

Tourism risk analysis and mitigation: Strategies for managing risks in a dynamic tourism environment



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Abstract Tourism is interconnected with other industries and brings additional benefits to both the European economy and Ukraine in general. However, it also depends on external and internal factors and is the first to react to their changes. The article describes and uses a strategy for managing the risks posed by the fast-changing tourism market, where every second trip for travel purposes goes to EU countries. The EU countries comprise 50% of global tourism, while outbound tourism from European countries is almost 48% of all outbound trips and tourism activities worldwide. The COVID-19 pandemic had a severe impact on the tourism sector of many countries, leading to significant changes and negative consequences. However, the tourism industry is dynamic and constantly evolving, responding to any changes and demands. Therefore, the relevance of this study lies in exploring further ways to develop tourism in the European tourism macroregion, taking into account the impact of the COVID-19 pandemic. The unprecedented pace of transformation has affected the management system of tourism enterprises. Travel companies must respond quickly to constantly changing environmental conditions to protect their reputation and financial stability. Therefore, there is a real need to create a modern, comprehensive risk management system for tourism companies. Risks cannot be eliminated, yet any business owner who cares about the success of their business must investigate possible adverse factors affecting their profits and take action to reduce them. Risk management serves this purpose.

Keywords: market, risk management, indicators of state, development and risks, sports industry, sports events

1. Introduction

International tourism plays a vital role in the economy of the entire European macroregion. The tourism sector influences the economic, social, and cultural development of these countries. In many destinations, tourism is a strategic driver of GDP (Aprilyani et al., 2021). For EU countries, tourism is the fourth largest export category, and for non-EU Mediterranean countries of the European Tourism Macroregion, it is one of the main sources of income (Bayev et al., 2022). Football is the most popular sport in the world, reaching billions of fans and generating significant revenues. The effectiveness of the football industry in many countries is becoming an important factor in tourism activity.

The tourism industry was one of the first sectors to be affected by the COVID-19 pandemic. The virus has affected all sectors of the economy. Since the end of December 2019, the outbreak of the COVID-19 pandemic has led to unprecedented global health crises, social emergencies, and profound negative consequences for the worldwide economy (Yoo et al., 2022). The pandemic had a severe impact on travel and tourism, resulting in financial losses of almost USD 4.5 trillion and the loss of more than 62 million workplaces. Therefore, the issue of risk management has become a crucial aspect (Gultom, 2020).

This article aims to analyze the use and justification of risk management strategies. It also seeks to study and optimize the tourism industry as a factor in coping with ever-changing political and economic situations worldwide.

2. Literature review

The tourism industry was one of the first real sectors affected by COVID-19. The crisis has touched every aspect of this industry and exposed a weakness in the sector's complex value chain. Since 2008, global travel and tourism revenues have nearly tripled, and now the sector contributes 10.4% of the world's gross domestic product (GDP). Every tenth person worldwide works in the tourism industry. The European region is one of the largest investors in the global travel and tourism industry (Figure 1).

Stepnov et al. (2022) conducted risk monitoring and analysis of tourism development in Kazakhstan (Figure 2). They assessed the effectiveness of the measures taken to further develop the industry. The improvement of tourism development



management in Kazakhstan will increase the potential of this industry for its total capacity and create favorable conditions for the profitable development of the tourism sector.

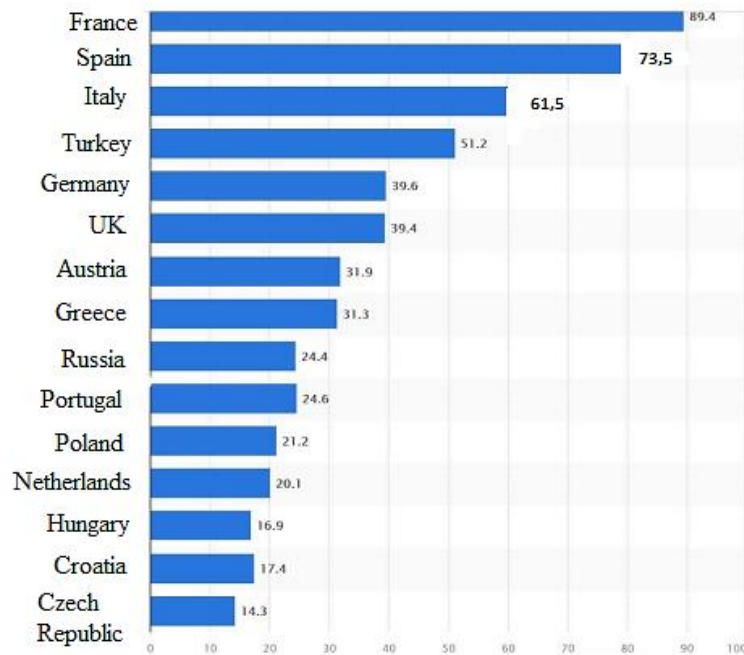


Figure 1 European macroregion countries ranking by arrival (million people) in 2023.
 Source: Stepnov et al., (2022)

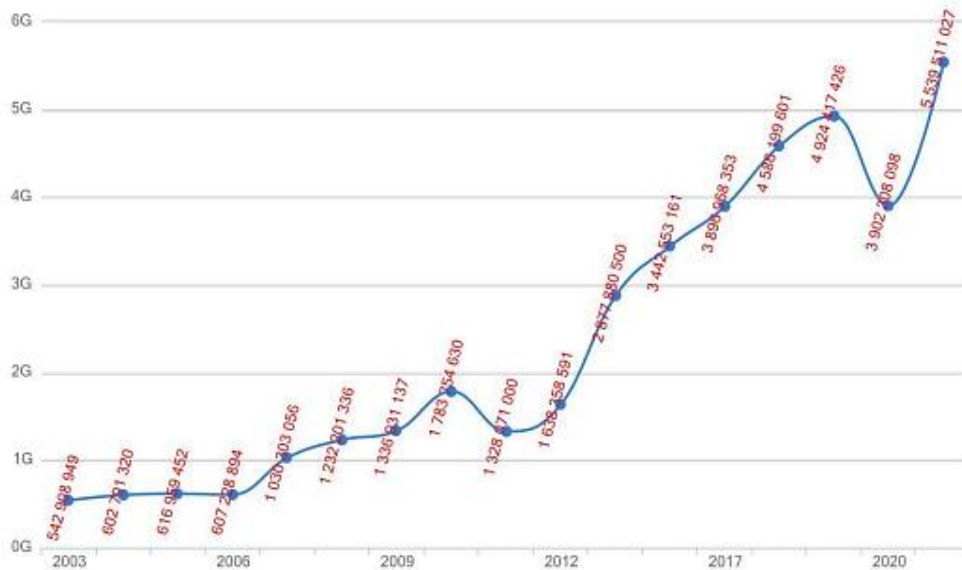


Figure 2 Production volume in the tourism sector.
 Source: Stepnov et al., (2022)

Yankovskaya et al. (2022) carried out a study that allowed them to identify promising areas of tourism development, identify the main factors of success or failure, and develop recommendations for improving risk management in tourism at the local, regional, and national levels (Figure 3). The improvement of tourism development management involves the implementation of the developed recommendations and strategies, as well as continuous monitoring of results and adjustment of plans to meet changing conditions and market requirements (Niziaieva et al., 2022). This approach allows for effective development of the tourism industry and helps to achieve the set development goals (Svirko & Osadcha, 2014).

Thanh et al. (2022) noted the need to train employees working in the tourism sector to improve their skills. Such training will enhance the quality of tourist services and create a positive image of Ukraine as a tourist destination. An advertising campaign should be intensified to attract more tourists to Ukraine. This will require participation in international tourism



exhibitions, the creation of attractive promotional materials, and the use of the internet to promote Ukrainian tourism products.

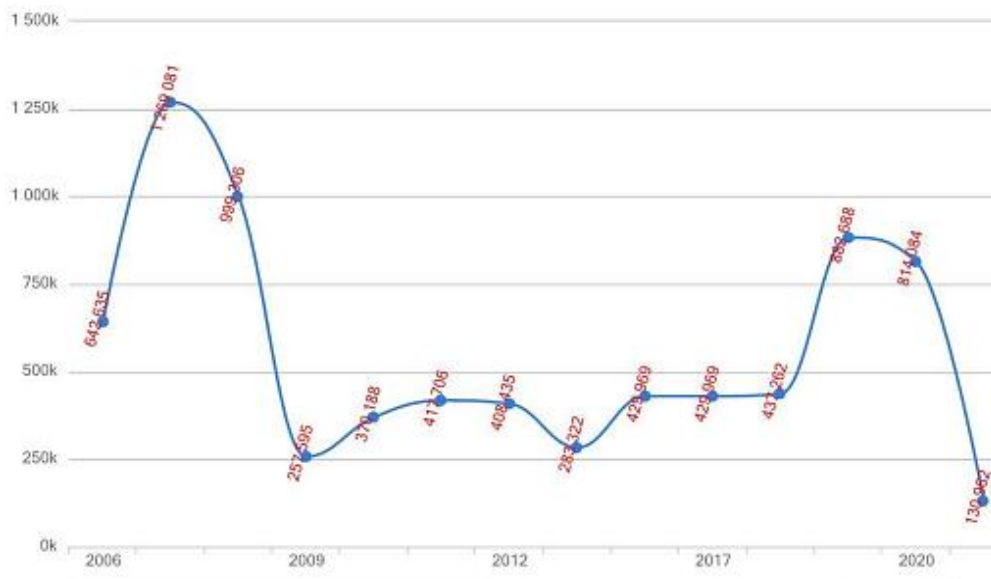


Figure 3 Collective tourism consumption at the national level.

Source: Yankovskaya et al., (2022)

3. Methods

In this study, we focused on the tourism market, where the unstable situation in the region, natural and manmade disasters, declining incomes in the world, and other risks are the main factors of its development. We carried out a retrospective analysis of various strategies used to optimize risk management. Our study focused on minimizing negative factors and risks to the profitability of the tourism industry. While conducting this study, we employed historical and logical analysis and comparison methods, expert opinions, system analysis, and forecasting.

Research methods: description, study and systematic analysis of sources, analysis of statistical data, systematization and logical generalization of actual material, comparative analysis with subsequent identification of distinctive features. The obtained results and their novelty: the main ones are analysed factors influencing the development of tourism in the European tourist macro-region; modern trends in tourism have been identified (taking into account the COVID-19 pandemic); the restoration of tourist flows in the European tourist macro-region is analyzed.

4. Results

Risk management in the tourism industry may include both tactical and strategic actions. Risk management in the tourism industry is closely related to information analysis and involves a sequence of stages and procedures. In the most basic form, the scheme of tourism risk analysis can be described as follows:

1. Defining the rules and requirements for risk analysis, outlining restrictions (if they exist).
2. Defining the analysis criteria.
3. Directly analyzing large amounts of information and resources to identify potential threats (risks).
4. Identifying critical points and the risks they may contain.
5. Establishing risk control measures.
6. Setting up risk assessment measures.

Unfortunately, the principle of complexity of the risk management system is not sufficiently implemented in Ukrainian tourism. The first and, perhaps, the main reason lies in the poor awareness of travel agency owners of the changes that have taken place and how the war has affected them. Moreover, the situation is changing rapidly, and they must enter foreign markets. This means that without adequate risk management systems, Ukrainian travel agencies will quickly become less competitive. Business owners and top management are already starting to realize this (Podolchak et al., 2022).

The second reason lies in the relatively high and long-term costs of developing risk management systems that have long payback intervals. Given the ongoing military activities in the Ukrainian territory, the current economic crisis is not favorable for the allocation of appropriate funding. Risk management in the tourism sector has a special specificity related to the strong

influence of human factors and the unpredictability of the external environment of business functioning. As a result, the role of social technologies in risk management in the tourism sector is growing.

Any risk, including that specific to the tourism sector, can be described by the following factors:

- events that may or may not occur but affect planned activities;
- the level of uncertainty of a possible event;
- the point with the greatest "weak spot."

In this regard, risk management activities need to develop an effective mechanism that covers the management of all the aforementioned factors. From this perspective, the use of social technologies in the practice of risk management in tourism allows the avoidance of many unforeseen circumstances. Currently, social technologies are widely applied in the practice of general management. They are a kind of innovative management tool. The best option for using this toolkit lies in its regularity (Figure 4).

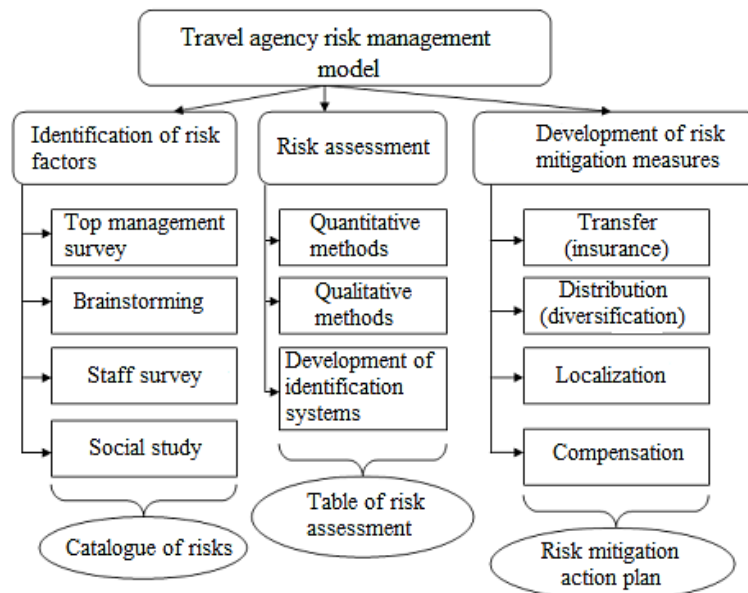


Figure 4 Flowchart of risk management in the tourism sector.

At the heart of the risk management system lies its information base. The content part consists of the management technology and its organization. The strategy and tactics of risk management are not formed immediately, only after identifying threats that require assessment and analysis. Technologically, the risk management system of tourism companies aims to address a specific risk (Kalina et al., 2022).

The COVID-19 pandemic resulted from one of the largest and most widespread economic crises in human history. The governments of the European tourism macroregion have taken several restrictive measures to counter the pandemic. As a result, the tourism sector has been most affected. The closure of countries' borders has led to the complete cessation of tourism activities. This has affected the countries of the European Tourism Macroregion, whose GDP is more dependent on the tourism sector. The consequences also included a reduction in household disposable income for many families. This affected the ability of tourists to spend even after restrictive measures were made more flexible. Although tourism is the most vulnerable sector, depending on external and internal factors, it is worth noting that the tourism industry is a dynamic and constantly evolving sector, and its vulnerability results in its resilience to new risks and threats (Levytska et al., 2022).

The technology of risk management in the tourism sector of European travel companies guarantees the following:

- understanding by tourism market participants of uncertainties and threats, their sources, and possible adverse events as a result of these risks;
- working out ways to reduce potential risks;
- finalize the plans of the company's tourism organization, taking into account the detected risks and a set of measures to reduce them.

Overall, the following factors remain relevant in the European macroeconomic region and may influence risk formation:

1. Climate change and biodiversity losses. Climate change will affect development prospects and tourism in the coming decades. Biodiversity losses, as well as land and sea pollution, are becoming increasingly relevant. In terms of tourism, more extreme weather events (storms, floods, and heat waves), as well as temperature changes (less snow in ski areas), will create new challenges for destinations and may affect people's travel preferences. In addition, changing values may shift travel preferences and choices toward more sustainable travel offerings.

2. Aging and migration. Demographic changes associated with aging and intra-European migration. Europe's population will grow for several years, with aging offset by migration rather than natural population growth. For example, the population of EU countries is expected to decline from 447.6 million in 2020 to 441.2 million in 2050, and the average age is anticipated to increase from 43.9 to 48.2 years. This means that by 2050, there will be fewer than two working-age people for every person aged 65 and over.

3. New technologies. Technological progress is the driving force behind economic and social change, which affects the development of any region. It will transform working methods, social engagement, and the industrial, healthcare, and education systems. This will seriously affect territorial development and change tourism.

The current European risk management methodology envisages an active approach to dealing with the sources and consequences of identified threats and hazards, unlike in recent history when the response was passive. There are also several favorable post-COVID-19 aspects for the implementation of risk management technology in tourism enterprises:

1. Time of change in the organizational structure or staffing of the company. During these changes, it is necessary to update the distribution of roles and responsibilities for risk management and ensure that the approaches used are known.

2. Any transformations within the company. During large-scale changes, there are appropriate opportunities to launch risk management processes related to the change itself.

3. Approval of new standards was obtained only at the organizational or country level. In cases where standards relate to risk management, a procedure for updating the process should be launched. If the standards relate to related processes, the interface between the risk management process and these related processes should be updated.

4. The implementation of unexpected negative or positive events in the scenario of organizing an event. In this case, companies should start the process of determining the causes, assessing the impact of the event on the organization, and recording the lessons learned. Such an incident, especially if it has occurred repeatedly, can be a signal for making a decision to introduce a formalized risk management process.

European governments have found that EU territorial cooperation through macro-regional strategies can help countries and regions to overcome the challenges caused by the pandemic crisis in the tourism sector. This cooperation can play a key role in managing the tourism crisis, contributing to new pan-European tourism models. Therefore, it was decided to hold a meeting to create strategies for the further development of tourism in Europe. The main elements of the meeting became the EU Strategy for the Baltic Sea Region (EUSBSR), the EU Strategy for the Alpine Region (EUSALP), the EU Strategy for the Adriatic and Ionian Regions (EUSAIR), the EU Strategy for the Danube Region (EUSDR), the European Commission - DG REGIO and the European Connectivity Programme. Participants chose two main strategic goals: "Europe closer to citizens" and "Greener Europe". These goals involve the development of new tourism products, cultural routes, as well as new types of training. And the main policy priority should be to harmonize tourism information for travelers about the availability of services in destinations.

The tourism sector is "information rich" (used large amount of data), which is important for the use of incentives technologies. To facilitate access to data, a tourism data collection strategy should be implemented to allow authorities to access suitable data for solving and achieving sustainability in management tourism. Global innovation consulting company Opimno conducted a study, the result of which is that tourists after the pandemic COVID-19 will have an even more digital profile and will be searched for alternatives for your vacation through online platforms.

5. Discussion

There are several examples of successfully implementing trends and new technologies in tourism development in the European macroregion. For example, Bulgaria has created an Integrated Tourism Information System. It is an electronic database with information on public and private stakeholders such as tour operators, accommodation providers, trade associations, and other stakeholders. Such a system provides a secure platform for information exchange, data transfer, monitoring, benchmarking, and better decision-making. By developing guidelines, Sweden has developed an interagency project called Serverat to support tourism businesses and their administrative responsibilities. In the tourist centers located in the Alps (in Switzerland, Germany, Italy, France, and Austria), innovations and technologies have offered more diverse products, services, and access to information. They have had a strong impact on consumer expectations in response (Tropina et al., 2021; Leonov, 2020).

The pandemic has led to a shift in technological progress toward "smart tourism." "Smart tourism" includes 4 aspects: sustainability, accessibility, digitalization, and cultural heritage, accelerating the transition to digital technologies and highlighting climate change. In addition, digitalization provides easier access to information. This allows travelers to make their own routes and offers greater booking flexibility. This trend may accelerate with increased investment in automated services, delivery robots, contactless technologies, etc. However, another problem may arise: some areas or entire countries with high investments in digitalization may be significantly more advanced than others, where the implementation of digital solutions

may be more difficult. Such digital inequality can hinder the inflow of tourists, as well as investments in digital infrastructure and digital skills in the tourism supply chain (Leonov, 2018).

Comparing our research with the research of colleagues, it is possible to highlight the main emphasis on researched tourism development using international experience. The development of digital technologies implies the need for the skills and capacity of tourism service providers. Investing in people's digital skills is another strongly evolving trend, as tourism offerings are constantly changing. Further upskilling will also be particularly necessary in places with low levels of digital proficiency, where additional training is needed. Digital skills development is also largely related to employment, providing more opportunities for employees with these skills. However, at the same time, it is also a barrier to those without professional training. Sports and the sports industry created conditions for the appearance of so-called quasisports products (Latin. Quasi – something like, around, as it were, pseudo) (Vaidya et al., 2019). In fact, their subjects belong to the respective industry or functional markets, but at the same time, they actively exploit the sports theme and are often closely related to the main markets of the sports industry. The subjects of quasimarkets include bookmakers, publishers of sports literature, sports bars, etc.

Another new trend related to technological advances, which was rarely considered in the researched publications, is virtual and augmented reality. By adapting to fast-changing times, virtual reality experiences can be offered as a substitute for traveling. Malta has developed personalized tourism information using virtual reality as a way to be more innovative and attractive. Finland, in turn, invested in developing virtual service skills. Although this type of tourism has grown during the pandemic, it is unclear whether it will continue to gain popularity in the future. This is a so-called temporary trend, which is relevant only for a certain time, and under certain conditions, such as restrictive measures caused by the pandemic in this publication, we also took this fact into account.

6. Conclusion

Overall, our research has confirmed the importance of a comprehensive study and application of innovative risk management technology in the context of a fast-changing tourism market. Travel companies need to determine whether their risk management system meets the current requirements and take into account the specifics of legislation in the countries where they operate. Since the pace of changes will only increase in the coming years, it is necessary to revise and improve risk management tools immediately. By conducting a thorough review of their risk management framework, companies can not only identify areas for improvement due to changes in the business and legal environment but also find ways to improve their performance.

Tourism companies should define their roles and responsibilities more clearly and empower people responsible for maintaining an adequate control environment. At the same time, it is essential to understand that the final responsibility for internal control and risk management is top management. The implementation of risk management technology ensures the social and economic stability of a company and is not just a formality. Effective internal control and risk management systems can improve performance and increase the efficiency of a tourism company in the long run.

Ethical considerations

Not applicable.

Conflict of interest

The authors declare no conflicts of interest.

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