



## Overview

Terrorism is an unfortunate “fact of life” that has plagued society throughout the whole of the last two millennia. In recent years an increasing number of attacks, across a wider part of the world, have led to a changing dynamic in relation to the impact of such attacks.

In this research paper David Harper, Head of Property Services for Hotel Partners Africa, provides some unique research on the impact of such terror attacks, with the help of hotel trading statistics and analysis, carried out by STR.

The impact of terrorism on the hotel and resort market in Africa has been substantial over the last few years, making the need for careful analysis of the phenomena essential.

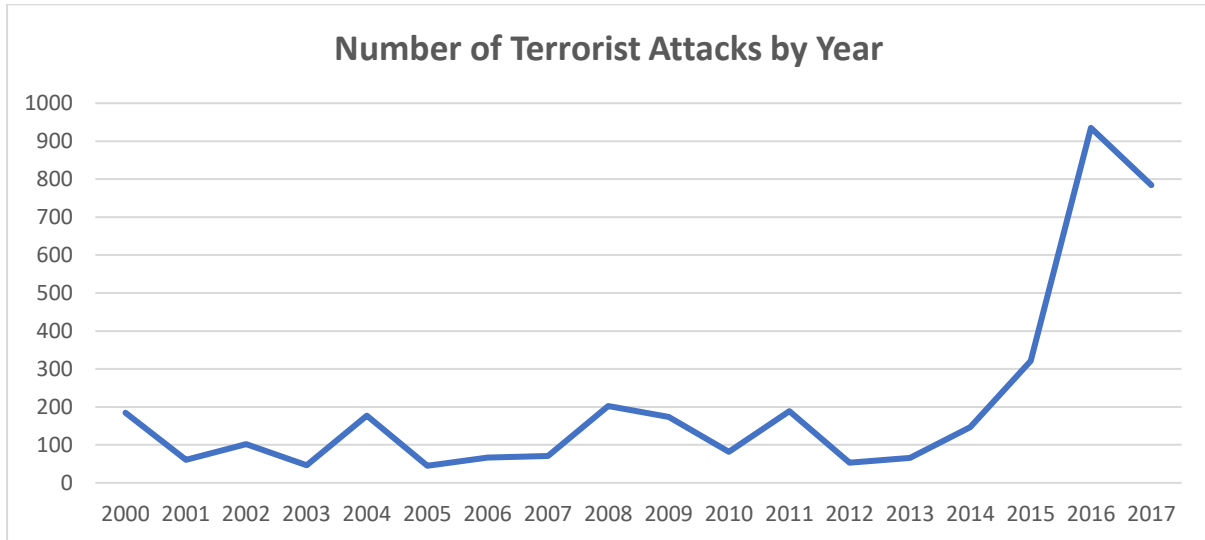
The research bears out the following 13, important conclusions, with some significant implications for how countries and the Travel & Tourism industry deal with terror attacks:

1. The impact of terror attacks across the world is lessening
2. There has been a marked rise in terror attacks in recent years
3. The average casualty count has declined in recent years
4. In general, international tourism is resilient to terrorism
5. Recovery times for all types of locations are improving
6. Recovery time depends on the profile and scale of the market place
7. The impact of terrorism varies by political regime, income and tourism intensity
8. The long-term impact depends on the public perception of safety and on the trust placed in the authorities in that location
9. Political unrest has a longer-term impact than a terrorist attack
10. Frequency of attacks has a greater effect than the severity of an attack
11. The coverage in the media has an important impact on trading
12. The impact of an attack tends to be region-wide, so there is a financial imperative on neighbouring countries to try and stop any attacks being made on their neighbours
13. On average you are five times as likely to die by falling out of bed than you are to die as a result of a terrorist attack

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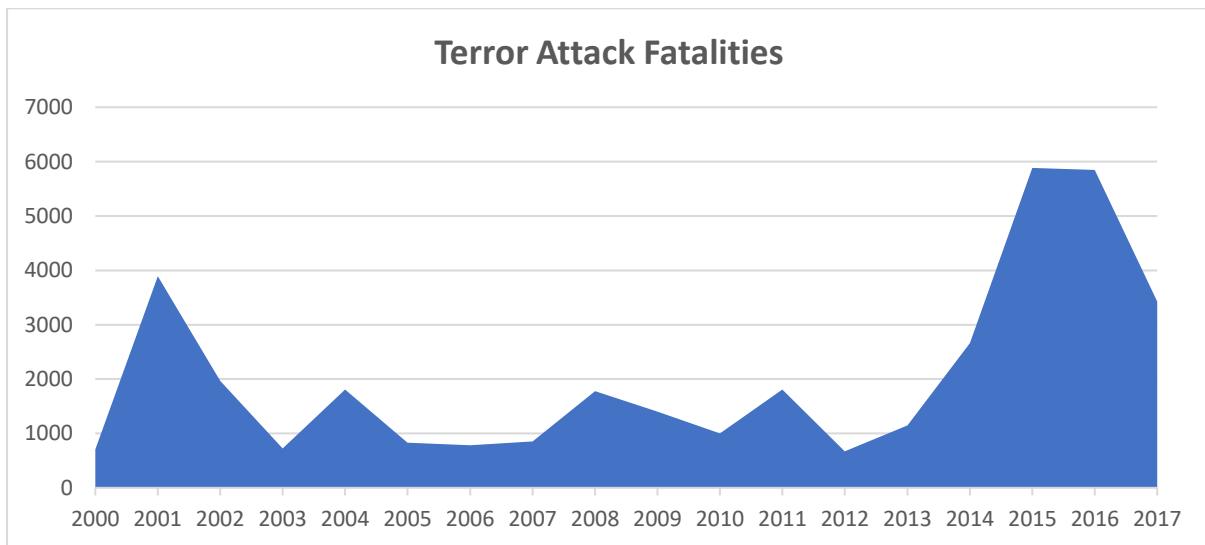
## The Growth in Terrorism

As any follower of current events will attest, the number of terrorist attacks worldwide has been increasing significantly since 2012, although there has been a noticeable dip up until the end of September 2017.



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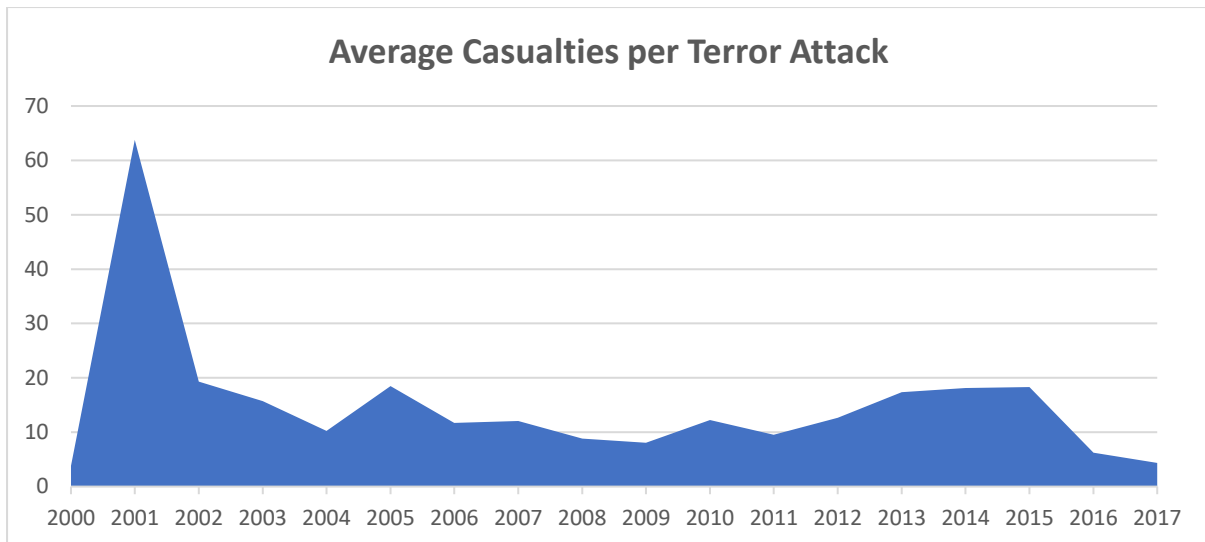
Thankfully however, the number of fatalities from such attacks has not grown at the same rate over the same period.



The average casualties per attack, excluding 2001 when the 9/11 attacks seriously skewed the results, have tended to stay between 10-20 deaths per attack until the third quarter of 2014 when they dropped towards the current rate of 5 per attack.

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<sup>1</sup> The charts on attacks and fatalities plot the terrorist attacks on an annual basis, excluding key war zones (Afghanistan, Iraq, Syria and Somalia), to try and differentiate between war time and peace time attacks.



Attacks are so common that a terror advice video was created and released in July 2017 by the UK Foreign Office, ABTA and UK Police stating the “Run, Hide & Tell” message. The UK foreign office stated that the need for the briefing was similar to the need of an airplane safety briefing; you are unlikely to need to act upon the advice but it is better to have the knowledge, just in case.

To set the actual risk to people into context, a person is about 5 times as likely to die falling out of bed than to die from a terrorist attack<sup>2</sup>.

Terrorists have long since seen the value in attacking tourists. Not only are tourists often easy to identify as potential targets, they are often not well protected and finally, when tourists are kidnapped or killed the situation is instantaneously dramatized by the media<sup>3</sup>.

In the longer term, attacks on tourists are also an attack on revenue for the government<sup>4</sup>. New data shows that in countries where attacks have happened, visitor exports (money spent by foreign visitors to a country) have suffered<sup>5</sup>. Egypt is 50% below its 2008 peak in T&T GDP, because of the terror attacks and the perceived political instability.

## The Geographical Theatre

The geographic profile of terror attacks has changed dramatically since 2001. Prior to 9/11, 9% of all attacks were in Colombia<sup>6</sup>, 8.3% were in Peru, 7.4% were in El Salvador and 5.1% in Northern Ireland. After 9/11 and until 2008 nine of the top ten most attacked countries were located in Asia.

The following chart tracks the location of each attack on a month by month basis, and it clearly shows that Africa has become a key battleground for terrorists. Since the start of the twentieth century there have been 45 terror attacks that claimed over 100 lives, and of these 17 (38%) were in Africa.

<sup>2</sup> Based on fatalities since January 2000 on a worldwide basis

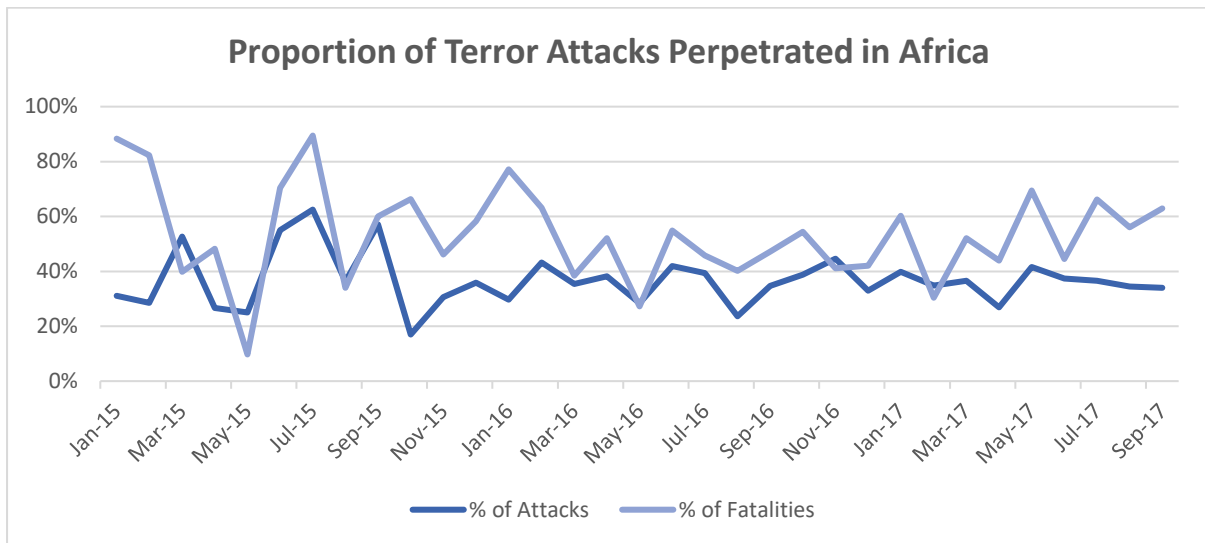
<sup>3</sup> Richter & Waugh 1983

<sup>4</sup> Neumayer & Plumber 2016

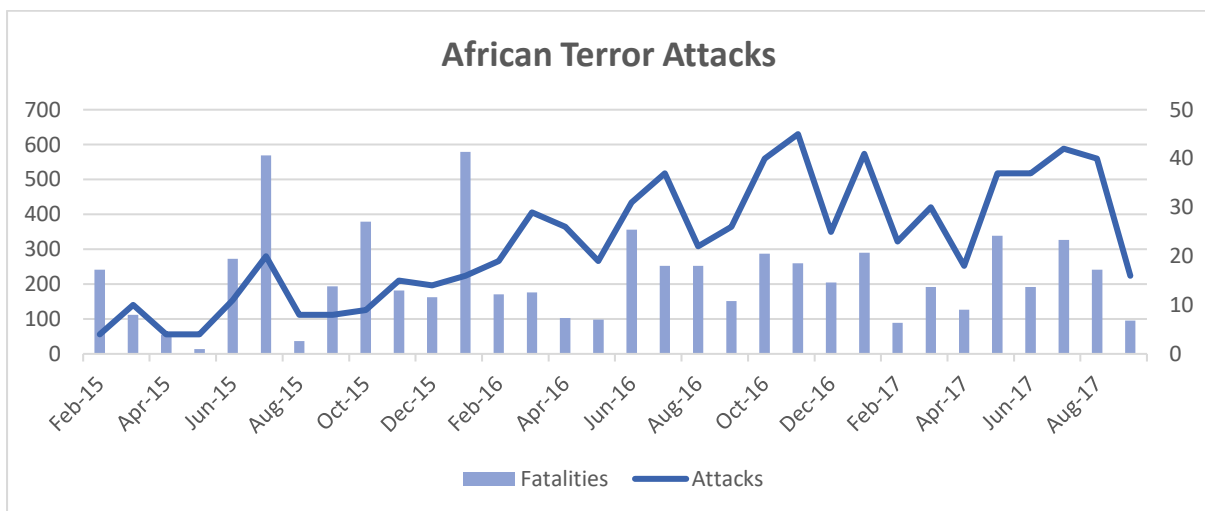
<sup>5</sup> WTTC 2017

<sup>6</sup> Attacks between 1970 and 10<sup>th</sup> October 2001, according to “Terrorism: our world in data by Roser & Nagdy 2017

A particularly devastating attack occurred in Nigeria in January 2015, where over 700 people were killed by Boko Haram. This attack skewed the sample for that month, but that month aside, the proportion of attacks has tended to range somewhere between 20%-40% of all attacks, whilst the percentage of fatalities tended to range between 30%-60% of the worldwide total.



The following table shows that there is a trend towards a greater number of attacks, whilst average fatalities has not appeared to decline in Africa as much as they have across the other parts of the world.



Studies show that the impact of terrorism on “market share” is not just linked to one country, but has a region wide impact. As such if there is a terrorism problem in one country, neighbouring countries tend to be adversely affected as well<sup>7</sup>. There is a clear financial imperative, over and above the obvious moral imperative, for all countries to act together to try and help neighbouring countries to eradicate terror groups, especially those groups working across international borders.

<sup>7</sup> Drakos & Kota 2003

## The Impact of Terrorism

A key question that has been discussed and researched over the last thirty years in detail is, “does terrorism work?” This is not a simple question however, as it really does depend on what the terrorists are trying to achieve. It is also beyond the remit of this paper. Instead this research reviews the impact on the Travel & Tourism industry, with a special focus on hotels and resorts of such attacks.

The key findings are that following any significant attack there is usually a short-term impact on tourist arrivals and sometimes an impact on GDP and revenue received on a country-wide basis. However, that impact is clearly lessening, ironically because of the very increase in terror attacks. The shock factor has lessened to a degree that many travellers no longer put off trips because of the threat of terror attacks. In general, international tourism is resilient to terrorism<sup>8</sup>.

New research by the WTTC suggests it takes an average 13 months for a destination to recover from a terrorist attack, whilst it takes 21 months to recover from diseases, 24 months from an environmental disaster, and 27 months from political unrest<sup>9</sup>. There is clear evidence to show that the difference between what is seen as “a terrorist attack” rather than “an internal political” issue in terms of visitor sympathy<sup>10</sup>. In fact, terror attacks can sometimes increase demand for low-to-moderate political risk countries, as price cuts are offered to attract tourists back to the destination<sup>11</sup>. STR data suggests that hotel performances in affected destinations typically start to return to normal three months after an attack, as long as further attacks are not experienced.

How long international visitors stay away often depends on visitors’ perception and how “in control” the local authorities are, how likely another attack is and how much general instability there is. Note this is the “perception” and not the “reality” of the on-the-ground situation. A survey by GO Group LLC after Paris November 2013, showed that the majority of US Travellers, both leisure and business, were unaffected by the threat posed by terrorism. The Global Business Travel Association agreed, recording that 75% of US Business travellers said their travel plans to Europe would be completely unaffected by the Paris attacks.

## Terror attack versus political instability

Typically, most international visitors would rather support an area that has been attacked by terrorists, whilst there is less support when the attack comes as a direct result of internal struggles.

The Kenyan experience provides a good example of this. In September 2013 the Westlands Shopping Centre was the scene of a siege that resulted in the death of 67 people. At first it was understood to be an attack by Al-Shabaab, and visitor numbers did not decline in anywhere near the sort of numbers that had been expected. Numbers dropped 7.5% in September and 6.8% in October, but then increased 1.1% in November and 11.3% in December<sup>12</sup>. However, when international speculation turned to whether it might have been an internal political issue, and subsequent attacks followed, international visitor numbers dropped more substantially.

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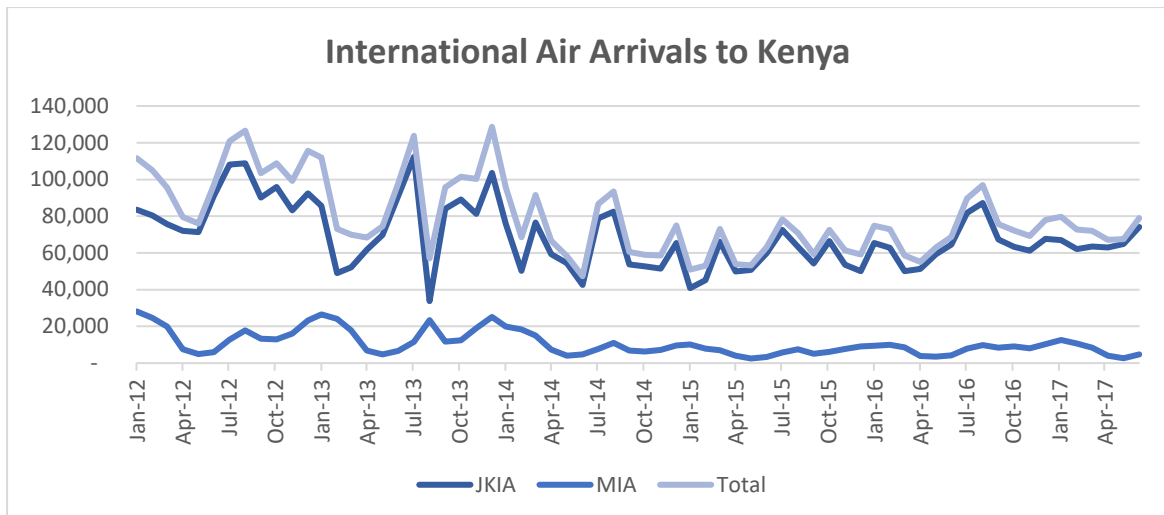
<sup>8</sup> Liu & Pratt 2017

<sup>9</sup> “How terrorism affects tourism dated 31/3/16 written by Katherine La Grave of Conde Naste Traveler

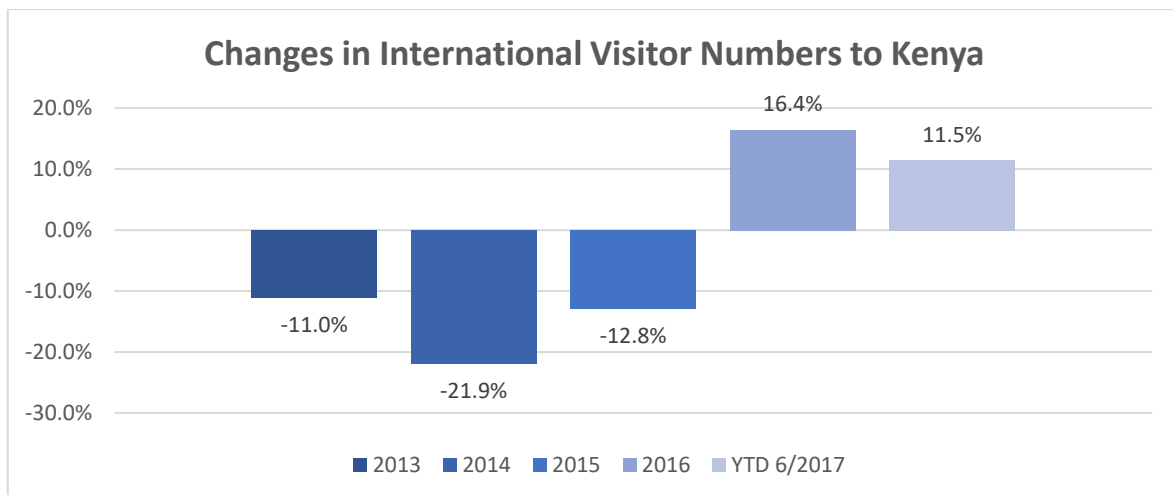
<sup>10</sup> Saha & Yap 2013

<sup>11</sup> Tourism as a driver for peace WTTC May 2016

<sup>12</sup> These are international arrivals by air, provided by the Kenyan Tourism Board, with changes calculated on year on year changes



The sharp decline in August 2013, the month before the Westgate attack, was the result of a fire at the main terminal building in Nairobi. As such it is quite surprising that the impact of the Westgate attack was not even more pronounced during the first few months.



As can be seen it took until last year to see any growth in visitor numbers from air arrivals to Kenya, and visitor numbers still remain 29% below the 2012 numbers.

### Frequency of attacks

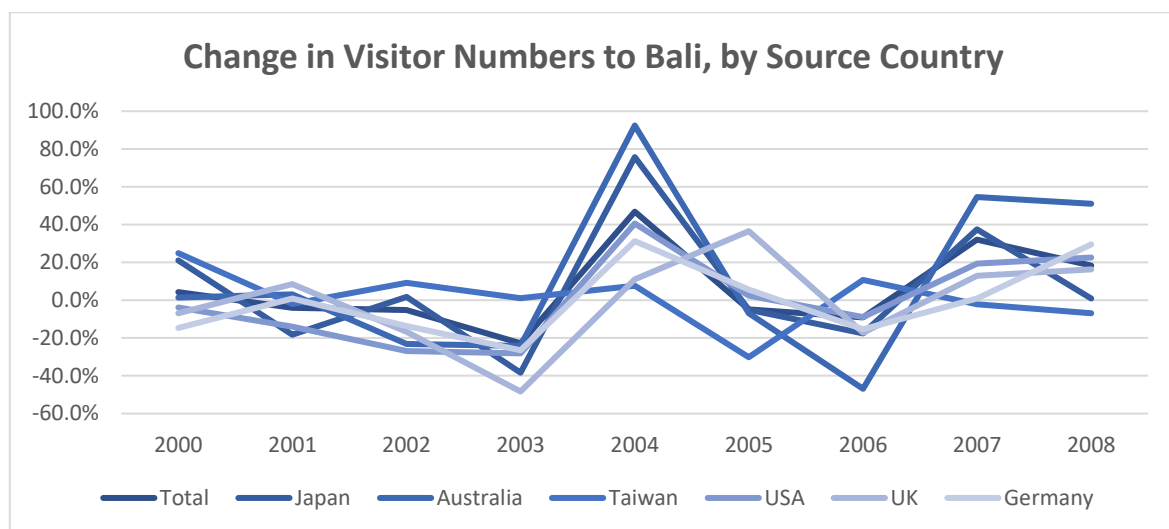
It is not that simple of course, as Kenya has been subject to whole series of terror attacks, so isolating the impact of that one attack is not an exact science. According to STR, the volume of business in Nairobi hotels dropped 13.1% in the month after the attack, with November showing a 3.5% drop and December showing 7.8% drop. The following year however, when the overall perception of the risk associated with Kenya increased, so too did the decline in hotel occupancies, and even the average rates charged by hotels. In the peak season of July 2014 and August 2014 RevPAR<sup>13</sup> was down 22.8% and 19.6%, compared with a drop in RevPAR of 7.4% and 5.9% in November and December 2014.

<sup>13</sup> Revenue per available room – this is an industry standard benchmarking measure that combines both the volume of business at a hotel and the rate each booking generates

Further studies back up this case study on Kenya, and have shown that the frequency of acts of terrorism has a greater impact in influencing tourist arrivals than the severity of the attack<sup>14</sup>, although some statistical data from STR showed that the severity of an attack sometimes had a strong impact on visitor numbers.

Brussels as a city was in lockdown during November 2015 because of information relating to a likely terror attack. As a result, occupancy dropped in November by 19.5% and in December by 26%<sup>15</sup>. In January 2016 the drop was only 4% and in February it was 2%, suggesting it was ready to stabilise again, as the ADR had grown. The attack on 22 March 2016 at the airport and metro station resulted in 8 months of double digit decline in occupancy – ADR was less impacted. It took 12 months until trading returned to positive levels (November 2016). Growth in March 2017 was led by 40.4% growth<sup>16</sup> in group bookings.

The Indonesian Island of Bali was the subject of two very large terrorist attacks. Firstly, in October 2002 a bomb in a nightclub killed 202 people, including 88 Australians and foreign tourists from 20 other countries. The following year tourist numbers dropped by 23%, although in 2004 (after only one poor year) the tourist numbers had increased to above 2002 levels. A second series of bombings in October 2005 killed 20 people, and this time it resulted in two years of declining visitor numbers, albeit only 14% decline across the two years.



### Impact of “local” targets & direct attacks on tourists

However Australian tourists, one of Bali’s key source markets (with 18% of all visitors in 2005) saw a drop of over 46% in 2006 as a direct response to the repeated nature of the attacks, as well as with them being focused on Australian targets. This was further exacerbated by the enhanced coverage in the Australian media.

In Turkey, following the 12 Jan 2016 bombing in Istanbul that killed 12 Germans (a strong source country) occupancy dropped by 21.4% to only 47.5%. The arrival numbers from Germany were significantly down, as confidence from that source market deteriorated. Studies have shown that the

<sup>14</sup> Pizar & Fleischer 2002

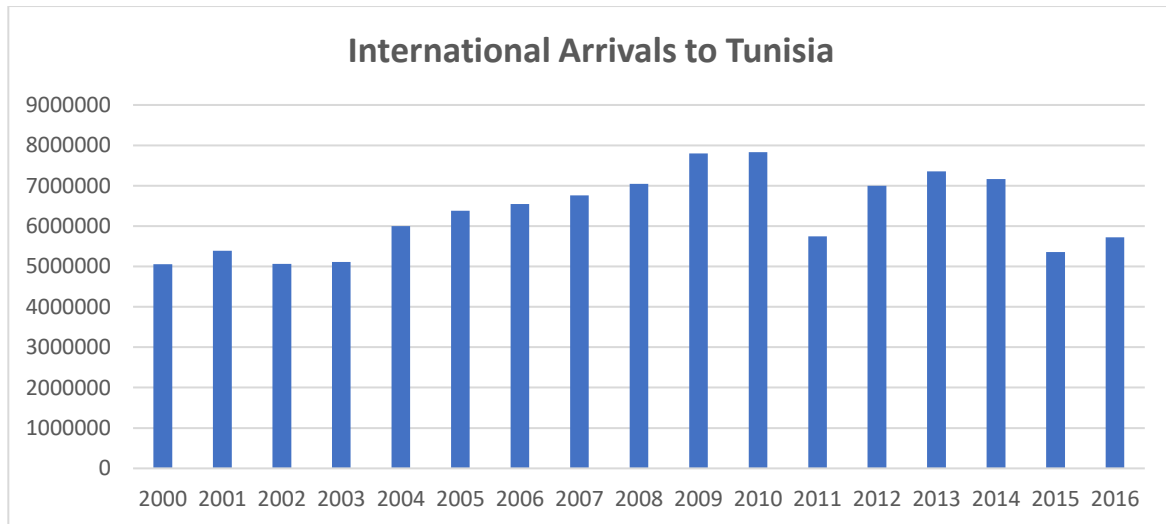
<sup>15</sup> Year on year trading data supplied by STR

<sup>16</sup> A comparison of year on year bookings



greatest impact on tourism demand is where tourists are the direct victims of the attack<sup>17</sup>, with the impact being greatest on the country that the victims came from.

Tunisia saw a number of attacks in 2015, including a gunman opening fire on a beach in Sousse, attacking western tourists as they sunbathed, leaving 38 dead. Attacking tourists directly meant that many people felt too scared to go back, and bookings dropped significantly in 2015, although there was an improvement in 2016.



18

Despite predictions of a 30% increase in International tourists to Tunisia this year, and with an expected 6.5m visitors, it will still be 9% less than in 2014, the year before the attacks.

### Impact relating to the structure and scale of the tourism industry

The impact an attack will have on the industry is highly dependent on the scale and structure of the local market. The structure of demand at a location is probably the single biggest key in mitigating the impact an attack can have. When all tourist demand is from leisure group tourists, then an attack is devastating for hotel demand in that location, as shown by the resorts in Sousse Tunisia. When a location has a wide range of segments providing demand, the impact is lessened. London for example has demand from almost every conceivable segment, whether local, national or international and group corporate demand, local, national, international and group leisure business, and local, national and international conference business.

When one segment dries up, the missing demand can be replaced from business from other segments. Indeed, even within segments, not all tourists are the same. A 2003 study found that more experienced travellers, in search of exotic experiences, were more likely to dismiss the risk of terrorism. In addition, there is evidence that travellers are highly willing to reconsider how risky a destination is once the situation has simmered down<sup>19</sup>, and indeed that this willingness has increased in the last few years, as attacks have become more widespread.

<sup>17</sup> Baker 2004

<sup>18</sup> The table shows that visitor numbers were improving year on year since 2000, with the exception of 2011 when the “Arab Spring” uprisings deterred travellers from visiting the north of Africa. The data is a combination of data from the World Bank and the Tunisian Government

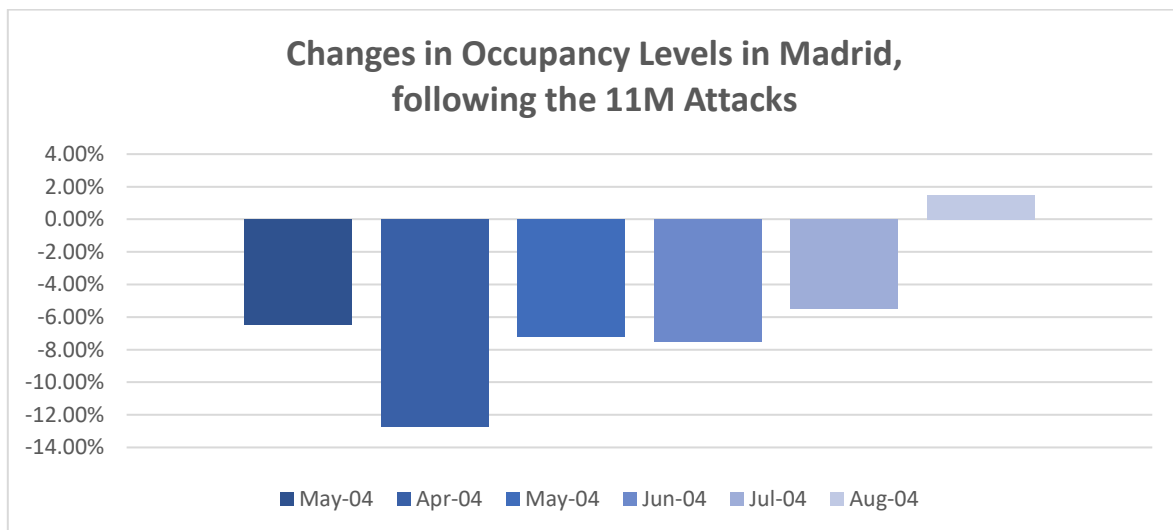
<sup>19</sup> O’Neil & Fritz 1996

Homeland Security in the USA stated that after 9/11 in 2001 the fall in international visitors did not recover in numbers until 2007. However, segmentation allowed hotels to recover using local demand. According to STR after 9/11, steady growth in hotel performance was not experienced until April 2004, some 30 months after the attacks.

France suffered the Charlie Hebo attacks in January 2015, then the Paris attacks in November 2015, followed by the Bastille attack in Nice in July 2016. The first three quarters of 2016 saw a 15.1% drop in RevPAR in Paris<sup>20</sup>. Occupancy was down 12.4%, whilst rate was less affected (-3.1%), reflecting the change in the business profile of the guests.

The recent attacks on Westminster Bridge, London Bridge and Parsons Green had almost no discernible impact on hotel trading in the city. There was a negligible “localised” impact, but it lasted less than 2 days. The largest attack in London since the demise of the IRA was the 7/7 attacks, where 52 people were killed in a series of co-ordinated bombings. During that time July saw occupancy drop by 4.0%, August 15.1%, September dropped 5.2%, October dropped 1.9% and by November growth (of 1%) was being experienced. August was the most badly affected month, because of its reliance upon leisure guests, and leisure guests tend to have most discretion in cancelling trips.

The same is true of Madrid, after the train bombings (11M) in March 2004 when 192 people were killed. The scale of the city’s hotel market, combined with its natural “demand segmentation”, allowed the trading impact to be lower than would otherwise have been the case. Five months of poor trading ended in August when the volume of business rose over and above the previous year’s trading.



Even the relatively smaller scale hotel industry in Manchester was of sufficient scale to minimise the impact of an attack. During May 2017 the bomb at a music concert resulted in a purely minor dip in occupancy of 1.9% year on year, with growth being recorded on 25 May (2 nights later) where it went up 2.7% to 79.8%.

<sup>20</sup> This is a year on year trading comparison on trading data provided on a city-wide basis by STR

<sup>21</sup> Source is STR I

## Security measures and how they change “guest perceptions”

The Travelzoo Spring 2017 “Travel Trends Survey” showed 72% of Americans said they would pay more money for their vacation if it meant increased security, which was very illuminating. Locations, and indeed hotels, have picked up on the fact that the increased hassle of security measures is more than made up for in perceived greater security, and as such body scanners and car searches have become common place in most hotels around the world.

There has long been a tradition of all-inclusive resorts providing what is seen as “safe haven” in an otherwise dangerous location, but hopefully security measures can be enhanced enough to negate the need for the “all-inclusive” experience to become a requirement of international travel. The best hope we have is that tourists get the chance to spend their money in the wider locality of a destination, thereby generating demand for locals which could alleviate financial pressures, and meet local people, to help facilitate an understanding of different cultures. If there is no interaction between locals and tourists, and the “them and us” mind state will only be enhanced, potentially leading to the sort of disillusionment that tends to start most terror campaigns.