

# IMPACT OF COVID-19 ON ESTONIAN RURAL TOURISM ENTREPRENEURS

**Reimann M.**

*Tallinn University,  
Narva road 25, Tallinn, Estonia, 10120*

**Kana A.**

*Estonian Rural Tourism,  
Vilmsi 53 G, Tallinn, Estonia 10147*

International tourism has declined and the world is suffering in crises. Despite the fact that domestic tourism has grown during the pandemic the full recovery can take several years. The demand in the whole tourism market has changed. As there is more focus on distancing and solitude, the smaller entrepreneurs have advantages. A survey among Estonian rural tourism entrepreneurs shows that turnover had declined in most enterprises and business models need some corrections.

**Keywords:** COVID-19; rural tourism; crises; turnover decline; domestic tourism.

UNWTO (2020) reports that international tourist arrivals (overnight visitors) declined 70% in the first eight months of 2020 over the same period of last year, amid global travel restrictions including many borders fully closed, to contain the ongoing COVID-19 pandemic. The financial losses of tourism service providers will be enormous. Unemployment forecasts for the tourism sector have greatly increased (Baum & Nguyen, 2020). Tourism demand is changing and people look for more solitude and privacy. Second homes, mountain and rural tourism options have been offered as temporary solutions (Seraphin & Dosquet, 2020). Several studies (Higgins-Desbiolles 2020) express a great hope that COVID-19 represents an opportunity to change the paradigm of tourism towards sustainability and local interests. The importance of health, hygiene and distancing increase also in tourism (Sánchez-Cañizares et al 2020; Shi et al., 2020, Wen et al., 2020). While demand for international travel remains subdued, domestic tourism is strengthening the recovery in several large markets such as China and Russia (UNWTO). Together with the increase in domestic tourism the rural tourism demand is even higher by local customers than before the pandemic (Wojcieszak-Zbierska et al 2020; Vaishar & Št'astná 2020).

The NGO "Estonian Rural Tourism" has 270 members all over Estonia. A survey was held among its members on September 5-13, 2020. 77 companies replied to the questionnaire. The majority of respondents (82%) offer services throughout the year and 18% of respondents offer services only during the summer season. Most companies offer several services. The distribution of services was as follows: accommodation 85%, catering 60%, active tourism services 50%, service packages and other activities (seminars, corporate events, etc.) 50%. For more than half of the respondents, the provision of tourism services was the main activity and the only source of income (60%). 40% of the respondents also have other sources of income, e.g. pension or paid employment elsewhere. The size of the companies of the respondents varies greatly. The total number of employees is 375, the number of employ-

ees of the companies of the respondents ranges from 1 to 76. There are 6 companies with more than 10 employees (total number of employees is 238). 13 companies out of 77 companies of the respondents do not have employees. 62% of the companies of the respondents did not hire seasonal workers during the summer. 38% of companies that hired seasonal workers employed a total of 190 seasonal workers.

As the crisis hit all entrepreneurs hard in the spring, all opportunities were seized. In order to alleviate the crisis, the Estonian Unemployment Insurance Fund distributed wage compensation, which was requested by 55% of the respondents. 44% of the respondents applied for and received crisis support for the tourism sector from Enterprise Estonia, 12% expressed a wish to do so, but did not receive support. At the same time, 44% did not apply for grants, but this number also included those who did not meet the necessary requirements. The companies that received support confirmed that the support was a great help in the spring months. Entrepreneurs who did not receive support expressed their dissatisfaction that they did not qualify or for those who could qualify the application round was opened so unexpectedly that they did not have enough time to respond fast and funds ran out of money quickly.

When asked if and how many employees have been laid off in the period of April-August 2020, 65% answered that they have not laid off employees. 35% of companies have had to terminate employment contracts with an employee. A total of 35 people have been made redundant from enterprises, statistically 0.5 per enterprise, i.e. 9.2% of people who worked on April 1<sup>st</sup> have been made redundant as of September 1<sup>st</sup>. This was a case of larger companies and which until now were mainly focused on foreign clients and corporate events.

Respondents were asked to compare the turnover in June-August 2019 and June-August 2020. 17% answered that the turnover remained the same or increased. Most of these companies were those oriented towards individual visitors and domestic tourists. Also those companies who managed to change their business model fast and reoriented from groups to families or individual-scoped well. But anyhow those entrepreneurs who maintained their turnover needed to make efforts to work much more than a year before, since serving smaller amounts of people increases expenses a lot, but income stays the same. However, 83% of the respondents answered that their turnover decreased (between -10% and -90%). The largest decline in turnover was for companies whose services were based on groups and foreigners, because those services were essentially non-existent even in the summer period.

Bigger enterprises lowered their prices, but several smaller entrepreneurs said that their prices were low anyway and with lower prices it would be simply more beneficial not to work. Several entrepreneurs were outraged and offended that many customers and the media expressed resentment that the Estonian entrepreneur is greedy and that vacationing in Estonia is more expensive than abroad (in warm countries). Respondents explained that Estonian rural tourism entrepreneurs cannot import cheap labour for service provision. Estonians pay employment taxes, which according to the respondents' information are not so seriously dealt with in Greece and elsewhere in the South. In Estonia maintenance costs are high, electricity is expensive, houses must be heated in winter for water pipes not to freeze, etc. If the fixed costs of Estonian businesses are summed up, one gets a higher sum than in most tourist destinations.

The majority of tourism companies (56%) plan to continue in the same way despite the difficulties (Table 1), and only 9% have decided to close or sell the company.

**Table 1. Entrepreneurs' future plans.**

I will continue to offer tourism services in the same way	56%
I will continue to offer tourism services but will change the business model	30%
I am considering a temporary suspension of my business	5%
I am considering closing or selling the business	9%

Many retired tourism entrepreneurs said they would continue until they do not need to cover their business expenses with their pension. For many, however, the tourism company is their only source of income and rural tourism entrepreneurship is an important part of their lifestyle.

The spring was shocking to everyone. The fact that Estonian people travelled more than usual in their homeland in the summer gave rural tourism companies some confidence and hope to continue. Respondents hoped that situation would not suddenly become so bad anymore. Similarly to Poland and Czech Republic (Wojcieszak-Zbierska et al 2020; Vaishar & Štastná 2020) the demand for rural tourism did not decline much in Estonia. The summer showed that tourism companies aimed at groups and foreigners needed to re-focus themselves to families and groups of friends in the new situation. In order to attract families, in addition to accommodation, it is also necessary to offer additional services and invent attractions. No one comes just to sleep. The exceptions are small accommodation places in a scenic and isolated location, those, for example, could operate without any contact during an emergency. This shows a similarly to Seraphin & Dosquet (2020) that more isolated and private places in nature will be good temporary solution as well as long lasting business model. It is clear that tourism companies need to think more about changing their business model than ever before. An option to help the tourism sector would be to expand retraining opportunities, however, those with some existing additional income are unlikely to get retrained.

Changing the business model requires careful considerations and investments. This is often not so easy to do. A medium-sized tourism company builds some smaller rooms into family rooms, but this is not a solution for a large company with all its rooms. Rural tourism companies are predominantly micro-enterprises. It is very difficult for a person whose business is located in a home yard to change their profession and it is even more difficult to sell their business. Retraining could be suitable for entrepreneurs who have been made redundant. People involved in rural tourism are usually middle-aged or older, who are less prone to change.

Despite the decline in turnover and other negative aspects of crises most Estonian rural tourism entrepreneurs hope to offer the tourism services in the same way as they are used to and only 9% think of closing their business. Most probably some changes in business model should still be done. The pandemic also shows that demand for more private and separated natural locations has increased which creates hope for more sustainable tourism in the future. After the corrections of business models most of the Estonian rural tourism entrepreneurs would survive with valuable experiences from global crises.

#### REFERENCES

1. Baum, T., & Nguyen, H. T. T. (2020). Hospitality, tourism, human rights and the impact of COVID-19. *International Journal of Contemporary Hospitality Management*, 32(7), 2397–2407. <https://doi.org/10.1108/IJCHM-03-2020-0242>

2. Higgins-Desbiolles, F. (2020). Socialising tourism for social and ecological justice after COVID-19. *Tourism Geographies*.  
<https://doi.org/10.1080/14616688.2020.1757748>
3. Seraphin, H., & Dosquet, F. (2020). Mountain tourism and second home tourism as post COVID-19 lockdown placebo? *Worldwide Hospitality and Tourism*.  
<https://doi.org/10.1515/9783110648416>
4. Sánchez-Cañizares S. M., Cabeza-Ramírez, L. J., Muñoz-Fernández, G., Fuentes-García F. J. (2020): Impact of the perceived risk from Covid-19 on intention to travel, *Current Issues in Tourism* DOI: 10.1080/13683500.2020.1829571
5. Shi, Q. J., Dorling, D., Cao, G. Z., & Liu, T. (2020). Changes in population movement make COVID-19 spread differently from SARS. *Social Science & Medicine*, 255, 113036. <https://doi.org/10.1016/j.socscimed.2020.113036>
6. UNWTO (2020). *World Tourism Barometer*. Statistical Annex. (18), 6.
7. Vaishar, A., Št'astná, M (2020). Impact of the COVID-19 pandemic on rural tourism in Czechia Preliminary considerations, *Current Issues in Tourism*  
<https://doi.org/10.1080/13683500.2020.1839027>
8. Wen, J., Kozak, M., Yang, S. H., & Liu, F. (2020). COVID-19: Potential effects on Chinese citizens' lifestyle and travel. *Tourism Review*, 14,  
<https://doi.org/10.1108/TR-03-2020-0110>
9. Wojcieszak-Zbierska, M. M., Jeczmyk, A., Zawadka, J., Uglis, (2020) Agritourism in the Era of the Coronavirus (COVID-19): A Rapid Assessment from Poland. *Agriculture*, 10, 397. doi:10.3390/agriculture10090397