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ON THE CHOICE OF ACCOMMODATION TYPE AT THE TIME OF COVID-19. SOME EVIDENCE FROM THE ITALIAN TOURISM SECTOR

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On the choice of accommodation type at the time of Covid-19. Some evidence from the Italian tourism sector¹

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Abstract. This note focuses on the impact of coronavirus on Italian tourism. Using a sample of 1056 travellers, we find a positive relationship between the security of destination and the probability to accommodate in hotels and B&B. Furthermore, regional contagion is negatively associated to the willingness to pay for accommodation services. The policy implications are twofold. Firstly, hotels/B&B claim for financial support to ensure social distancing and, thus, security that will attract tourists. Secondly, public finance could sustain the demand of tourist services in hotels and B&B which is lowering because of coronavirus.

1. Introduction

Every country has adopted COVID-19 related travel restrictions, including the closure of borders, destination-specific travel restrictions, suspension of flights. All this translates into an impressive drop of global traffic: i.e., in March 2020 international arrivals dropped by 57% over 2019 data. The effects on tourism are unquestionable.

While a thriving number of studies investigates the effects of coronavirus on tourism in a number of countries,² none focuses on Italy. This is puzzling for two reasons. Firstly, tourism contributes to 14% of Italian GDP. Secondly, the country has been massively affected by coronavirus (over 35,500 deaths and 271,000 confirmed cases as of 3 September 2020) and, in response to COVID-19, Italy has been the first country in Europe to enter lockdown from 9 March 2020. It imposed quarantine and limited non-essential travel until May 4th (“restrictive Phase 2”), then gradually allowing travel within regions (“eased Phase 2”). During this time frame, we administered an online survey to analyse

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² See, for instance, Foo et al. (2020), Karabulut et al. (2020), Li et al (2020), Yang et al. (2020), Zhang et al. (2020).

Italians' attitude to travel. The survey started May 5th and ended May 15 and respondents were 1056 (figure 1).

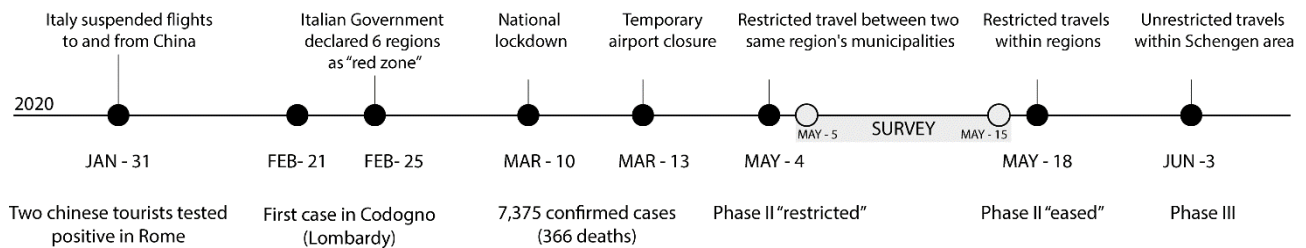


Figure 1 - Timeline of the key-events of COVID-19 in Italy

Section 2 presents the research questions. Section 3 describes data and the methodology. Section 4 discusses the results, while Section 5 concludes.

2. Research questions

This note addresses two issues. Firstly, Covid-19 heavily increases the need of safety, thereby rendering the security of the travel destination a key-factor when choosing the accommodation type. Secondly, Covid-19 widely spreads across different areas of Italy, thereby altering individual risk perception. Thus, we test whether the density of contagion of Italian regions affects traveller's intentions to lean towards holidays in a traditional hotel rather than low or zero-budget solution, such as visiting friends and relatives. The latter become good options at the time of disasters (Wayne and Carmichael 2005). The analysis is grounded on the literature focusing on the impact of exogenous shocks on tourism (Au et al 2005; Kou et al. 2008; Floyd et al. 2004).

3. Data and method

Data are from the online survey launched in May 2020 (from 5th to 15th) by the "Festival dell'Ospitalità" in cooperation with the non-profit organization OpenCalabria. The respondents are 1,056. The survey focuses on the mood and behaviour of travellers, focusing on the choice of a destination during a time of uncertainty due to COVID-19. Here, it is worthy to provide some data on the sample demographics. Almost 38% (357) of respondents are women and 62% (659) are men. Their distribution by area is balanced: 53% of respondents live in the South and 47% in Centre-North of Italy. People between 18 and 35 account for 31,44% of the sample, 62 % is between 36 and 65 and the remaining is over 65.

To study the choice of the accommodation type, we construct the dummy variable *Accommodation Type* (AT) using the question "What type of accommodation would you choose during the travel experience?" It is equal to 1 if the respondents reply "Hotels" or "B&B" and 0 when they choose "Camping" or "Family/Friends". The cross-section model is specified as follows:

$$\Pr(AT)_i = \beta_1 \text{Security}_i + \beta_2 \text{Covid Density}_{jt} + \beta_3 \text{Future}_i + \beta_4 \text{Ready to leave}_i + \beta_5 \text{Female}_i + \beta_6 \text{Young}_i + \beta_7 \text{Adults}_i \quad (1)$$

where i indicates the interviewee and j is the region of the respondent. *Security* is one if the respondent declares that the security of destinations is crucial to choose the holiday location, and zero otherwise. *Covid density* is the ratio between the number of infected people in region j at time t and the total regional population. The controls are as follows. *Future* is one if travellers say that the future will be different from the past, and zero otherwise. It enters into regression to verify whether the

accommodation intentions of tourists depend on their expectations about future formulated at a point of high-perceived risk. *Ready to leave* is one if respondents want to leave immediately, and zero otherwise. *Female* accounts for the gender of interviewees. Finally, *Young* is one if the interviewee is less than 35 years old, and zero otherwise. *Adults* is one if the age of the interviewee ranges between 35 and 65, and zero otherwise (the base group comprises the above 65 respondents). Table 1 reports some basic statistics.

Table 1. Descriptive statistics

<i>Variable</i>	Obs.	Average	Standard Deviation	Min	Max
<i>Accommodation Type</i>	1,056	0.7595	0.4276	0	1
<i>Security</i>	1,056	0.3447	0.4755	0	1
<i>Covid density</i>	1,196	0.9613	0.9392	0.1020	3.7307
<i>Future</i>	1,056	0.5256	0.4996	0	1
<i>Ready to leave</i>	1,056	0.1345	0.3413	0	1
<i>Female</i>	1,056	0.3759	0.4846	0	1
<i>Young</i>	1,056	0.3144	0.4645	0	1
<i>Adults</i>	1,056	0.6297	0.4831	0	1

Source: our elaborations

4. Results

Table 2 displays the results from two probit specifications: the restricted model comprises only the key variables (column 1), while full model estimations are in column 2. Before discussing the main results, it is worth mentioning that the perception about the *Future* is not correlated with the choices regarding the accommodation type. Differently phrased, intra-pandemic perceived risk for the future does not affect the accommodation choices in a post-pandemic time. Interestingly, for travellers that are ready to leave, the probability to opt for B&B and Hotels is less than 7% with respect to people that postpone holidays. This evidence seems to be driven by the arguments proposed by Hajibaba et al (2015), according to which there are two dimensions of behavioural resistance, namely ‘going despite’ and ‘not cancelling because’, based on the propensity to undertake or continue their holidays despite external shocks. Furthermore, no difference exists between female and male. Finally, as regarding the accommodation intention of tourists by age, we find that the probability to stay in hotels-B&B is lower for young people and adults than over-65. These estimations might reflect a sample-composition effect, as 93% of over-65 chooses the option Hotels-B&B, while this proportion is 69% for young people and 78% for adults.

The main findings of this research note regard the role of *Security* and *Covid density*.

We find a positive and significant impact of *Security*, meaning that the security of destination is important and has a strong impact on choosing to stay in Hotels-B&B or elsewhere. This effect is 8% in the restricted model (column 1), while it is 6.7% in the full model (column 2). Moving from "I don't care about security" to the status "Security is crucial for my holiday destination" determines an increase of the probability to choose Hotels-B&B. Another interpretation of this result might be related to the fact that staying in Hotels-B&B is not free. Thus, at some extent, the estimates might be meant in terms of willingness to pay (WTP) for holidays. Accordingly, if security is a value for respondents, then it will be translated in an increase of WTP by 6.7%.

As regarding the regional *Covid density*, the significant effect is equal to -3.8% in column (1) and -3% in column (2), thereby confirming a negative relationship between the density of Covid-19 infections and the probability to accommodate in Hotels-B&B. This result exacerbates the negative

effect of COVID-19 on tourism, acting from the demand-side. Indeed, from the supply-side, the COVID-19 preventive measures determine an increase of costs related to enhancing cleaning routines, security protocols and to the reduced seating capacity due to Covid-19 guidelines. What clearly emerges is a tendency to amplify the 2020 crisis of the Italian tourism, as travellers' WTP for accommodation is negatively related to the spreading of coronavirus.

**Table 2. COVID-19 and the choice of accommodation type.
The average marginal effects for Italy**

	(1)	(2)
<i>Security</i>	0.0806*** (0.0295)	0.0667** (0.0313)
<i>Covid density</i>	-0.0378*** (0.0143)	-0.0302** (0.0118)
<i>Future</i>		-0.0371 (0.0264)
<i>Ready to leave</i>		-0.0704** (0.0351)
<i>Female</i>		0.0251 (0.0230)
<i>Young</i>		-0.2374*** (0.0535)
<i>Adults</i>		-0.1665*** (0.0578)
Observations	1,056	1,056
Number of regions	19	19
chi2	19.41	64.22
Log-likelihood	-574.5	-563.5

Source: our elaborations

Robust standard errors in parentheses.

Significance levels: *** p<0.01, ** p<0.05, * p<0.10.

5. Concluding remarks

This note presents some evidence on the effects of Covid-19 on tourism. It focuses on Italy and uses data retrieved from an online survey conducted at the beginning of May 2020, that is to say during the peak of the pandemic. Conclusions are twofold.

Firstly, we find that the probability to pay for Hotels-B&B services increases when the security of tourist destination is a concern for travellers. In such a case, inner areas and regions with low contagion should “naturally” ensure social distancing, thereby allowing Hotels-B&B to get benefits from tourists which assign an extra-value to security. Furthermore, tourists who care for security may be available to pay for the Hotels-B&B option as they are perceived as less risky than other solutions.

Secondly, the probability to accommodate in Hotels-B&B, and thus to pay for holidays, is negatively affected by the spread of contagion. Tourists living in regions with high Covid-19 density perceive a high risk of travelling and this is translated in a lower WTP for holidays than residents of regions weakly affected by coronavirus. This acts as a shock from the demand side and exacerbates the effects

from the supply side due to the costs of ensuring social distancing. Taking into account the geography of contagion during the first-wave and some peculiarities of domestic touristic flows (i.e, the peaks in seaside seasons), the result is that the Southern Italian regions could have suffered more than others from a lower WTP for accommodation. Indeed, the South has a few advantages in summer tourism and is a destination for tourists living in the North of the country.

Two policy implications come from this note. Firstly, firms might claim for financial support to ensure social distancing and, thus, security that ultimately will attract tourists. Secondly, public finance could be used to sustain the demand which is lowering because of coronavirus. In this respect, to mitigate the COVID-19 impacts, the Italian Government has implemented a sector specific policy named “bonus for tourists”, as also proposed by Yang et al. (2020) for China. An extension of this note is to evaluate the effectiveness of this bonus. It is left for future research.

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