

International Tourism Investment Forum (ITIF) 2010
26th July-1st August

Theme: “Ghana - Time to Explore, the Role of the Investor in the Tourism Sector”
Venue: Accra International Conference Centre – Accra, Ghana



Plenary 5

Access to Finance in the Tourism Industry

Tuesday, July 27

09:00 - 10:00

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Outline of Presentation

1. Introduction: An Overview of the Tourism Industry
2. The 6 Ms of Management and the Tourism Industry
3. Binaries and Strategies of Financing in the Tourism Industry
4. Sustainability of Tourism Financing
5. Access to Tourism Finance: Sources and Stakeholders

The Tourism Industry: An Overview

- Terminologies, Concepts, Principles, Practices
- Organization and Attributes/Characteristics
- Growth and Development Factors/Resources
- Trends and Prospects

Terms and Concepts

- Travel/Traveler
- Visitor
- Excursionist/Same-day traveler
- Tourist
- Tourism
- Inbound Tourism and Outbound Tourism
- Domestic/National Tourism
- International Tourism
- Tourism Facilities/Products
- Tourism Impacts
- The Travel and Tourism Industry
- Travel and Tourism Sectors
- Tourism System

Criteria for Differentiating Travelers

- Origin (residence or non-residence)

Distance traveled/destination

- Duration/Length of stay

Purpose of travel

A Tourist

- A person who travels outside his/her usual(familiar) place of residence (environment), staying at least 24 hours but less than a year, with the purpose of the journey classified as leisure or business (UNWTO); VFR

Excluded from this definition are people who:

- Commute to work
- Change permanent residence
- Provide military services abroad
- Work for their governments abroad
- Students studying abroad (on student visas)
- refugees or asylum seekers

The Travel and Tourism Industry

- A vast worldwide industry which includes the transportation, lodging, feeding and entertainment of tourists (Wright, 2000, p.2).
- It consists of organizations, both public and private, that are involved in the development, production, and marketing of products and services to serve the needs of travelers/*tourists* (Gee et al., 1997, p.4)

Travel and Tourism Products: Characteristics

- Intangible
- Perishable
- Seasonal
- Price and income elastic
- Location/destination specific
- Packages
- Many suppliers of the same product
- Purchase and consumption at location
- More variables in service
- Sales volatility

The Travel and Tourism Industry: Multi-sectoral Perspectives

1. Key Participants

- Tourists
- Businesses: Private/Public
- Host community/communities
- Host government(s)
- **Travel Distribution System**
- Suppliers
- Intermediaries (Distributors)
- Consumers (customers, the market)

2. The Linking Concept

- Direct Providers
- Support Services
- Developmental Organizations

Consumers

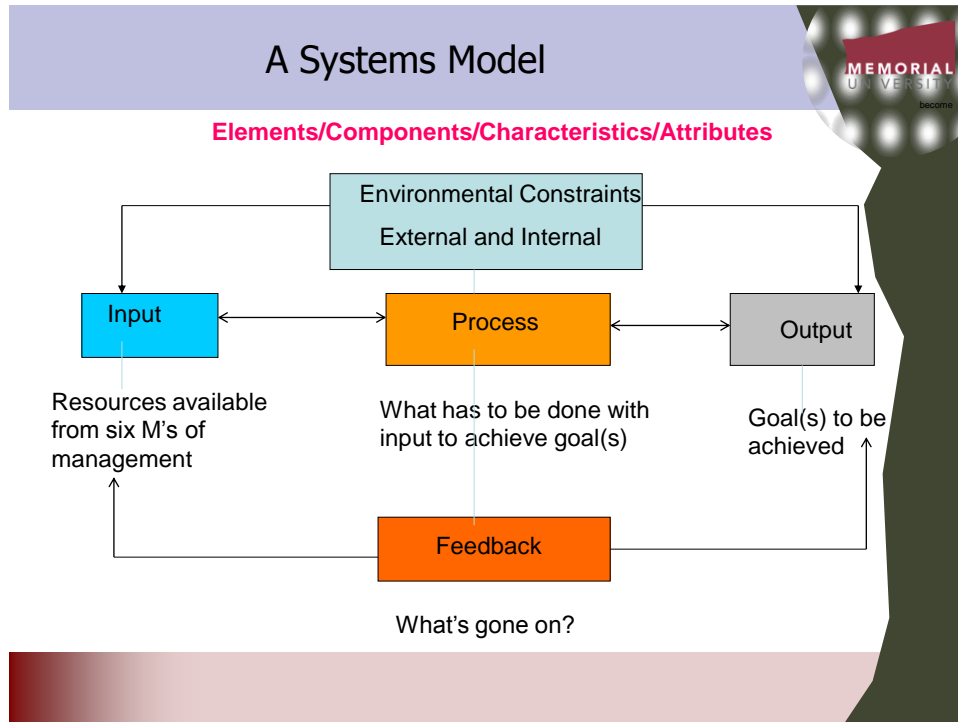
3. Tourism Trade Sectors

- Transportation
- Accommodation/Lodging
- Food service
- Attractions
- Tourism services
- Events, conferences, and entertainment
- Travel trade
- Adventure and recreation

5. A Systems Perspective

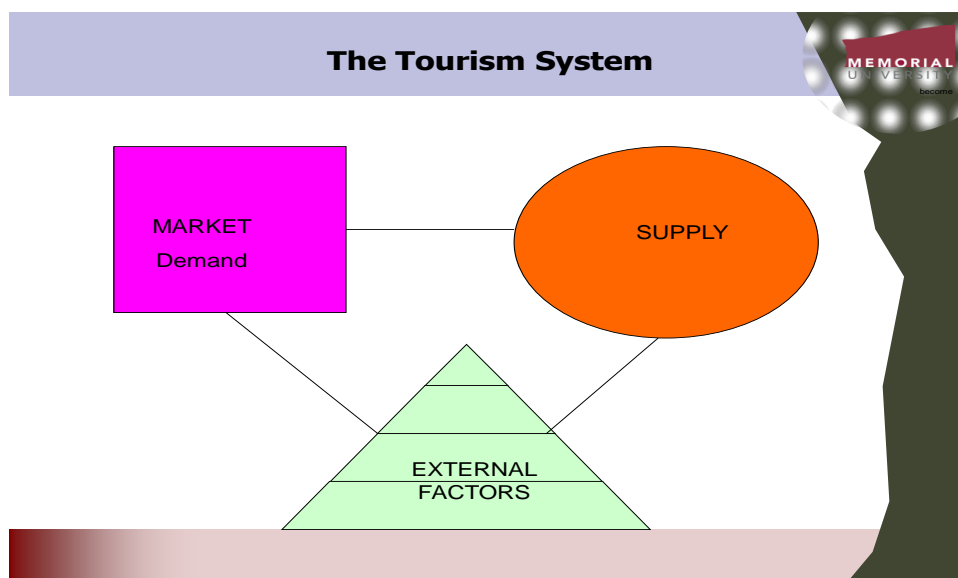
A system – Definition

- A grouping of separate components that work together towards a goal in the most efficient way possible.
- The components of a system are interdependent and interrelated; and they interact (i.e., the 3 I's: Interdependence, Interrelationship, and Interaction).



Tourism is a Multi-sectoral Industry/System Perspective

- For planning and policy analysis purposes, tourism may be perceived as a system consisting of **interrelated** and **interdependent** components that **interact** to achieve a common goal.
- The components of a tourism system are: **Market, Supply, and External Factors.**
- The components have sub-components or segments.
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1. The Market Component of a Tourism System

- The market of a tourism system comprises consumers.
- People who have the ability and interest to consume travel products (i.e., **effective demand**).

What /where is your market financing?

Tourism Financing based on Market Segmentation

1. Socioeconomic Segmentation
2. Demographic Segmentation
3. Product Related Segmentation
4. Psychographic Segmentation
5. Geographic Segmentation
6. Use Frequency/Seasonality Segmentation

What/Which segmentation(s) has/have/provide(s) better/more/easier access to finance?

2. The Supply Component of a Tourism System

In general, the supply component of a tourism system consists of:

- Providers and managers of transportation, lodging, leisure, recreation, information, event/meeting, promotion services, etc.
- Three decision-making sectors – private enterprises, nonprofit organizations, and governments/public sector.

What access do tourism suppliers have?

3. The External Factors of a Tourism System

- Both the market and supply components of a tourism system are influenced by external factors:
 - **Natural resources**
 - **Cultural resources**
 - **Government policies**
 - Organization leadership
 - Finance/Economy
 - Labor market
 - Entrepreneurship
 - Community
 - Competition

What/Which external factors influence access to finance in the tourism industry ?

Natural Resources

Water

Topography (Land)

Vegetation

Wildlife

Climate

What/Which resources influence access to finance in the tourism industry?

Cultural Resources:

- » Prehistory, Archaeology
- » History
- » Heritage
- » Ethnicity
- » Lore
- » Education
- » Industry, Trade, Professionalism
- » Entertainment, Health, Religion, Sports

Three reasons often cited for visiting cultural sites:

- Experiencing a different time or space
- Learning
- Sharing knowledge

Resources and Tourism Decision-making (Financial Decisions)

- Regions and destinations that have abundant and diverse cultural and natural resources tend to have greater potential for **tourism financing and development**.
- Both natural and cultural resources must be considered in tourism planning and policy at all three levels – **macro** (regional), **meso** (destination), and **micro** (site).

A need for greater cooperation among the three decision-makers in the supply component of the tourism system – **governments** (public), **private enterprises**, and **non-profit organizations**

The Tourism Industry: Trends and Growth Factors

- The industrial revolution
- Peace and political stability (Democratic Governance)
- Economic prosperity (GDP)
- Rising disposable incomes
- Accepted medium of exchange
- Efficient transportation systems
- More leisure time
- Globalization of businesses – international trade and transnational corporations
- More meetings/events, conventions and expositions (Trade Shows)
- Higher levels of education and mass communication
- More international sports and recreation activities
- Social tourism
- Changes in demographics and psychographics
- Increasing concerns about the environment and interest in nature-based tourism (ecotourism)
- ITC (e-marketing and virtual tourism)

Impacts of Travel and Tourism

- Economic
 - Social
 - Cultural
 - Environmental
 - Political
 - Others: ITC?
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- Direct (Primary)
- Indirect (Secondary/Linkages)
- Induced (Multiplying/Dynamic)

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- Positive
 - Negative

Tourism: Economic Impact Assessment

Types of impacts

- Jobs
- Income & Tax Revenue
- Infrastructure development
- Superstructure development
- Multiplying effect
- Housing/Real estate development
- Migration rates
- Crime rates
- Demographic changes and work patterns
- Psychographic changes and work patterns
- Others:

Evaluation of Impacts

- No impact
 - Minor impact
 - Moderate impact
 - Serious impact
- (Quantitative and/or qualitative)**

Tourism: Environmental Impact Assessment

Types of impact

- Air quality
- Surface water quality
- Ground water quality
- Road traffic
- Noise levels
- Solid waste disposal system
- Archaeological and historic sites
- Visual amenity
- Natural vegetation
- Wildlife
- Others:

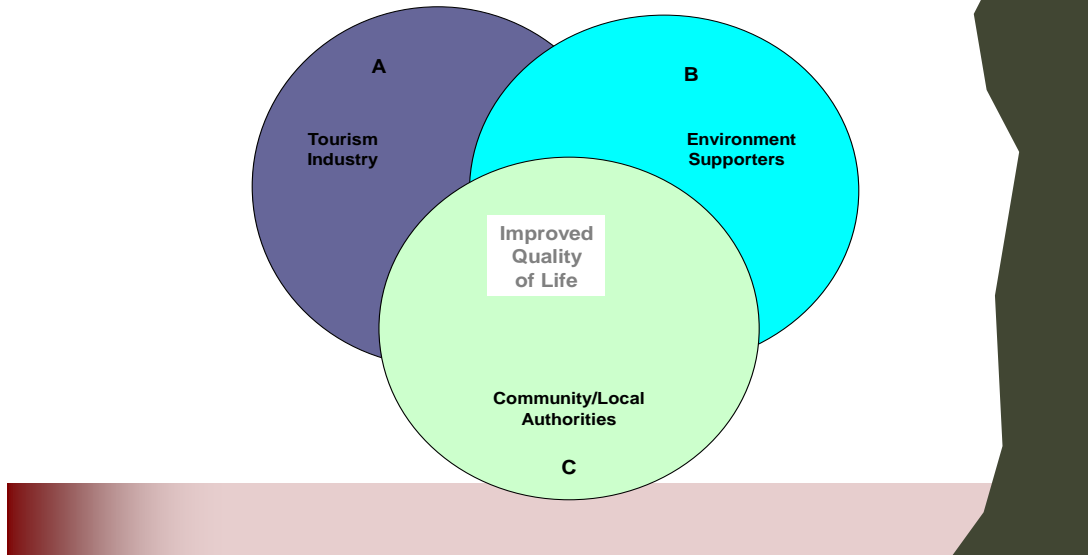
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(Quantitative and/or qualitative)

Access to Finance in the Tourism Industry

Concerns of Tourism Planners, Developers, and Policy Makers/Analysts



The tourism industry seeks a healthy business environment with the 6 Ms:

- **Financial security (Money)**
Issues of access – Where, What, What For, How, Who, and Conditions?
- Trained and responsible workforce (**Manpower**)

Natural and cultural attractions/events of sufficient quality to ensure a steady flow of tourists who stay longer and visit more often: **Materials, Machines (Equipment), Methods (Strategies) and Market (Effective)**

Those interested in the natural environment seek:

- Protection of the environment through prevention, improvement, correction of damage, and restoration
- Motivate people to be more aware - and therefore “care for” rather than “use up” or waste resources

Community and Local Authorities seek a healthy place in which to live:

- Food, adequate and clean water, health care, housing, rewarding work for equitable pay, education and recreation
- Respect for cultural traditions
- Opportunities to make decisions about the future

Other Pertinent Issues

- Host and guest – cultural impact or common use of infrastructure
- Land use – hunting/wildlife habitat, agriculture, recreation, preservation, development, etc.
- Business Ownership and Organization - sole proprietorship, partnership, corporation (independent, chain, franchise)

Some Binaries in Tourism Investment and Development Strategies

- Urban(Peri-urban) vs. Rural; Center vs. Periphery
- Demographic vs. Psychographic
- Primary vs. Secondary/Tertiary Sector
- Area (Spatial) vs. Sector (Single Sector vs. Multi-sectoral) Balance
- Individual vs. Partnership/Community
- Private vs. Public/Quasi Public Initiatives
- Vertical vs. Horizontal Integration
- Local vs. Regional/International Initiatives
- Traditional vs. Innovative/Modernization Ideas
- Conservatism vs. Liberalism
- Domestic vs. International Tourism
- Independence vs. Dependency
- Domestic vs. International
- Destination vs. Property/Site Marketing
- Infrastructure vs. Superstructure Development
- **Sustainable vs. Short-term Development**

The Concept of “Sustainability”

1. A buzzword in tourism studies in recent years
2. Linked with sustainable development - *Our Common Future*
3. Contested meanings – social, cultural, political, environmental, economic, etc.
4. Thrives on natural and cultural resources, private initiatives, and public sector management systems.
5. Value-laden

Values lie at the core of community choices, public policy and, hence, tourism policy and community development projects

Sustainable Development

- “Management of all resources in such a way that we can fulfill economic, social, and aesthetic needs while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems”.

Based on the Brundtland report, Our Common Future.

Sustainable Development is aimed at:

- Protecting and enhancing the environment
- Meeting basic human needs
- Promoting current and intergenerational equity
- Improving the quality of life of all people

Tourism and Sustainability

- The environment is tourism’s base
- Tourism shapes and affects the environment
- Ill-conceived and poorly planned tourism development can erode the very qualities of natural and human environment that attract visitors/tourists

Sustainable tourism serves as a vehicle for:

- Addressing the problems of (mass) tourism
- Supporting “alternative tourism”, “ecotourism”, “green” approaches to tourism
- Promoting current and intergenerational equity

Sustainable Tourism

“Meeting the needs of present tourists and host regions while protecting and enhancing opportunities for the future”.

Social

Economic

Political

Cultural

Environmental

Spatial/geographical distribution



Some Sources of Tourism Financing

- Individual Investors and Entrepreneurs
- Domestic Financial Institutions – Banks, Credit Unions, Trust Funds
- International Financial Institutions (IFIs) – The World Bank/IMF (Tourism Projects Department, 1969-1978), the African Development Bank, International Finance Corporation (IFC) – private sector investment, technical assistance & advice, loan & equity finance for business ventures in developing countries (SMEs, SEF).
- Research & Development Institutions/Organizations - UNDP
- Travel & Tourism Companies/Businesses – Transportation, Lodging, Food and Beverage, Attractions, Entertainment, Artisans
- Tourism Organizations: UNWTO, WTTC, ICAO, IATA, PCMA, MPI
- Bilateral and Multilateral Assistance – USAID, CIDA, DFID-UK., MIGA
- Local Governments - Regional, Municipal, etc.
- **National Government/Policy**

Tourism Financing and Public Policy

- Direct Monetary
- Direct Nonmonetary
- Indirect Monetary
- Indirect Nonmonetary

Direct Monetary Policies (Provide or Purchase)

Government can:

- Directly provide a good or service itself through bureaus, departments, corporations, or special districts, such as, fire and police protection, education, and recreation.
- Purchase a good or service from the private sector, other governments, or the nonprofit sector.
- License an organization to provide a good or service.

Indirect Monetary Policies (Tax or Subsidize)

Government can:

- Enact commodity and excise taxes, tariffs, fines, quotas, or fees.
- Establish pricing mechanisms.
- Provide compensation, subsidies, welfare payments, vouchers, grants, loans, tax credit, exemptions, and/or insurance.

Direct Nonmonetary Policies (Prohibit or Require)

Government can:

- prohibit or restrict actions by rules, regulations, standards, quotas, licensing, deregulation, or legalization (e.g., Environmental laws and safety regulations)
- require certain actions or introduce some regulations (e.g., compulsory education, jury duty, and revealing oneself to the census)

Indirect Nonmonetary Policies (Inform or Implore)

Indirect nonmonetary policies include:

- Educational, informational, and promotional efforts to modify behavior.
- Stronger measures to cajole or implore.

The Tourism Industry and Financing: A Recap

- Knowledge (and use) of terminologies, concepts, principles, practices, organization, and attributes is/are crucial
- Growth and Development Factors/Resources
- Trends and Prospects
- Sources of and access to Domestic and International Finance vary and are influenced by many factors:
 - Economic
 - Social
 - Political
 - Cultural
 - Environmental
 - International Relations

Some Recommendations for Sustainable Tourism Development & Financing

- Provide all-inclusive tour packages
- Develop and use integrated regional development plans and marketing strategies
- Use more effective virtual tourism (marketing tool) to enhance sustainable tourism
- Protect the environment through prevention, improvement, correction of damage. and restoration
- **Think globally but act locally for sustainable tourism development and financing**

What are your local initiatives?

**END OF PRESENTATION
THANKS**

