

# The outbreak of COVID-19 and its impact in South Korea's tourism: A hope in domestic tourism

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**Abstract:** The recent COVID-19 pandemic has resulted an unprecedented impact on global economy. However, South Korea is effectively controlling the pandemic by implementing different level of social distancing measure. Most of the events are either postponed or cancelled and public places are operating by maintaining social distance and mandatory use of mask. Therefore, the aim of this study is to investigate the future impact on tourism and hospitality industry caused by social distancing due to pandemic. The conceptual methodology was used to discuss on the secondary data from various sources. The finding states that the flight operations were halted, hotel occupancy reduced, and employees forced to take unpaid leave. In addition, the result discussed on the negative impact on tourism and hospitality sector due to pandemic. This paper concludes with few positive signs in domestic tourism sector and suggestion for authority to execute best policy in future for whole tourism industry.

**Keywords:** COVID-19, tourism, aviation, hotel, South Korea

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## Introduction

South Korea took prompt action against the outbreak of COVID-19 as the World Health Organization advised necessary procedures to contain the widespread. According to OECD (2020a), the world economy is expected to lose around \$ 12 trillion from the crisis over 2020 and 2021, It will go into deeper recession and a slower recovery in 2021. Although Korean government quickly responded to the pandemic in Korea, its export led economic activity has fallen sharply due to collapse in global demand. The Bank of Korea (2020) reported a real GDP decline by 1.3 percent and 3.2 percent in first and second quarter, respectively.

The advancement of information technology and faster means of transportation led people to travel from one corner of the world to the other. South Korea also saw expansion in tourism activities from the past few decades, pushed by global popularity of K-dramas and K-pop, which is termed as the Korean wave or *hallyu* in Korean language (Bae et al., 2017). The travel restriction caused by current outbreak of COVID-19 has unexpectedly affected the flow of travelers around the world. South Korea as one of them has also seen a sharp decline in inbound international tourist to the most frequent destination. Although Korea never imposed an entry or exit ban to or from the country, however it applied a mandatory test for COVID-19 upon arrival at the airport and further two weeks of self-quarantine in a designated place (Ministry of Health and Welfare [MOHW], 2020).

Korea reported its first COVID-19 case on 20 January and saw an increase of 30 patients by a month which were mostly imported cases (17 patients) or their close contacts (13 patients). By 23 February, The Infectious disease risk alert was raised to highest level 4 and social distancing measure was introduced (Ministry of Health and Welfare, 2020)

The measure for the social distancing includes:

1. Delaying or canceling nonessential gathering, dining-out event, travel (domestic and abroad).
2. Necessary to take rest at home if fever or respiratory symptoms occur.

3. Avoiding going out unless for doctor's visit or for office.
4. Avoiding handshakes or any physical contact and keeping two-meter distance.
5. Following personal hygiene practices: washing hands, covering mouth to cough.
6. Disinfecting and ventilating surroundings every day.
7. Source: Ministry of Health and Welfare [MOHW], (2020)

Most of the international flights were grounded from January due to early detection of COVID-19 cases in Korea. Foreign visitors plunged from 1.5 million in December 2019 to just 61,000 in July 2020 (Korea Tourism Organization, 2020b). By late February, fifteen countries restricted travel ban for Korean national travelers from South Korea, but Europe and United States just raised travel alerts (KBS WORLD Radio, 2020a). In the first quarter, the Ministry of culture and Arts announced to inject \$82.24 million to provide as unsecured loans to tourism industry (Song, 2020). Furthermore, Government planned to distribute vacation coupons of \$160 each to 120,000 individuals to domestic travelers (Dami, 2020). Based on the above discussion it is to evaluate the consequences of Corona virus crisis and social distancing measure in the hotel, aviation, and tourism industry in South Korea. The topics are followed by tourism in Korea, top tourist arrival by Nationality, impact of COVID-19 on aviation industry and Hotel industry, impact of virus outbreak on tourism, a sign of hope in domestic tourism, limitations followed by Implication and Conclusion.

### Tourism in South Korea

Tourism is one of many industries which is driving Korea's economic growth. In 2018, this sector created around 1.4 million jobs covering 5.3% of total employment and reporting 4.7 % of total Gross Domestic Product (OECD, 2020b). Tourist spending serves as a form of an export, earning through foreign exchange, creating employment, increasing household income, and contributing to government revenue (Oh, 2005). Although Korea is famous for renowned consumer products such as Hyundai, Samsung, LG etc., it is gradually getting popular on tourism based on cultural heritage (Zhang et al., 2018), fashion & celebrity (Bae et al., 2017) and medical tourism (Yu et al., 2011).

South Korea welcomed a massive 28.71 million foreign tourists in 2019, slightly more than previous year, providing a benefit of \$21.51 billion but, a whopping 8.6 percent rise in foreign tourist compared to 2017. The top foreign tourists were from China (6,023,021), Japan (3,271,706), Taiwan (1,260,493), USA (1,044,038), Hongkong (694,934), Vietnam (553,731), Philippines (503,864), Indonesia (278,575), and Singapore (246,142) (Korea Tourism Organization, 2020b).

**Table 1.** Tourism Performance

| Description      | 2019            | 2018            | 2017            |
|------------------|-----------------|-----------------|-----------------|
| Tourist Arrivals | 28.71 million   | 28.69 million   | 26.49 million   |
| Tourism Revenue  | \$21.51 billion | \$18.46 billion | \$13.26 billion |
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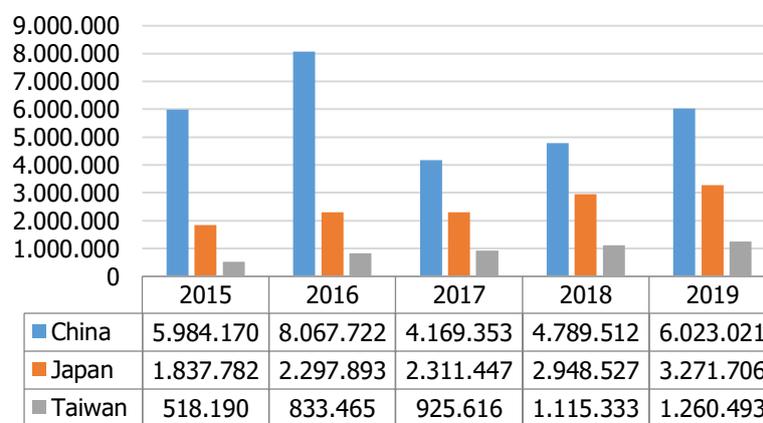
(Source: Korea Tourism Organization, 2020b)

In Table 1, the tourist arrival record is shown from last three consecutive years. Tourism revenue rose to \$21.51 billion in 2019, an estimated increase of 16% from previous year. However, 2018 was the most fruitful year, as tourism revenue jumped by 39% compared to previous year. The top inbound tourists are from China, Japan, Taiwan, USA, Hongkong, Vietnam, Philippines, Indonesia, and Singapore, all being surrounding Asian countries except USA.

### Top Tourist arrivals by Nationality

According to Korea Tourism Organization, China has always been top tourist arrival country, being geographically closer and ethnically connected. The number of tourist visitors from china has always remained more than double to Japan. Whereas Japan still holds record second

number of tourists despite its harsh colonial history and continuous national conflict at present with Korea. Chinese tourists of about 8 million visited in 2016 but declined to half for next two years due to Korea’s deployment of a U.S. anti-missile defense system (KBS WORLD Radio, 2020b), that led to a diplomatic tension. Only in 2019, Chinese tourists rose back to 6 million, but it still falls short than previous level. Tourists from USA were third till 2016 but Taiwan took over from 2017 which is shown in Figure 1. Out of 17.5 million visitors in 2019, 14.3 million solely visited for tourism purpose followed by purpose of study abroad, business, and miscellaneous (Korea Tourism Organization, 2020b). The average spending per person per trip as in 2019 was \$1,228 which was below \$1,000 in the 2000s. however, The biggest spender were Chinese tourists with average \$1,735 followed by Taiwanese with \$1,131, and Americans with \$1,103 (Yonhap, 2019) These tourists spent almost 47% of the expenditure on shopping, 23% on accommodation, 17% on food and beverages, 6% on transportation, 2% each on leisure activities and cultural activities (Statista, 2020).



(Source: Korea Tourism Organization, 2020b)

**Figure 1.** Tourist Visitors by Nationality

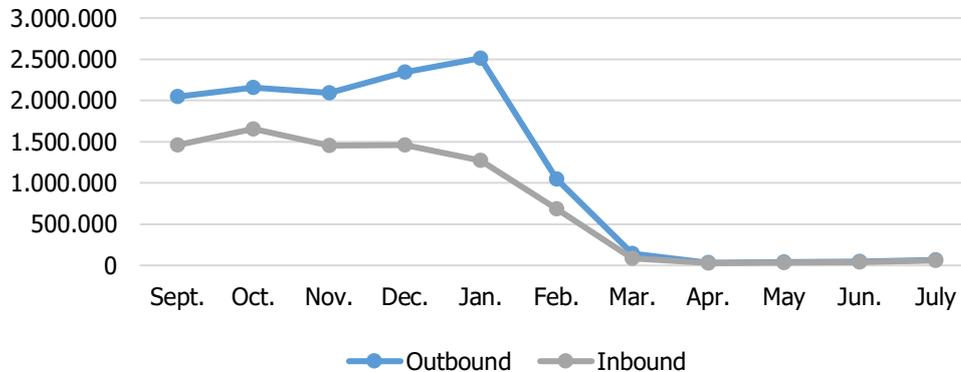
## Methodology

This is a conceptual based paper and secondary data are collected from private and government sources to evaluate the impact of outbreak on tourism based on aviation, hotel, and domestic recreation. Conceptual analysis is a way of analyzing a particular area of interest to enhance the understanding of how that certain concept is used to express the idea in given area (Furner, 2004) Moreover, a systematic analysis on conceptual tourism was presented by Xin et al., (2013) ,and argued that conceptual studies does not need instant or extensive empirical data to make claims, but it is also possible to do a novel conceptual study by conducting only conceptual analysis. Similarly, Meredith, (1993) has further explored conceptual analysis and its classification in his research in operation and production studies. Conceptual research arises from the limitation of empirical analysis to explore big and overall question which is not measurable to empirical research.

The relevant secondary information was compiled from various sources. The airlines, hotel and domestic travel data were taken from government website, survey report and online news. Furthermore, tourist arrival data by nationality were collected from the website of Korea Tourism Organization. Data obtained previously by other scholars or other than research, such as government report and administrative documents, was analyzed for further study for other social research concerns (Hox & Boeije, 2005; Karim et al., 2020).

## Results and Discussions

### Impact of COVID-19 on Aviation Industry



Source: Korea Tourism Organization, (2020b)

**Figure 2.** Inbound and Outbound Visitors (sept. 2019-July 2020)

Korean aviation industry is shaken from the root due to prolonged virus outbreak. Travel restriction were imposed as a necessary measure to contain the virus that led to a loss of massive number of air passengers which resulted an adverse effect on aviation industry in terms of revenue that prompted airlines to seek safer ground (Karim et al., 2020). As shown in Figure 2, The total number of inbound and outbound passengers combined peaked to around 3.5 million each month in last year, but right after COVID-19 pandemic, the travel dropped to just mere few thousands, directly affecting flight operation to all time low in the airline history. Although, there is early sign of slight improvement in June and July, the bounce back is far from over.

As of September, Korean airlines international flight was shrunk to just 34 from 110 while Asiana's was reduced to just 25 from 70 over the same period (Min-Ji, 2020). These are the two Korea based major international airline industry. The pandemic led companies to force its employees for unpaid leave as a short-term measure which might push further to a larger layoff in near future if the condition persists (Min-Ji, 2020). The two major airlines, Korean and Asiana saw some hope on cargo business due to its earning at this hard times and analysts has predicted it will go on further (Min-Ji, 2020).

### Impact of COVID-19 on Hotel Industry

Due to South Korea's gradual presence in global market, tourism industry is also flourishing ever than before. Hotel business lies in the heart of tourism industry. When COVID-19 hit the world, tourism and hotel business was the hardest hit sector and perhaps would have slowest recovery as well. According to The Professional Hotel Management Association of Korea, (2020), an estimated loss in hotel business due to room cancellation was KRW492.4 billion (based on February 3 to April 26). The international sanctions have caused direct impact on inbound and outbound passenger market.

**Table 2.** Tourism and Hotel Business Room Occupancy After Covid-19 (as of March 2020)

| No. | Hotels and Chains                   | Before COVID-19 | After COVID-19 |           | Remarks   |
|-----|-------------------------------------|-----------------|----------------|-----------|---|
|     |                                     |                 | Weekday        | Weekend   |   |
| 1.  | Grand Hyatt                         | 80-90%          | 5-10%          | Above 10% |   |
| 2.  | Sheraton Seoul D<br>Cube City Hotel | 80-90%          | Less than 10%  | Above 10% |   |
| 3.  | Novotel Gangnam                     | 85-95%          | Less than 10%  | Above 10% |   |
| 4.  | Grand Walker hill                   | 46%             | 18%            |           | 587 rooms, closed from March 23                           |
| 5.  | Vista Walker hill                   | 53%             | 36%            |           | Closed for 1 month from may                               |
| 6.  | Incheon airport<br>Transit hotel    | 49%             | 53%            |           | Temporary rise in re-<br>turning crowd due to<br>COVID-19 |
| 7.  | Conrad Seoul                        | 75-80%          | 7%             | 15%       |   |
| 8.  | Lotte Signiel                       | 60%             | 25%            |           |   |
| 9.  | Shilla hotel                        | 85%             | 15%            | 20%       |   |
| 10. | Stanford Hotel                      | 78%             | 18.6%          |           |   |

(Source: The Professional Hotel Management Association of Korea, 2020)

The Table 2 shows that all the luxury hotels saw the decrease in occupancy by more than around 80% on average except Incheon Airport Transit hotel, which saw 4 % increase due returning crowd caused by COVID-19. Although few hotels such as, Grand Hyatt, Sheraton Seoul, Novotel Gangnam, Conrad Seoul, and Shilla Hotel saw an occupancy increase by more than 10% during weekend but it fell even less on weekdays. In which, Grand walker hill hotel closed from march and Vista Walker hill hotel closed for a month from May. The number of employees to take temporary leave plummeted to the record highest of 1.26 million in March and 1.23 million in April again, the last unprecedented increase was only in September 2011 (324,000), majority of them from hospitality and tourism industry (The Professional Hotel Management Association of Korea, 2020).

### Impact of Virus outbreak on Tourism

The relationship between any kind of pandemic and the tourism sector is found to be negative. Past papers have investigated the prolonged effect of the crisis. Kongoley (2015) found that tourism industry was severely hit by Ebola virus in countries like Guinea, Liberia, and Sierra leone. SARS virus caused a temporary panic on tourism industry of China (Zeng et al., 2005). Brazil struggled with zika virus cases among 1.4 million people (Jamil et al., 2016). Tourism and hospitality industry have been greatly affected by corona virus on global economy. The growth of global tourism has become a major developing factor for world economy since 50s (Deegan, 2020) .When Ebola virus hit Sierra Leon, all the international flights were cancelled for necessary measure (Kongoley-MIH, 2015). Furthermore, employee lay-offs and considerable business shut down were reported. Nipah virus has also hit many south Asian countries since its first identification in 1988. An Indian state, Kerala was hit badly by Nipah virus in 2018 which affected its tourism (Sirajudeen, et al., 2020). When MERS hit South Korea in summer of 2015, the inbound tourist fell short of 1.9 million and loss in \$3.1 billion in receipts (Choe et al., 2020). Based on the above discussion, the virus outbreak is found to have negative relationship on tourism, impacting on the country's Gross Domestic Product.

### A hope in Domestic Tourism

Due to COVID-19 most of the amusement park, public attraction and festivals were partially opened, postponed, or cancelled (Korea Tourism Organization, 2020a). However, domestic travel pattern and spending shows sign of hope. The outbound tourism always remained higher

compared to inbound tourism. As COVID-19 restricted overseas vacation, the travel pattern showed people toured domestically. A latest study by the Korea Transport Institute found that 37.8% of respondents expected to go on summer holiday, only 3.6 % fewer than previous year. Among those, 98%, up from 78.3%, told they would fly domestically (The Japan Times, 2020). The domestic air passengers peaked around 13 million before pandemic, but it declined to all time low at 2.5 million in April, it gradually rose back to 5.2 million by July despite the lack of foreign tourists (Aviation Statistics, 2020).

One of the popular travel destination islands, Jeju saw decline of domestic tourists to 542,258 which was double including all tourists before pandemic. Despite foreign tourist absence, domestic travel rose to 992,476 travelers in July (The Jeju Special Self-Governing Province, 2020). A Samsung Group affiliate, hotel Silla offered a discounted honeymoon package from march to June, which resulted four times increase in sales (Kim Boram, 2020). Similarly, other high-class hotels and resorts, such as Lotte Hotel Jeju and Jeju Shinhwa World Marriott Resort grabbed the similar idea to attract Korean vacationers.

Gangwon province, as another popular destination whose 70% of the economy depends on tourism saw outstanding recovery in flow of visitors. Although first two months after outbreak, February and March were visitor less, but visitors bounced back to 99% in April compared to last year and in May, 111% increased as of last year and again June recorded 76.5 million visitors which was same in 2019 (Salmon, 2020).

### Limitation and Future Research

This paper was based on secondary data from various source. However, a further empirical study is suggested for deeper understanding on its impact on tourism and hospitality industry. An analysis was conducted based on the data from the first six months of the year. Since, the virus has stayed longer and paralyzed all parts of the socio-economic foundation, a longitudinal study can help to explain economical and behavioral change due to prolonged effect of COVID-19. Lastly, a widely used key tourism indicators such as volume of foreign tourists, duration of stay, number of arrivals, number of trips, domestic tourism, tourism expenditure, tourism activities etc. can help to measure overall tourism empirically.

### Implication and Conclusion

This paper highlighted the tourism industry in South Korea which went through disastrous circumstance as flights were cancelled for indefinite time due to outbreak of corona virus. Hotel and accommodation industry are also facing lack of occupancy as social distancing measure is being imposed. This paper also shed light on the virus outbreak and its effects on aviation and hotel industries, at the same time a silver lining in domestic tourism as well. The finding on this paper suggests few managerial implications for Korean tourism industry. Firstly, the result discussed in the paper can help authorities in the tourism board to undertake grave issues due to pandemic and think of a better plan and policy to implement on tourism activities. Secondly, the study could help travel industry and agents to come up with affordable product and suitable package to rise from the virus hit economy. Thirdly, the improvement in domestic tourism could be encouraged for more staycation maintaining social distancing measure to keep hospitality sector afloat.

As airlines and hotel sector are hardest hit by global pandemic it is further recommended to service providers to encourage customer to follow necessary precautions to be safe. It is also highly recommended to encourage travelers to avoid non-essential travel. Airline industries may access the severity of the virus hit crisis and focus on implementing strict measure on social distancing, hygiene maintenance and keeping hands clean.

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