

Tourism firms survival jeopardized

DASA FARCNIK

University of Ljubljana, School of Economics and Business

Kir Kuscer

University of Ljubljana, School of Economics and Business

Denis Marinsek

University of Ljubljana, School of Economics and Business

Follow this and additional works at: <https://scholarworks.umass.edu/ttra>

FARCNIK, DASA; Kuscer, Kir; and Marinsek, Denis, "Tourism firms survival jeopardized" (2021). *Travel and Tourism Research Association: Advancing Tourism Research Globally*. 22.
https://scholarworks.umass.edu/ttra/2021/research_papers/22

This Event is brought to you for free and open access by ScholarWorks@UMass Amherst. It has been accepted for inclusion in Travel and Tourism Research Association: Advancing Tourism Research Globally by an authorized administrator of ScholarWorks@UMass Amherst. For more information, please contact scholarworks@library.umass.edu.

Tourism firms survival jeopardized

The significant drop in demand and production constraints due to the Covid-19 pandemic have significantly affected the tourism industry and resulted in the tourism industry being one of the hardest hit industries. The resulting decline in sales, restricted liquidity and high fixed costs may push the tourism business into bankruptcy. At the same time, the importance of the sector to GDP and employment, especially in countries heavily dependent on tourism, suggests that businesses in these countries face the highest risk of bankruptcy. Government intervention has been able to at least partially mitigate the negative effects, but evidence from previous recessions shows that the likelihood of market exit is increasing. Examining trends and characteristics of firm resilience over time can provide insights to predict survival rates of tourism firms during the Covid-19 pandemic.

This paper examines the survival rates of Slovenian firms operating in the tourism industry during 2008-2018. Tourism firms are segmented into six tourism subsectors: (i) accommodation, (ii) passenger transport, (iii) food & beverage, (iv) travel agency & tour operator, (v) gambling, and (vi) sports and recreation. Each sub-sector has unique characteristics in terms of fixed costs, liquidity, employment and dependence on international tourism. These particular differences in the sub-sectors of the tourism industry motivated this research. We hypothesize that the extent to which factors affect the survival rate of firms in tourism subsectors varies and should be studied individually.

We collect an entire population of Slovenian tourism firms and analyze their accounting data from 2008 to 2018, available from the Agency of the Republic of Slovenia for Legal Records (AJPES, 2020). First, we present the survival rates of firms in each of the tourism subsectors, and then we apply the Cox proportional hazard regression model and calculate the hazard rates for six tourism subsectors. In particular, we focus on two variables that could be affected by the pandemics: Turnover (sales per employee in €10,000) and Liquidity (current assets over current liabilities). The results show that the 10-year survival rate is around 60 percent, but there are significant differences across subsectors. We show that both liquidity ratios and sales per employee significantly affect the survival rate, with the former having a stronger effect in the travel agency, lodging, transportation, and food & beverage subsectors, while the latter has a stronger effect in the gaming industry. Based on the hazard ratios, we can conclude that the expected decline in sales and deteriorating liquidity ratios of firms operating in the tourism sector will lead to declining survival rates. Crisis management measures need to be adapted for the respective subsector in order to limit the failure of the companies.