in 2020, the hope was still high for tourism in Asia, as it was expected that COVID-19 would be controlled in the first part of 2021 at the latest, hopefully toward the end of 2020. The young population and high growth of the consumer market in general were expected to increase travel, even with the trading-down tendency of focusing more on basic, standard, and economy types rather than luxurious international travel. The young are interested in deals and incentives as well as personalized services. They want affordable luxury and thus nearby destinations for travel could work well for the Asian region as countries are geographically close. The rich nature of Asian countries helps travel with emphasis on the outdoors and beauty of nature to recover and grow. The rise of conscious consumers indicated by the increased attention to

FIGURE 3**ASIA HAS ACHIEVED HIGH PENETRATION IN MOBILE COMMERCE.**

INTERNET USERS MAKING PURCHASES VIA MOBILE PHONE IN 2019, %.



Source: McKinsey Global Institute [11].

food waste and more interest in locally produced and locally consumed products was expected to help tourism in Asia.

We have some encouraging data indicating the strong demand for travel with vaccination according to a study by the Incheon International Airport Corporation. For example, 70% of Koreans and 80% of foreigners (i.e., non-Koreans) stated that they planned overseas trips once the vaccine was available [12]. Despite those hopes, core parts of tourism in Asia which heavily depend upon international travel from other regions and inbound flows of tourists requiring a variety of services were still disrupted as of late 2020. The dilemma between economic needs and safety concerns persisted with little or no light seen at the end of the tunnel. Although economic recovery was sought as tourism accounts for a large percentage of GDP, low demand persisted due to restrictions on international travel from other regions as well as on domestic travel. Local people do not make up the market for international travel due to their urgent need for essentials rather than leisure and the economic hardships they suffer.

A recent COVID-19 surge (late December 2020 and early January 2021) made consumers and businesses reluctant to restart and reenergize tourism. Although there is the extraordinary example of the ROC with only seven COVID-19 deaths in total due to massive testing and tracking, no other countries in Asia have been able to achieve that. For example, in the ROK, which controlled COVID-19 infections well until recently and the government adopted no outright ban on tourists in April except for a two-week quarantine for visitors, arrival numbers stayed down by over 95% in July compared with the year before. A surge in infections occurred, however, and the outlook is still bleak. The Philippines began a campaign to promote domestic travel in 2020 with some success, and Vietnam with relatively few COVID-19 cases has seen an increase in domestic tourism [13]. With recent surges in countries such as Indonesia, Japan, the ROK, and Malaysia, the demand for tourism is estimated to stay low.

PR China recovered more quickly than other countries and its domestic travel including Hainan has shown rapid growth [14]. PR China had more domestic flights in September 2020 than in the same time in the previous year [15]. It was expected that in 2021 international trips from PR China could reach 100 million [16]. With recent new COVID-19 variants and lockdowns in some cities, the prospect of high growth even in PR China remains uncertain.

Long-term Trends

Despite the bleak picture of the travel and tourism sector in Asia in general, the long-term trend to visit new places will stay. However, the majority of consumers prefer leisure travel close to home over international travel [17]. It is expected that consumers will think about more issues when they decide to go overseas.

In the latter half of 2020, some 20% of global consumers said that they would not go back to international travel. According to Brookin.com reported in the Business Times opinion page, consumers' priorities change for tourism as in other categories. Their priorities are likely to focus more attention on sustainability and their well-being. Some indicate additional desire to reduce carbon emissions. How these new priorities manifest themselves in travel behavior remains to be seen [18].

Overall, consumer sentiment toward and behavior in tourism fluctuated throughout 2020, which is expected to continue in 2021. What is clear is that

future Asian tourism will not go back to the pre-COVID-19 pattern. Closure of borders changes often depending upon government policies, COVID-19 variants, and vaccine availability, among others. Even as closures are easing, whether consumers feel safe in traveling overseas is not clear. Although domestic travel has become quite popular, whether overseas travel is perceived to be attractive enough when many suffer from reduced incomes is unclear. With the overall economy disrupted and disposable income decreased severely, the demand for tourism is still low, and international air travel is not expected to go back to the previous level until 2024.

GOVERNMENT RESPONSES

In addition to the changes taking place for consumers of tourism, what changes were taking place in the competitive landscape of tourism providers in Asia at the beginning of 2021? This section discusses the impact of COVID-19 from the supply-side viewpoint, starting with how governments have addressed the issue.

Government Policy for the Sector

Due to the significant economic role of tourism, governments were forced to support the sector. Faced with the urgent need for public safety, the majority opted to ban cross-border travel and movement at the beginning. As some countries, notably the ROC, Japan, the ROK, and Singapore, saw relatively successful pandemic containment by mid-2020, some governments eased cross-border travel restrictions. They continue testing and tracing services whenever they can. As noted above, they went back to bans in November 2020 as new variants emerged and surges were occurring even in those countries. The dilemma between public safety and economic recovery is real, and how each government responds in 2021, with new variants and vaccines on the horizon, is still uncertain.

Government Subsidies to SMEs through Campaigns

Government responses in the form of subsidies to SMEs in the travel and tourism sector have been the major countermeasures. They take a variety of forms such as stimulus packages, tax breaks, debt referrals, and airline bailouts.

The government's Go to Travel campaign in Japan is one example of supporting travel service providers and stimulating demand. This government scheme subsidizes up to half of people's travel expenses and was launched in July 2020 to

help the tourism industry. Although some criticize the effort for targeting larger corporations rather than SMEs, and it applies only to domestic travel, overall demand was stimulated as a result, particularly after Tokyo was included in the campaign. The government also eased the two-week quarantine for incoming visitors from overseas if their trips (mainly business related) were short.

However, the COVID-19 infection rate in Japan rose sharply in the latter half of December 2020, and some estimate that this campaign may have caused the surge. In January 2021, this campaign was suspended as infections increased in major cities and emergency status was declared. This action was estimated to cause a loss of some JPY320 billion (USD3.1 billion) in potential spending through 3 January 2021 [19].

In addition, the Japanese government suspended entries into the country by nonresident foreign nationals to prevent the spread of new variants. This move was contrary to the earlier action to slowly ease international incoming travel. On 13 January 2021, the government banned the entry of all foreign nationals for business purposes from 11 countries who were previously allowed entry.

Maintenance of Healthcare Facilities and Health-related Infrastructure

Another role of the government is the maintenance of healthcare facilities and capacity in the face of second and third surges. As in the USA and some European countries, these have pushed the capacity of healthcare services to the limit. After working without rest and coping with mental stress in the past 10 or more months, healthcare workers have reached the breaking point.

National healthcare and hygiene indicators play significant roles in travel restrictions [20]. Effective leadership and guidance by the Japanese government to maintain healthcare facilities and staff are now becoming critical, as those with illnesses other than COVID-19 stay away from hospitals and many more deaths may result. Mental health issues, particularly for the elderly and others, require additional government actions.

Now that several vaccines have become available, the government's role may shift to the prevention of further infection spread. Agile, flexible actions on the part of the government are indispensable as conditions change very quickly.

Promotion of Collaboration and Infrastructure

Another significant role of the government is the promotion of collaboration for the region. Regional collaboration positioning Asia as a desirable, exciting destination for other parts of the world could serve as an effective means to recover tourism. Not only the inherent diversity of culture, high energy level of the young population, and availability of untapped nature in many places in Asia serve as significant attractions. Despite the immediate economic slowdown due to COVID-19, the region itself is perceived as a high-growth area driving global economic growth in the future. In addition, the fact that Asia has escaped the severe surge of COVID-19 unlike Europe and North America as well as Latin America and Africa gives a positive image of the region to the world. Governments in the region can collaborate in this initiative.

Recent arrangements such as the Regional Comprehensive Economic Partnership (RCEP) may be able to serve as effective frameworks for regional government-driven collaboration. The RCEP among PR China, Japan, the ROK, Australia, New Zealand, and 10 members of ASEAN accounts for 30% of global GDP and population and thus could play a significant role. If governments could arrange legal and administrative mechanisms to promote public/private-sector collaboration, it would benefit the whole region. As the RCEP still requires confirmation by each country to start activities, however, it is not clear which specific potential collaboration activities were expected in the midst of the second and third surges in early 2021.

Although multiparty arrangements such as the RCEP might be difficult, bilateral ones may be the first step for regional collaboration. Travel bubbles to open the borders of partner countries is one example. In travel bubble arrangements, partners allow nationals of their counterparts to enter the country with few restrictions. A bubble between PR China and the ROK was tried but has not been too successful with the recent surge in the ROK. One between Australia and New Zealand was expected to start in the first quarter of 2021, while one between Hong Kong and Singapore was on hold as COVID-19 cases in Hong Kong rose sharply and mixed results were seen.

Leaders of ASEAN discussed bubble arrangements at online regional summit meetings in November 2020, and the 10-nation bloc planned to prepare a declaration on a travel corridor arrangement framework. This would build on bilateral travel lanes that have been established such as the ones Singapore has

established with Indonesia (in the form of a “reciprocal green lane” for essential business and official travel between the two), Hong Kong, Brunei, Malaysia, PR China, and Japan [21].

As of early 2021, the situation in ASEAN was diverse, making coordinated efforts for procedures and requirements extremely difficult, although regional mobility and integration have driven rapid growth in the past three decades. Governments could help by sharing best practices such as successful COVID-19 containment in the ROC among other countries in the region as models to emulate.

PRIVATE-SECTOR RESPONSES TO COVID-19

As discussed in section 1, the tourism industry, particularly in Asia, is characterized by SMEs due to the need for local knowledge and operation. Travel agents suffer the most due to the pandemic as their operations are labor intensive, requiring face-to-face contact. Except for a small number of relatively large companies such as Expedia, etc., many lack the financial resources and technological capability to capitalize on contactless transactions or customer relationship and database management. With demand falling very quickly and competition becoming fierce, many bankruptcies have been declared in the industry. Even larger companies have turned to mergers and acquisitions to survive.

Early Responses Based upon Short-term Needs

Companies' responses to COVID-19 have undergone several phases. During the early part of the pandemic, companies focused on protecting people (both customers and employees) and securing cash to avoid bankruptcies. Many companies shifted the focus from lucrative international tourist inflows to domestic tourism. Examples such as the Philippines Campaign 2020 and efforts by Vietnam have produced some results.

The examples of some airlines showed alternative short-term approaches. Several airlines including LATAM, Avianca, Virgin Australia, and Virgin Atlantic Airlines, as well as many more local and low-cost carriers, although not all are well known, entered bankruptcy protection. In addition to the sharp decline in demand, the issue of CO2 emissions as the subject of sustainability has become more visible for airlines, as flights are an indispensable part of tourism in Asia. As the majority of aircraft have not been in use for tourism, some airlines began focusing more on cargo. Timely transportation of personal protective equipment (PPE) and vaccines for COVID-19 is in high demand,

and airlines could tap this. Other more drastic initiatives by airlines are described below.

However, since there are few alternatives to air travel, the outlook is not encouraging. Even if they escape bankruptcy, current rates of less than 50% of usual capacity levels for airlines and hotels are estimated to continue for three to four years.

Long-term Responses: Actions Needed to Augment Current Assets

Although domestic travel has been promoted in several countries like PR China and Vietnam, other actions are needed to develop total supply chains by augmenting the assets the private sector has now for long-term recovery. So far, the absence of seamless supply chains (end-to-end online, for example, from order taking, delivery, and payment possibly replaceable with technology) has made it difficult to shift the labor-intensive nature of the business.

Some companies have tried to identify tasks needed for end-to-end flow. For each of the tasks, the needs and alternative methods of operation have been reviewed. For example, online order taking instead of face-to-face transactions has been tried. Experiments on applying virtual reality (VR) or augmented reality (AR) have been conducted on a small scale to test the viability of new delivery services. As cashless transactions have become major means of payment and large population segments in Asian countries make use of electronic devices such as mobile phones, this type of digitalized payment is an important part of new business models [22].

For this purpose, developing a regional ecosystem with multiple players and governments may be possible. In addition to government efforts to position Asia as an attractive destination and create travel bubbles to stimulate international travel, the private sector can initiate a variety of efforts to develop a regional ecosystem supported by supply chains and engaging other players such as multinational companies. For example, by collaborating with other travel service providers, the lack of available services to satisfy the needs for domestic and regional travel of local people, which are different from those of international travel on which many travel service providers have focused, could be resolved. What is important now is a deep understanding of

the needs of customers and identifying ways to meet them. Innovative, creative solutions could help tourism in the region recover over the long run by overcoming resource limitations and the lack of people with digital and other technological capabilities.

In summary, private-sector companies in tourism in Asia show signs of survival, with innovative ideas within their resource limitations supported by demographics and the positive mentality of individuals. With new surges of the pandemic and the appearance of virus variants, tourism companies are not in a position to relax but can see slivers of hope in overall national circumstances and try to make the best of niches they can enter and dominate. Specific examples of innovation in designing new business models are discussed in the next section.

INNOVATIVE ATTEMPTS BY JAPANESE COMPANIES AND REGIONS

As tourism has seen unprecedented changes in supply and demand, new opportunities have emerged. Although there is good potential for innovative approaches to make use of data and technology, either by startups or existing companies, not many stand out yet.

Some examples of companies and regions in Japan are described below. They involve companies, governments, and local communities as well as local cities that are offering microtourism experiences as designed by Hoshino Resorts, revisiting the original positioning and value in the Kanazawa example, and using an avatar/newme by Avatarin.

Initiatives by Hoshino Resorts

Hoshino Resorts, which operates 42 facilities throughout Japan, has been known for many innovative and creative approaches to management under the leadership of Yoshiharu Hoshino. With experience in the financial industry, Hoshino took over the management of Hoshino Resorts from his father as CEO in 1991. In facing many challenges, he has tried a variety of innovative approaches.

When COVID-19 hit the travel industry in Japan, Hoshino calculated the possibility of bankruptcy (estimated to be 38.5% with reservation status and financial status) as disclosed in his blog. Many were surprised to find that even Hoshino Resorts, which had previously been successful, had a more than 30% probability of bankruptcy [23]. The reason for this disclosure reflects Hoshino's philosophy of transparency and a bottom-up approach [24].

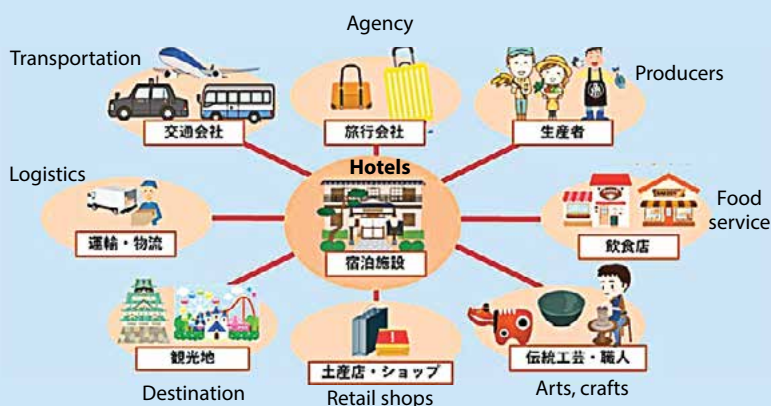
One of the ideas Hoshino Resorts has tried in the face of COVID-19 is microtourism. This is an attempt to avoid the “three closenesses” that may spread the virus and to contribute to the local economy. Several initiatives were

developed and tested including the Nasu Discovery Box, which contains local arts and crafts from the area of Nasu and remote Mashiko pottery market. Microtourism was positioned as an initiative to let local people in nearby areas see the value of local communities, while at the same time giving Hoshino Resorts opportunities to learn from local people [25].

Microtourism is an attempt to rejuvenate a community economy by designing a local ecosystem. It defines the “zone” for the local community as a one- or two-hour trip by car, bike, and walking. It involves a variety of organizations in the zone including transportation, travel agents, hotels/other accommodations, logistics, food services, producers, retail shops, and arts and crafts. Figure 4 shows a sample microtourism scheme [26].

FIGURE 4
MICROTOURISM: HOSHINO RESORTS EXAMPLE.
Attempt to rejuvenate the local economy by local ecosystems:

Set up zone for microtourism: 1–2-hour trip by car, bike, and walking to be expanded as COVID-19 settles



Source: Hoshino Resorts [26], edited by the author.

Some current examples of microtourism include Kai Tsugaru in Aomori prefecture where customers can enjoy local food and musical entertainment (Japanese string instruments from this area) in addition to the hot springs spa.

Example of Kanazawa

Kanazawa, the capital of Ishikawa prefecture, offers some insights on how tourism in local cities could revisit its original value and rebrand itself.

The city of Kanazawa is located in the Hokuriku region facing the Japan Sea. It is known as a comfortable, attractive destination for leisure trips without congestion. Its unique features include the section of the city which maintains the architecture and culture of the Edo era (17th century), with museums and local crafts. Kenrokuen Park is one of the best-known parks for its classical gardens with water features. Kanazawa is also easy to get around in as many spots are located within a 2-km radius around Kanazawa Castle.

The city developed a three-year plan in 2016 to promote tourism, as the Shinkansen (Bullet Train) connecting the Hokuriku area and Tokyo was launched in 2015. The basic concept behind this plan is that the love and pride each person has for the city will enhance its image. It also attempts to improve both the quality of life for citizens and tourism [27]. The number of tourists increased rapidly after the introduction of the Hokuriku Bullet Train. Not only visitors from other parts of Japan but also international travelers who were looking for new destinations after they had exhausted well-known spots such as Kyoto and Nara as well as big cities such as Tokyo and Osaka began visiting Kanazawa.

According to a survey of citizens, some feel that “overtourism” is taking place with many places too crowded and traffic jams resulting. The local economy has benefited from the increasing number of tourists, bringing profits to the tourism industry. Many people thought that the image of Kanazawa had improved even more [27]. As the Hokuriku area (which includes Kanazawa) is suffering from a population decline, the promotion of tourism to the whole region was considered important. With upcoming major events such as the Olympics/Paralympics in 2020 (later postponed to 2021), expectations were high not only for Kanazawa but also for the Hokuriku region.

Starting in 2018 or so, however, accommodations were becoming strained and Kanazawa was crowded, along with transportation within the city and other service outlets. Although Kanazawa had been known for fresh seafood from the Japan Sea (sushi and other delicacies), food costs skyrocketed to accommodate the sudden rush of visitors. Cooking good fresh seafood requires extensive training, and skilled chefs are a critical ingredient, but such chefs

started becoming scarce. The service and hospitality skills of food service personnel, which had been a well-known tradition of the city of Kanazawa since the Edo era, started deteriorating in the rush to accommodate the rapid surge of domestic and international tourists. “Not so favorable” conditions were found in some places. In addition, with higher food prices, some started wondering how far they should go to promote tourism to Kanazawa.

It was when overtourism started attracting the attention of the government and others that COVID-19 hit. The number of inbound tourists declined sharply, and the survival of travel-related services became the main issue. Several well-known restaurants closed their doors.

Although people were worried, facing the need for survival brought opportunities to reflect and think. They realized that they had been too busy in accommodating tourists and almost forgot their traditional, unique values. After some soul searching, relevant parties in the travel sector, including local government, decided to go back to their traditions, including fresh seafood direct from the Japan Sea supported by the constant upgrading of cooking skills and new ideas for innovative menus. As more time was available with fewer tourists, they were able to invest energy in examining their service levels and improving them. For example, sushi chefs started spending time refining their skills and developing unique menu offerings.

A new tourism promotion plan is now being developed with after a second survey [28]. As of late December 2020, the demand for Kanazawa as a destination appeared to have recovered somewhat and the recovery and rebirth story was featured in a TV program.

Use of Avatar-newme for Instantaneous Movement

While airlines have had difficulty surviving, some tried alternative ways such as cargo to use their assets. There have been innovative attempts to go back to the original purpose/objective of airlines and offer different methods other than passenger flights to do this.

Avatar, which began as in-house innovation within All Nippon Airways (ANA), and was spun off in April 2020 to expedite decision making, developed and marketed Avatar-in. Avatar-in’s concept is to create a world in which everyone

can utilize the capability of Avatar to expand access to new experiences, knowledge, and resources [29]. The goal is to place Avatar in many locations so that anybody can use the service when they need real-time movement. Other similar technological products require people to own their own Avatars, but Avatar-in wants to set up a platform to enable instant movement of people and services. Some specific examples of uses for tourism and distant shopping experiences are described below.

Small retail shops in places such as remote islands needed to communicate their services to bigger markets such as Tokyo and Osaka. Not having resources for promotion using advertising and/or digital media (such as websites), it has been difficult for small retail shops to survive (Figure 5) [30].

FIGURE 5

CUSTOMERS FROM DISTANT AREAS CAN MEET AND TALK WITH RETAIL STORE OWNERS AND STAFF VIRTUALLY USING AVATAR-NEWME.



Source: Avatar-in [30], edited by the author.

Avatar-in provided the means for small shops to engage with customers directly and show them around virtually using the simple newme device. With internet access and newme, small retailers can attract customers from distant areas, who can visit stores and talk with managers and staff via digital communication.

Newme is inexpensive, and small retailers can thus afford to promote their products in bigger markets. All that is required in addition to the small device is internet access, which is available in almost all areas. Direct communication and display of products in the stores to potential customers in distant areas have solved the issue of lacking resources for contacting consumers and for direct marketing in distant areas.

The experience of the Japan World Exposition 1970 (Expo '70) in Osaka using Avatar is now being tested. From anywhere in Japan, people can have the experience of visiting the Expo '70 site outside of Osaka. Several tours were planned and implemented in January 2021, and those participating gave comments along the lines of: "I felt as if I were at the Expo site. It was wonderful" [31].

Avatar-in also offered a service allowing high school students to visit destinations virtually after their planned school trips were canceled due to COVID-19. Instead of visiting the places themselves, students were able to hear/see/feel places of interest [32]. With COVID-19 blocking overseas trips and short stays for students, the potential for Avatar-in to give students the experience of overseas visits is great.

In January 2021, a tour to visit three destinations in Mie prefecture, Mikimoto Pearl Island, Toba Aquarium, and Toba Sea Folk Museum using Avatar was scheduled. Customers who made reservations could join the tour from home using their own PCs [33]. These are still in the prototyping and experimental stage, but more tour programs are expected in the future.

In addition to providing travel-related services, Avatar-in has offered services for customers to visit stores and ask for help in Tokyo. Some examples are visits to bookstores and department stores [34]. Although these examples are not directly related to tourism, the opportunities offered by Avatar-in spun off from ANA indicate the need to go back to the original objective of travel or flight and to offer similar but different and unique experiences to customers. By using newme and Avatar, customers can contact retailers directly and retailers can offer specialized services to customers.

KEY INGREDIENTS FOR RECOVERY IN THE NEW NORMAL

This concluding section emphasizes key ingredients for tourism recovery in the next decades. The COVID-19 pandemic has dealt a severe blow to the sector. Despite the early success in containing infections in Asia, the recent surges and spread of more contagious variants have made the future of tourism recovery in Asia look bleak. Border shutdowns have also resumed in several countries in Asia.

Sustainability Challenges

In addition, Asia is facing some newly emerging issues and needs such as climate change, sustainability, and biodiversity, which have not been Asia's strengths. As climate change including extreme weather became a central item on government and international agendas in 2020, potential environmental damage caused by the tourism sector such as loss of biodiversity has begun attracting the attention of activists. With air travel and other mobility means including cars with gasoline engines needed for the sector, causing CO2 emissions to rise, the future of the sector needs to be reexamined from the sustainability point of view.

Although the UN Sustainable Goals (SDGs) have been heralded as important elements in corporate responsibility to create the earth we want by 2030, some 42% of those in the travel industry would roll back or cancel developing sustainable products and services due to COVID-19. They are more concerned about their own survival and have discontinued actions to meet the SDGs. According to Euromonitor's Voice of Industry Survey, the travel industry's engagement with the 17 SDGs is behind that of other industries such as consumer goods, retail, and packaging. High levels of engagement, on the other hand, are seen in innovation and infrastructure as well as sustainable cities and communities [35].

Sustainability issues such as CO2 emissions from aircraft and cars and damage to nature may cause more headaches for the tourism industry if not managed well, as it may hurt the image of “natural Asia.” One piece of good news is that governments have supported the growth of renewable energy capacity in Asia. Installed renewable energy capacity in Asia grew by 12% in the past decade, or double the rate in other parts of the world. This policy support can help corporate efforts to remove carbon from the value chain [36].

In addition, sustainability issues could serve as a powerful competitive advantage if they are developed properly to fit the situation in Asia such as ecotours with innovative approaches and communicated well to the public.

Hope for the Future

How could Asia use the pandemic to design and implement the next phase of growth by remembering its inherent strengths such as young demographics, electronic device-savvy population, and natural beauty? Its infrastructure, transportation (such as airports), and technology are other strengths. Even for countries without those elements, there is a potential for tourism growth by turning the absence of infrastructure (such as central databases and people with high skills) into unprecedented opportunities and signs of abundant room for improvement.

Disruptions often show the possibility for drastic transformation, as they force us to be creative and innovative. Whether this transformation occurs in Asia remains to be seen and depends upon how long it takes to recover from the COVID-19 pandemic. Disasters are tragic, particularly for the most vulnerable parts of society. The Asian population that has escaped poverty by riding on the rapid growth of the service sector makes the issue of survival vs. transformation challenging.

Clear Picture of Tourism in Asia in 2030

What we need is a clear, vivid picture of tourism in Asia in 10 years. If that vision is shared by relevant parties (governments, international organizations such as ASEAN, private companies, and citizens), the COVID-19 pandemic could become a steppingstone to a bright future. How do we differentiate Asia as a destination not only for people in the region but also for international

visitors? What value and experience do we offer at reasonable prices? How do we capitalize on the lack of data and sophisticated systems to build customer relations? It is always possible for latecomers without a legacy to leapfrog.

We see opportunities to leapfrog in education/skill building and infrastructure design. In addition, there are already good examples in Asia of doing this.

Need for Human Resources and Investment in Digital Infrastructure and Skills

For demand stimulation and supply chain streamlining, people with digital knowledge and skills as well as digital infrastructure are indispensable. For digital skills, Asia could capitalize on its young population by offering new forms of education.

Developing people with necessary knowledge and skills and establishing technological infrastructure present monumental challenges for governments and the private sector. However, they could cooperate to design an open Asian ecosystem. If investments are made (possibly by governments along with large multinational companies interested in market development with a long-term perspective) in skill development and digital infrastructure, Asia could be a great test bed.

According to a McKinsey Global Institute report [36], technological transformation forms a good foundation for technological leapfrogging. Huge market size, investment, and speed of technological adoption could serve as a launchpad for the next phase of growth. Some areas for leapfrogging are digitization of value chains (in particular consumer digital solutions) and new manufacturing value chains for some areas such as mobile application processors, advanced displays, and next-generation EV batteries [36].

Education to Leapfrog

Education of the young population in Asia will bring about enormous benefit and competitive advantage. It is time to redesign the educational system from completely different perspectives. There is no point for young Asians and thus governments to emulate systems based on general knowledge and memory-based teaching found effective many decades ago in countries such as Japan. Curricula

focusing on science as well as technical tools such as programming should form the core of new educational systems. With science and technology driving many parts of the economy and society, human resources could serve as powerful foundation for the future growth and unique competitive position of Asia.

The fact that Asia has lagged in investment in education except for a few countries such as Singapore and the ROK could allow experimental leapfrogging over traditional, outdated models. Although the ratio of digital natives in the total population is low, potential exists to educate youth with up-to-date digital skills from the beginning. Initiatives for education and training in Singapore and Israel could serve as models. Singapore's example can be helpful, as it is located in Asia and has implemented effective, efficient systems; Israel has transformed itself into a technological leader in a relatively short span of 70 years.

Flexible Hiring from Other Parts of the World

The labor market has undergone a transformation with advances in technology. People with necessary knowledge and skills could be hired as instructors and mentors for the young population in Asia. As training can occur remotely, those with skills in different parts of the world could join this effort if given the right incentives. Because Asia is a high-growth market, external parties such as giant tech companies as well as startups from the region could play a role in educating/developing people in Asia for meeting future labor market demands.

Projects under Regional Frameworks and/or with External Members

Despite the bright future of Asia as a destination and market, tasks to design infrastructure including education, transportation, and technology are huge and beyond the capacity of single organizations, whether governments, private companies, or regional organizations, to take on. Regional arrangements such as the RCEP may be able to serve as mechanisms to design total systems/ architecture and to identify the necessary elements in each country.

For technological infrastructure, leapfrogging is the way to go with external partners while taking advantage of inherent assets and tech-savvy populations. As mobile phone systems are well established and 5G is becoming widely available, updated infrastructure and architecture should be adopted, probably

with the help of private-sector tech companies. Involving tech companies from other parts of the world could help in establishing the legal and administrative mechanisms to ensure freedom of speech and universal availability of technology.

Revisiting Original Purposes and Uniqueness, Combined with Technology

In addition to a clear picture of tourism in Asia in 2030 as described above, the COVID-19 pandemic could serve as opportunity to go back to the original purpose of tourism. It may differ by country to some extent, but that overall purpose is to invite people in and beyond the region to experience the charms of Asia. That could mean untouched nature, diverse natural landscapes, exotic food, cultural and artistic history, and warm hospitality. Those assets need to be unique compared with those in other parts of the world, particularly so-called first-class Western-style accommodations and attractions. Asian assets include a relaxing atmosphere, friendly but not aggressive hospitality, and/or slow pace of daily life.

People involved with tourism in Asian countries need to revisit their unique features and develop stories they can tell. This is not an easy task, as they may want to copy and follow “successful” formulas found elsewhere. However, they need to develop their own identity. It is a must for Asian tourism to stay competitive no matter what happens. By combining the rapid progress that Asia has made in the past decade including mobility and smart cities with 5G and IoT applications, personalized, unique experiences using VR and AR may be offered.

Communication

Unique features do not matter if they are known to only a few people. As much effort should be made to communicate them through interesting, user-friendly stories as to the design of specialized experiences to appreciate those features. For this purpose, the technical capability described above is indispensable. In the age of social media and livestreaming, stories need to be communicated via effective, efficient means. Rather than going through travel agencies and other middlemen, direct communication with consumers via technical means should be tried.

As for social issues such as sustainability and climate change, which have become more urgent for investment and for recruiting and retaining good people,

Asian tourism providers should clearly state their positions on these issues, decide on a regional plan, and communicate that plan to take a step forward in resolving urgent issues. As many large global companies have been addressing these issues and have produced some tangible results through their actions, Asia should focus on relatively small-scale projects unique to the region.

Real-time Monitoring and Analysis to Stay Agile and Flexible

As the business environment is subject to change, especially with the pandemic and other global risk factors, real-time monitoring of regulations, restrictions, etc. is indispensable. This also requires people who can select relevant information from the huge number of sources available, some of which are not based upon fact, make judgments, and think about implications. Parties involved in tourism need to think deeply without jumping to conclusions and at the same time stay agile and flexible.

Leadership Is the Key

Along with the need for investment and staying agile and flexible, collaboration between the public and private sectors is critical. Although regional agreements by governments such as the RCEP are a good first step, we need dispersed leadership in different parts of the region and in countries. Tourism agencies, associations of hotels and other accommodation facilities, and transportation and travel service providers as well as retailers including food services are all involved in such initiatives. As is often found in cluster development, leadership is indispensable. However, the diverse groups of related organizations with their own agendas and interests make it difficult for leadership teams to guide and manage many aspects of collaboration initiatives.

What can be suggested is a digital forum where leaders of various parties could discuss on a weekly or monthly, if not daily, basis, information fed into a database. This may seem overwhelming, but as late entrants into global tourism, Asian countries could be in a better position to design this type of collaborative mechanism using the most updated applications as they can almost start from zero without vested interest in existing organizations. After all, COVID-19 made Asian tourism suffer the most, and therefore we can make the best of it by taking drastic measures.

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