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Tourism Risk

The recent bombings in Madrid and the continual problems of both worldwide crime and terrorism ought to remind travel and tourism officials about the need for good tourism risk management and especially for good event risk management. Travel and tourism risk management should be subdivided into a number of sub-disciplines. For example, leisure travel risk management and event travel risk management require very different types of risk management. Risk management also takes a different form if we are dealing with domestic versus foreign travel/tourism.

The increase in travel and tourism risk means that specialists on a one by one basis need to begin to ask challenging questions. For example, a risk management team needs to start off by asking simple questions such as:

- Is there a level of acceptable risk?
- Can our tourism entity afford insurance to cover the costs of these risks?
- Have we prioritized our risks?
- What are the consequences of a risk management failure?

There are a number of ways for risk managers to subdivide risk. For example, is the risk to your tourism site principally one of crime or terrorism? These are two very different forms of risk and have very different consequences. Terrorists often seek publicity and look for masses of people to hurt or murder. Criminals rarely seek publicity. Criminals seek to harm the individual visitor or guest but rarely seek to harm the actual tourism industry. Criminals' actions, however, will result in a weakened tourism industry. Other ways of classifying risk are by risks to:

- to the client (visitor, tourist etc)
- to the staff
- health, for example food and water safety, to staff and clients

- environment For example, the Galapagos Islands are struggling with how to maintain tourism and at the same time not change the environment upon which the industry is based.
- business reputation of one's company, industry, locale. Note here the connection between good customer service and risk management. Good risk management begins with good customer service.

The following guidelines may be able to help put these risks into perspective.

-When risks are poorly managed they become tourism crises. The key question that every tourism executive and employee needs to ask him/herself is how much can I afford a tourism crisis? What are the consequences of this crisis and would the crisis be more expensive to fix then the cost of managing the risk?

-Can insurance cover all of your risks? Insurance can help a tourism industry to recover its economic footing but never its reputation. How much will your image suffer? How much extra marketing will you need to do in order to begin to recover your image? Travel and tourism are about image and no travel and tourism location is without competition or is guaranteed survival.

To begin to deal with some of these critical issues here are some basics that every travel and tourism entity needs to do:

-A full risk assessment. Someone who is not part of your organization should always accomplish this assessment. Doing an in-house risk analysis is as dangerous as doing one's own yearly medical physical. Have an outside firm or specialists tell you: where are you most exposed to loss? What techniques are you using to minimize this (these) loss(es)? How often do you actually implement these techniques and can you demonstrate that you have monitored the results and compare these results with previous monitoring of results?

-List every peril to which your part of the tourism industry is exposed and then rank these perils. Risk management is only as good as the assumptions upon which you base your decisions.

Risk ranking. Know that there is no way that you can eliminate every risk, thus there is a need to rank risks. First rank which risks are most likely to occur, then rank which risks would be most devastating to your office, business, or community. A simple way to classify risk is by the following:

- Low probability of occurring and low impact should the risk occur
- Low probability of occurring and high impact should the risk occur
- High probability of occurring and low impact should the risk occur
- High probability of occurring and high impact should the risk occur

Deal with those risks that have a high probability of occurring and a high-risk impact first. Those with a low probability of occurring and low impact should be deal with last. Rank each risk mentioned in the introduction found above.

-Distinguish between physical and emotional risks. Poor customer service is rarely seen as a risk, but it is. How much does a rude employee cost your company in negative word of mouth publicity? Are events managed efficiently and with on time? Risk management is not just about crime and terrorism, or physical safety; it is also about the reputation and viability of one's tourism product.

-Never fail to monitor and evaluate the results of your risk assessment and maintain a time line of where you have been in the past, where you have corrected past mistakes and how changes in the political, economic, social and cultural environment have necessitated changes on your part. Consider what pro-active measures you need to take, what human measures you need to make, and what managerial techniques you may need to fine tune.

To be in business is to experience risk. While there is no way to avoid risk being aware of the various types of risks, the cost of the risk's consequences ought to be part of every travel and tourism, CVB and National tourism office's plans. The consequences of failure are simply too great.

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