



Why Costa Rica?

Understanding Costa Rica's destination potential in a post-COVID-19 environment

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What factors will allow Costa Rica to thrive as a destination post-COVID-19?

In the post-COVID-19 environment, tourism destinations will have to rethink how to stand out from competition. Factors that were just recently at the forefront of travelers' minds, such as authentic experiences and 'undiscovered' destinations, may now become secondary to health and social distancing concerns. Many of these shifts position Costa Rica to succeed as a destination post-COVID-19. Costa Rica has thrived as a nature-oriented destination in close proximity to major source markets that prioritizes both health and tourism infrastructure, notably having one of the best medical infrastructure systems in Latin America. As travelers seek low-density, nature-oriented destinations with limited risk, Costa Rica should be well positioned to capitalize on its reputation as an established ecotourism destination.



Post-COVID-19 tourism trends

As destinations begin to vie for post-COVID-19 travel demand in a more competitive market, certain factors will make some destinations stand out. Factors that used to be secondary considerations for travelers will now become top priorities. For example, factors like health and hygiene practices, destination density, and availability and length of flights will be increasingly important. New factors, such as the number of COVID-19 cases in the destination and medical infrastructure, will also be important as travelers rethink their plans and habits.

Factor	Description	Costa Rica Alignment	Alignment
Luxurious social distancing	Travelers cite social distancing as a main concern for traveling post-COVID-19. In a survey conducted by Destination Analysts, 64.4% of US travelers said they would follow social distancing guidelines on their next trip and 58.5% said they would avoid crowds. During the pandemic, many high net worth individuals elected to relocate to second homes or rental homes in less dense destinations, demonstrating that social distancing is often a luxury.	While Costa Rica used to be known as a more off the beaten path 'backpackers' destination, the number of high-end, luxury hotels and residential communities has grown in recent years. These properties are often isolated and feature dispersed room configurations that allow for social distancing. Market participants familiar with the luxury residential market note that they have seen continued interest in luxury home purchases in Costa Rica since COVID-19 began, which may indicate that the market is suited for further growth.	High
Air access	Air travel is expected to recover slower than most industries, not achieving pre-COVID-19 revenue passenger miles until potentially 2023 according to IATA and Tourism Economics estimates. Airlines are expected to reduce routes, especially international routes, basing new routes on which airports open first and thus giving destinations that open first a competitive advantage. Destinations that have comparatively strong air access with fewer cancelled routes will be more competitive than destinations that have historically been more challenging to reach.	Although Costa Rica is a relatively small destination, it ranks well on airport connectivity, efficiency of air transport services, and air passengers carried. The World Economic Forum's Travel and Tourism Competitiveness Report scores Costa Rica at 4.8 of 7.0 for efficiency of air transport services, which is higher than many Latin American and Caribbean destinations. Costa Rica also has almost 2.5 million annual air passengers, equivalent to half of the national population (five million).	High
Destination density	Travel surveys have indicated greater preference for rural and nature-oriented destinations post-COVID-19 compared to urban destinations. Tourism Economics predicts that demand to North American cities will return more slowly than demand to other types of destinations (e.g., rural destinations, towns, parks, etc.) and a Destination Analysts survey shows that travelers will return to beach destinations or rural destinations before cities.	Given the small size of the country, Costa Rica has a relatively high population density (100 people per square kilometer). However, 79% of the population lives in urban areas, mainly San Jose, leaving the rest of the country much more sparsely populated. The beach and rainforest (or cloud forest) regions, which are main tourism regions, are especially low-density. In addition, 25% of the country's land area is protected, which has allowed Costa Rica to thrive as an ecotourism destination.	High
Demand segments	Leisure demand has already begun returning and is expected to fully recovery first, followed by business demand, followed by group demand. During travel recovery periods, group demand has historically lagged behind other demand segments by at least 12 months. Given the added concerns about social distancing, group demand can be expected to have a greater lag.	While Costa Rica does receive business travel and group travel, around 70% of visitors (based on an ICT study of visitors at the Juan Santamaria International Airport) come for vacation. Only around 10% come for business meetings or conferences. Groups tends to be smaller such as executive group retreats or leisure groups. While group markets such as Mexico and certain Caribbean destinations may suffer, Costa Rica may recover more quickly due to the reliance on leisure over group demand.	High

Sources: Destination Analysts, IATA, Tourism Economics, World Economic Forum, The Tico Times, MMGY



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Domestic demand	Due to border closures and air traffic restrictions, domestic travel will likely rebound before international travel. Accessibility is the key to a faster recovery, with many Americans and Europeans opting to travel domestically by driving to their destination. In an MMGY survey on 8 May 2020, 36% of US travelers said they planned on taking a domestic trip within six months.	Compared to other Central American and Caribbean destinations, Costa Rica has stronger domestic travel demand, which accounts for around 30% of total tourism spending, according to Business Monitor International and Global Data Ltd. At the beginning of June, Costa Rica opened up domestic tourism while international borders remained closed. Learning from other markets such as the United States, Canada, and Brazil, Costa Rica can consider promotions geared towards driving this traveler to certain markets.	Medium
Health & hygiene	Consumers have demonstrated higher expectations for cleanliness standards, and travel companies, including hotels and airlines, have responded by establishing new standard operating procedures around cleanliness. In a consumer survey, more than 50% of US travelers said that hotels should explain their cleaning and sanitizing procedures, require employee health screenings, make cleaning activity visible, and provide guests with hand sanitizer, disinfectant, and wipes.	Costa Rica scores 5.1 of 7.0 on the Travel and Tourism Competitiveness Report for the health and hygiene metric, which is much higher than many Latin American countries (Nicaragua scores 4.6). In addition, Costa Rica scores 87.2 of 100 for competence in international health standards based on data from the United Nations Global SDG database. The Costa Rican government has prioritized health and safety throughout the COVID-19 crisis, demonstrating commitment to keeping travelers and citizens safe.	High
Younger travelers	Younger travelers have demonstrated increased likelihood of returning to travel sooner than older travelers, who are more reluctant to travel in the short term due to higher concerns of compromised immunity. A Destination Analysts survey showed that on average, US Millennials and Gen Zers rated their excitement to take a trip in the next month as 5.8 on a 10-point scale compared to an average of 4.4 among Baby Boomers. However, an MMGY survey showed that 50- to 64-year-olds in the US were most likely to take a domestic trip or visit a park, indicating pent-up demand among this demographic as well.	Over the past few years, adventure travel has been a leading trend, especially among younger generations. Costa Rica, which is known as an adventure travel destination, attracts younger travelers. In 2018, based on Costa Rica Tourism Institute (ICT) data, 28.6% of travelers in the Juan Santamaria International Airport were between the ages of 25 and 34 and 61.2% were between the ages of 18 and 44. Costa Rica has strong appeal among younger generations and may be able to rebound more quickly as younger travelers are eager to begin traveling again. As older generations look for more nature-oriented destinations, Costa Rica may also be able to capture a new demographic.	High
Controlled experiences	In uncertain times, travelers are seeking controlled environments and experiences, with risk managed by centralized, well-structured entities. For example, demand for travel agents is predicted to increase as travelers look for additional guidance. In addition, 12.0% of US Millennials and Gen Zers and 8.5% of US Baby Boomers said they would consult government websites before their next leisure trip (Destination Analysts), demonstrating that travelers are looking for guidance on when and how to travel.	Not only is Costa Rica known for being a leading adventure and ecotourism destination, but it is also known for being a safe destination. For example, the Travel and Tourism Competitiveness Report scores Costa Rica's safety and security as a 5.4 on a 7.0 point scale. The quality of tourism infrastructure is ranked as a 5.7 and the government's prioritization of travel and tourism is ranked as a 6.0. In addition, an increasing number of hotels are branded, which may instill more confidence in travelers since many hotel brands are rolling out updated sanitation procedures.	High

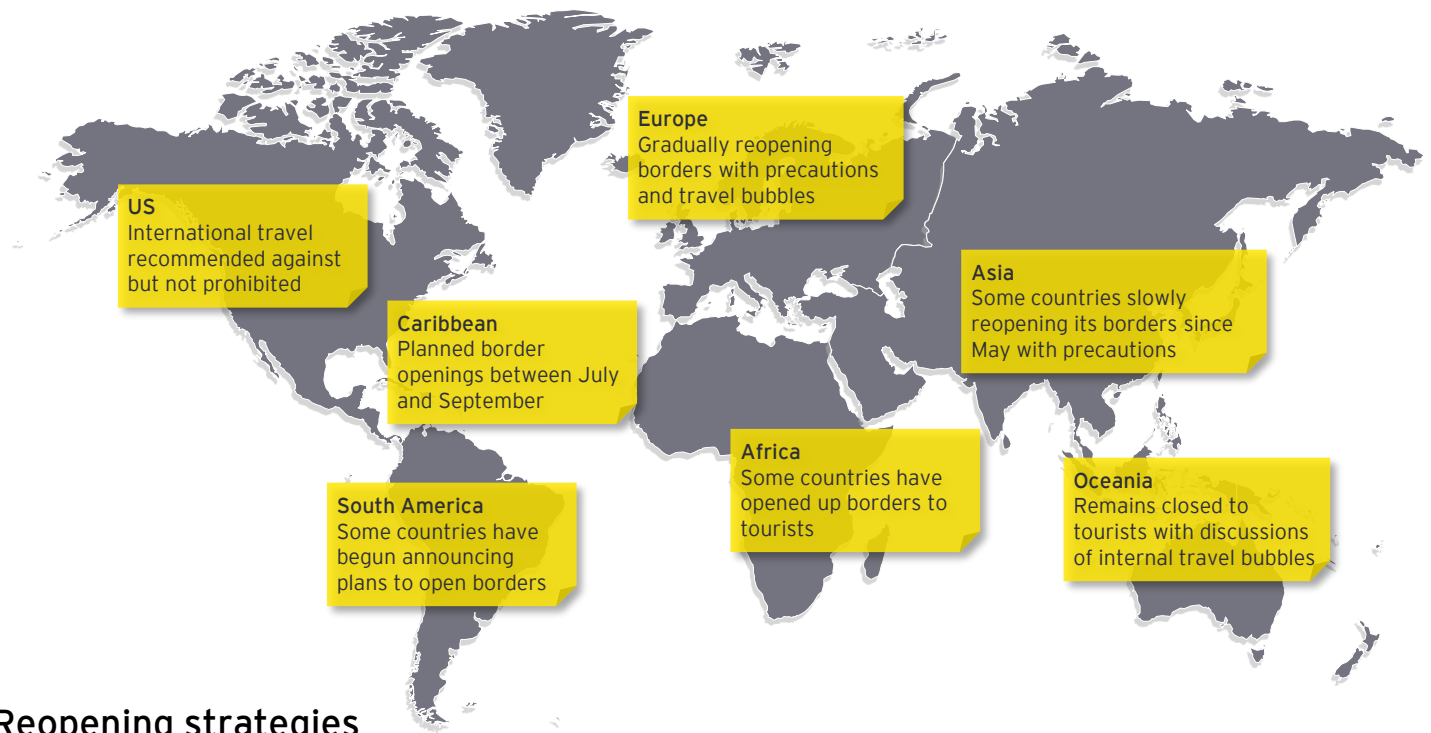
Sources: MMGY, Business Monitor International, Global Data Ltd., Destination Analysts, World Economic Forum, United National Global SDG Database, ICT



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Pent-up leisure demand	Travelers are showing increased desire to travel again, with one-third of US consumers postponing or continuing with planned trips rather than cancelling their trips, according to an MMGY survey. For example, some have labeled the positive trend in cruise bookings for 2021 as “revenge travel”, a sign that travel is still there, even in a much maligned cruise sector. As of 8 June 2020, 36.7% of US travelers had their next leisure trip very well-developed (Destination Analysts).	The US is consistently the leading source market for Costa Rican tourism, making up 42% of international demand in 2018 (ICT). Given the pent-up leisure demand in the US, Costa Rica is likely to see a steep influx of demand once borders open. In addition, as longer-haul destinations such as Europe and Asia become less attractive and the Caribbean begins hurricane season, destinations like Costa Rica may be positioned to capture a greater portion of pent-up demand.	High
	Many traveler surveys and industry outlooks have indicated that travelers are more likely to seek out nature-oriented destinations post COVID-19, with 52.5% of US travelers in a Destination Analysts survey saying they would likely go to a park or mountain destination on their next leisure trip. The tourism industry has also used the interruption of COVID-19 to refocus on sustainability, with the UN World Tourism Organization launching the One Planet Vision for sustainable recovery.	Costa Rica is one of the longest standing ecotourism destinations having promoted conservation alongside tourism since the 1970s. Costa Rica scores a 5.9 of 7.0 for sustainability of travel and tourism development on the Travel and Tourism Competitiveness Report (World Economic Forum). In addition, in the 2019 Sustainable Development Report, Costa Rica ranked as a 90.2 of 100 on sustainable cities and communities (SDG 11) and 93.4 on climate action (SDG 13).	High
	COVID-19 has altered the way consumers use technology and underscored the necessity of digitalization. Many destinations have used technology to stay top-of-mind for travelers during the shut down period with offerings like virtual vacations. In addition, destinations like Iceland are using technology to manage contact tracing and ensure the health and safety of travelers and locals as tourism reopens.	In the Travel and Tourism Competitiveness Report, Costa Rica scores a 5.6 of 7.0 for ICT (information and communication technologies) readiness. Costa Rica’s ICT industry makes up around 5.8% of GDP and the country has a quickly growing entrepreneurship industry. In 2017, medical devices were Costa Rica’s top export, demonstrating innovation and competency in healthcare technology. The tourism sector can leverage the country’s technological capabilities.	High
	As travel resumes, destinations with high numbers of COVID-19 cases and destinations that have key source markets with high numbers of COVID-19 cases might delay the resumption of travel. Some destinations are opening up travel only to source markets with fewer cases. In addition, travelers are less likely to go to destinations that have or had significant volumes of COVID-19 cases.	Given stringent regulations and a strong health care system, Costa Rica managed to limit the number of COVID-19 cases to 2,127 as of 20 June 2020, although cases are rising. On the other hand, Costa Rica’s main source market, the US, had over 2.3 million cases as of 20 June 2020. In order to avoid overreliance on the US market, many other destinations are sourcing demand from new regions, focusing on domestic demand, and developing a strategy to accept US demand while remaining safe.	High
	Travel industry representatives note that certain lodging characteristics may make some properties more competitive post-COVID-19. For example, branded properties, smaller properties, isolated properties, properties with spread out room configurations, and leisure properties have already demonstrated the ability to rebound more quickly from COVID-19.	Despite an increasing number of large branded properties, Costa Rica’s lodging supply remains dominated by small, independent properties. In 2018, the average lodging property in Costa Rica had 15 rooms (ICT). Many of the properties have spread out room configurations (e.g. villas or open air concepts) to allow for connection with nature. Although limited branded supply may pose a challenge, the characteristics of Costa Rica’s lodging supply are well-suited for post-COVID-19 demand.	High
Ecotourism & sustainability			
Digitalization			
COVID-19 cases			
Lodging characteristics			

A path to reopening

As airlines and travel companies have begun planning for post-COVID-19 travel, they are driving, as opposed to responding to, demand for certain destinations given a lack of precedent for how demand will return resulting from government border controls. While weighing the consequences of opening borders, destinations are strategizing on how to capture airline capacity and capitalize on alignment with post-COVID-19 travel trends. Many governments have begun developing and rolling out reopening plans with precautions in place, responding to the timelines set by various operating and distribution channels. Costa Rica can learn from other countries' strategies while continuing to prioritize the health and safety of citizens and tourists.



Reopening strategies

- 1 Imposing regulations**

Most destinations are imposing strict regulations for people entering and existing the country. For example, some destinations are requiring tourists to show a negative COVID-19 test taken 72 hours before departure and or get tested upon arrival. Some stricter regulations have been shown to deter travel. In a Destination Analysts survey, 66.8% of US travelers said they would be deterred from a destination by a 14-day quarantine.
- 2 Selecting demand sources**

Destinations are limiting risk by developing travel bubbles or corridors, which limit travel to between certain destinations with fewer COVID-19 cases. New Zealand, Australia, and other Oceanic countries have been working towards a travel bubble. In addition to imposing travel bubbles, destinations such as Iceland are using contact tracing to help keep travelers safe and prevent a further outbreak of COVID-19.
- 3 Starting local**

Many destinations, especially those choosing to keep borders closed, are focusing on attracting domestic demand by offering steep discounts for local travel and staycations. For example, the Greater Miami Convention & Visitors Bureau launched a campaign providing locals incentives at restaurants, hotels, museums, and spas. Destinations limited to local travel are still implementing strict sanitation and health procedures.
- 4 Staying competitive**

Destinations are considering how to compete for limited air capacity. As airlines resume operations, they are selecting destinations based on airport opening dates in addition to demand for the destination. In order to stay competitive, destinations are communicating their plans with airlines and travel partners and coordinating plans for the eventual resumption of tourism.
- 5 Remaining closed**

Weighing the consequences of reopening borders with the consequences of keeping borders closed is challenging. Some destinations have decided to keep borders mainly closed until a vaccine is released or there are no COVID-19 cases in the destination.

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