

Examining the Effects of National Disaster on the Performance of Hospitality Industry in Korea

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Abstract : The outbreak of national disasters stimulates the decrease of the both internal and domestic tourism demands, causing bad effects on the hospitality industry. The effective and efficient risk management regarding national disasters are being increasingly required from the hospitality industry practitioners and the tourism policymakers. To establish the effective and efficient risk management strategy on national disasters, the most essential prerequisite condition is the correct estimation of national disasters' effects in terms of the size and duration of the damages occurred from national disaster on hospitality industry. More specifically, the national disasters are twofold: natural disaster and social disaster. In addition, the hospitality industry has consisted of several types of business, such as hotel, restaurant, travel agency, etc. As reasons of the above, it is important to consider how each type of national disasters differently influences on the performance of each type of hospitality industry. Therefore, the purpose of this study is examining the effects of national disaster on hospitality industry in Korea based on the types of national disasters as well as the types of hospitality business. The monthly data was collected from Jan. 2000 to Dec. 2016. The indexes of industrial production for each hospitality industry in Korea were used with the proxy variable for the performance of each hospitality industry. Two national disaster variables (natural disaster and social disaster) were treated as dummy variables. In addition, the exchange rate, industrial production index, and consumer price index were used as control variables in the research model. The impulse response analysis was used to examine the size and duration of the damages occurred from each type of national disaster on each type of hospitality industries. The results of this study show that the natural disaster and the social disaster differently influenced on each type of hospitality industry. More specifically, the performance of airline industry is negatively influenced by the natural disaster at the time of 3 months later from the incidence. However, the negative impacts of social disaster on airline industry occurred not significantly over the time periods. For the hotel industry, both natural disaster and social disaster negatively influence the performance of hotel industry at the time of 5 months and 6 months later, respectively. Also, the negative impact of natural disaster on the performance of restaurant industry occurred at the time of 5 months later, as well as for both 3 months and 6 months later for the social disaster. Finally, both natural disaster and social disaster negatively influence the performance of travel agency at the time of 3 months and 4 months later, respectively. In conclusion, the types of national disasters differently influence the performance of each type of hospitality industry in Korea. These results would provide an important information to establish the effective and efficient risk management strategy for the national disasters.

Keywords : impulse response analysis, Korea, national disaster, performance of hospitality industry

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