Chapter 2

Local Tourism Supply Chains in Small States: Sharing Best Practice

2.1 Introduction

This chapter gives an overview of tourism supply chains. It discusses supply chain management and identifies existing local supply chains, who the main players are, what level of contribution is made along the supply chain, and the level of local supply and procurement along the tourism value chain. The economic linkages of tourism in small states are explored to reveal their extent and, in particular, the effect on the backward and forward linkages in the tourism sector. The chapter introduces this topic more generally before analysing tourism supply chain issues using case study material from Malta,[16] Seychelles and Jamaica.[17] Finally, the associated topics of niche products and services are examined.

2.2 Understanding the tourism supply chain

Supply chain management has become an important area of research for academics and practitioners alike and much has been published in academic and industry publications (Burgess et al. 2006). Supply chain management in the tourism industry, on the other hand, has not received as much attention and is not as well understood. There are a number of reasons for this, many of which relate to the characteristics of the tourism industry.

1. Traditional supply chain management research has focused on manufacturing industry, rather than the service sector, of which tourism is a part (Zhang et al. 2009). Where research does exist, the emphasis is on tourism demand, rather than tourism supply, and therefore overall knowledge is limited.

2. Tourism is a complex 'industry' or, more precisely, group of industries (Cooper et al. 2008; Jones 2010) It is an export industry that does not physically export anything; rather it relies on 'exporting' images through various distribution channels (online, in print or point of sale) that generate demand for the product. The product is not seen before purchase, and therefore the quality of information is crucially important. This makes tourism an information-intensive industry.

3. Zhang et al. (2009: 347) state 'the attention paid by the academic community and industrial sectors to tourism supply chains has not kept pace with the rapid development of the tourism industry in recent decades'. This is a concern, as the tourism industry is highly dynamic and responsive to changing trends and markets. Without a basic understanding of the tourism supply chain, there is

limited opportunity for strategic supply chain management, particularly at the destination level.

4. Tourism is the sum or final product of many highly co-ordinated products and services which include transport, accommodation and restaurants. Most of those products and services are not purchased at the destination, even though they are all consumed there; so there is a need for effective flows of information and highly co-ordinated action across a complex network that comprises producers, suppliers, purchasers and consumers to ensure that the 'unseen' product or service meets expectations. This makes tourism a co-ordination-intensive, as well as information-intensive, industry (Zhang et al. 2009).

5. The key components of tourism are accommodation, transport, attractions and excursions, and restaurants; all are 'perishable'. This means that airline seats, hotel rooms and daily ticket sales, for example, cannot be stored for potential future sales. This level of uncertainty, coupled with the uncertainty of global trends and exogenous shocks, has become an important area of tourism supply chain research. Areas of particular interest include demand forecasting, yield or revenue management and inventory management (Zhang et al. 2009).

6. Finally, the supply chains in tourism that already exist are usually part of the wider global operations of major hotels and resorts (for example Hilton and Four Seasons hotels) and of cruise ship operators (for example Carnival Corporation and Royal Caribbean). In many cases, the supply chains that furnish the interiors and feed the guests originate in different countries, or even continents, before they are stored together at a regional distribution hub for delivery to the destinations. Although these international tourism businesses are vital for many small states' and SIDS' tourism industries, the only significant benefit may be import taxes, and possibly some engagement with local distribution networks if these exist.

2.2.1 Defining supply chain management

The three critical areas of supply chain management are the flow of information, the flow of products and the functional relationships between these. The latter is the factor that enables there to be an efficient and effective flow of information one way and flow of materials the other; without this relationship, the flow is disrupted and the entire supply chain becomes dysfunctional.

The principles of supply chain management (SCM) in manufacturing and in the service industries are essentially the same; it is the characteristics of the industries that influence the application of SCM, and hence its effectiveness in achieving favourable outcomes. It is important to recognise the definitions proposed for SCM before analysing those specific to the tourism industry, particularly as there is no single, universally agreed definition. According to Mentzer et al. (2001), SCM 'has been poorly defined and there is a high degree of variability in people's minds about what is meant'.

This is partly because practitioners and academics have defined SCM in the context of their specialist area (manufacturing, retail or food), rather than considering it in the

context of a particular business. For the purposes of this report, Mentzer's definition of SCM is perhaps the most useful:

> … the systematic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole.[18]

2.2.2 Tourism supply chain

The generic definitions of SCM could be applied loosely to tourism, but are not explicit enough to lead to an understanding of the complexities of the industry. Furthermore, unlike traditional businesses, where the end product is tangible and can be taken home, tourism produces a tangible product but an intangible outcome – the customer experience (Smith and Xiao 2008).

Again, there is no internationally agreed single definition of the tourism supply chain (TSC); for the purposes of this report, the definition by Zhang et al. (2009: 347) is used:

> … a network of tourism organizations engaged in different activities ranging from the supply of different components of tourism products/services such as flights and accommodation to the distribution and marketing of the final tourism product at a specific tourism destination, and involves a wide range of participants in both the private and public sectors.

Zhang's definition offers a more holistic understanding of TSC and refers to the destination level supply chain; its reference to the 'wide range of participants' indicates that a complex system of flows of information and materials (products and services) is present. Other definitions exist[19] but space precludes further discussion.

Tourist destinations host a mixture of establishments, with one estimate being that the largest companies (typically multinational hotels, tour operators and transportation groups) account for around 20 per cent of the supply chain in small states, with 80 per cent of the supply chain operated by SMEs (Commonwealth Secretariat 2006: 3). We will discuss the composition of the tourism supply chain in more detail later. This will be explored with reference to the case studies and the key questions that refer to what local supply chains exist, who the main players are, what level of contribution is made along the supply chain and, where possible, the level of local supply and procurement along the tourism value chain.

2.2.3 Value chains

Value chain analysis (VCA) is relatively new in tourism research. It examines the chain of expenditure and transactions of a commodity and identifies the agents involved as it flows from production to consumption. This chain of co-ordination and co-operation between agents can, if measures are taken, minimise risks (and associated costs) and maximise the value, reliability and speed of the supply. Mitchell (2012: 465) states that 'the key point about value chains is that they recognise that the firms linking suppliers

to producers to processors and intermediaries to the customer at the end of the chain are the critical determinants of trade, whether these are domestic, regional or global'.

As the demand for quality and standards has risen, so too has the need to understand the value of tourism from production to consumption. The principal suppliers are international firms (tour operators, accommodation providers and cruise ships) with sufficient power to govern the value chain and demand certain standards of quality and service. For small states, SIDS and developing countries more broadly, significant barriers prevent local suppliers from meeting the standards set. These may include inadequate storage and distribution infrastructure, insufficient funds for imported fertiliser, feed or other agricultural supplies, or lack of land to meet a year round demand for specialist fresh foods (Hampton and Jeyacheya field notes from May 2012).

'Chain governance' is now considered an essential component in value chain competitiveness. In the case of tourism and a typical holiday product (e.g. a package holiday), the flow of expenditure along the value chain as it travels 'downstream' is governed by the principal suppliers. Thus, the chain of governance in international tourism is regulated by them; Gereffi et al. 2005 (cited in Mitchell 2012) refer to tourism value chains as 'buyer-led chains'[20] – typical of an industry that is demand driven and 'influenced more by market forces rather than governments that try to control or manage it' (McKercher and Du Cros 2002: 30).

VCA is a useful tool for determining more precisely the extent of the economic linkage at each transaction, and it helps to identify the main processes of the chain in generating and receiving destinations and the stakeholders involved, directly and indirectly. One recent study, commissioned by the Commonwealth Secretariat on VCA in Seychelles (McEwen and Bennett 2010), is exemplary, but few other studies appear to exist. Furthermore, data capture methods at destinations that measure the flow of tourist expenditure are aggregated to a point where backward and forward linkages are not evident. The next section addresses economic linkages from tourism and the backward and forward linkages that occur at the destination level.

2.3 Economic linkages

Research on economic linkages at the destination level only partly enables an understanding of what exists. Backward linkages are fairly well researched in tourism studies, measuring the importance of each sector as a purchaser of all sectors (Fletcher 1989). Forward linkages are less well known; they are a measurement of the importance of each sector as a supplier (Pratt 2011). In this case, tourism expenditure does not produce forward linkages as such, but rather those sectors that supply the tourism industry do (Cai et al. 2006; Benyon et al. 2009). The gaps in statistical evidence, coupled with gaps in research on forward linkages, limit this report's findings significantly, and highlight the need for further field-based research studies in selected small states and SIDS.

2.3.1 Economic linkages in small state tourism

The economic linkages created by tourism in small states and SIDS are often considered limited because the market is monopolised by larger and international suppliers.

Few data exist on backward linkages from tourism in small states, particularly to agriculture; where they do exist, they tend to demonstrate weak or underdeveloped economic linkages (Momsen 1998; Segura 2010). However, local backward linkages from the hotel sector to agriculture can be developed (see Telfer and Wall 2000) with targeted local purchasing, but this is not without challenges (Torres and Momsen 2004), including issues of consistency of supply and product quality, pricing, storage and transport. In some small states, particularly SIDS, there are also structural challenges, including the high cost (or lack of) land, the overall cost of production of agricultural goods and their transportation and, in some cases, labour issues, with competition from other economic sectors such as offshore finance (Hampton and Christensen 2007). In the case of Malta, which is considered in more detail in the following section, there has been some concern about the lack of backward linkages to local agriculture:

> Despite tourism's vital role in the development of the country's economy, little spin-off benefit has come to the nation's rural sector, in part due to the comparatively recent realisation of the potential for doing so. (Mizzi 2006: 146).

In the case of Jamaica, another case study that we will examine later, Segura (2010) estimates that only about 25 per cent of the total value of food purchased by hotels in Jamaica in 2008 was purchased locally. Why this might be so is discussed next.

2.4 Small state case studies of tourism supply chains

This section analyses and discusses the local tourism supply chains in the three case studies of small states (Malta, Seychelles and Jamaica). Although, as noted above, the tourism supply chain is made up of many components, this section focuses on three of the larger components: accommodation, food supply, and souvenirs and handicrafts. Tourist excursions and visits to attractions will not be discussed here, since the vehicles used are normally imported coaches or minibuses, and the broader area of the role of attractions in the tourism supply chain is significantly under-researched (Font et al. 2008). Similarly, car hire will not be discussed here since, given the lack of local car manufacturing industry in virtually all small states, all rental vehicles are imported, as are spare parts and other consumables. That leaves a tiny local value component that comprises the small numbers employed in clerical work in offices and depots, and some employment for drivers and mechanics. As with the attractions component, there has been little academic study on the hire car component of local supply chains.

2.4.1 Comparing tourism in Malta, Seychelles and Jamaica

Most small states, particularly SIDS, have seen tourism as a key economic development strategy since the 1960s (Bishop 2010). In 2010 there were around 940 million international arrivals, with global export income from tourism valued at around US$1 trillion (UNWTO 2012). The three Commonwealth small states selected here are all major tourist destinations and their tourism sectors have certain key characteristics. In all three states tourism is a main plank of the economy, contributing to overall economic development and GDP.

Table 2.1 Top five source markets for Jamaica, Seychelles and Malta (2010), international arrivals, contribution to employment and GDP, and specific regional vulnerabilities

	Jamaica	Seychelles	Malta
Top five source markets (2010)	USA Canada UK Germany Italy	France Italy Germany UK and Eire Russia	UK Italy Scandinavia Spain France
Total population	2,889,187	90,024	412,970
Tourist arrivals	1,922,000	174,529	1,336,000
Direct contribution to employment ('000 jobs)	84	11	25
Indirect contribution to employment ('000 jobs)	141	11	14
Direct contribution to GDP (US$ billion)	1.2	0.2	1.1
Indirect contribution to GDP (US$ billion)	1.4	0.1	0.6
Specific current vulnerabilities (excl. environmental and climatic factors)	Regional competition	Access and location Piracy	EU financial crisis

Source: WTTC Country Reports; UN WTO Highlights 2011; World Bank; *Times of Malta*; *Jamaica Gleaner*

In Seychelles, for example, tourism accounts for around 40 per cent of GDP and around 60 per cent of all employment (direct, indirect and induced). In Malta and Jamaica, tourism generates more than 20 per cent of all employment. In all cases, the leisure tourism market contributes to GDP by over 90 per cent with international visitor contributions to GDP exceeding 80 per cent (WTTC Country Reports).

Tourism in Malta is based upon so-called '3S' (sun, sea and sand) tourism, affordable package holidays for families. In addition, it has a growing cruise sector. In 2010, Malta recorded 1.3 million international tourist arrivals and around 490,000 cruise ship passengers (UNWTO 2011). In comparison, Seychelles is broadly a high-end destination, resort based with smaller cruise activity. In 2010, Seychelles had around 174,000 international tourist arrivals and 16,000 cruise passengers (UNWTO 2011). Finally, tourism in Jamaica consists of both mass tourism package holidays and a large cruise sector, with 1.9 million tourists and around 910,000 cruise passengers in 2010 (UNWTO 2011).

2.4.2 Product diversification

Many destinations are in the process of diversifying the tourism product by attracting new markets such as scuba divers, cultural tourists and heritage tourists (Briguglio 2008; Foxell and de Trafford 2010). There are various reasons for this: Malta aims to extend the shoulder season and increase numbers of visitors in the off-peak season, while Jamaica's Vision 2030 explains that diversification aims to 'increase the use of

Jamaican inputs and culture in all areas of the industry; and strengthen the integration of tourism development with sustainable land use planning and environmental management'. More broadly, product diversification can stimulate local employment opportunities, and thus the local economy, by focusing on traditional skills and trades. It can respond to changing tourist behaviour and demand, particularly in the traditional tourism markets, where tourists now commonly take more than one holiday per year. This includes a main (and possibly long-haul) break and a short weekend break (typically four or five days). The final reason considered here is to encourage and increase repeat visits. A package holiday tourist, for example, may wish to return to a destination, but engage in a different holiday experience from '3S' that offers a more enriching experience of the destination, for example learning more about heritage or culture or staying in local homestays.

Product diversification is most advanced in Malta, with growing tourist segments engaged in culture and heritage, diving, English language holidays, and conference and incentive travel (CIT) (Table 2.2). Seychelles and Jamaica are planning initiatives that include sports, community-based tourism and festivals (Seychelles Tourism Board 2012; Commonwealth Secretariat/Ministry of Tourism and Sport Jamaica 2002; Government of Jamaica 2009).

The move away from the traditional '3S' mass tourism market in Malta has seen the individual traveller overtake the tour operator market in a relatively short period of time. For example, in 2006 Malta received 373,388 independent travellers, compared with 750,848 tourists booking through a tour operator. This trend was reversed in 2008, when the number of independent travellers (695,612) exceeded those booking through a tour operator (594,979) (National Tourism Policy 2012–16: 5) . This trend is continuing.

Best practice case studies are given at the end of this chapter and refer more broadly to small states and SIDS.

2.4.3 Accommodation

When the accommodation sector in small states is examined in more detail, a common pattern emerges of a mixed sector comprising large resort hotels, often owned or managed by international hotel chains, and a range of smaller hotels and guest

Table 2.2 Niche tourism in Malta, 2006–10

	2006	2007	2008	2009	2010
Summer/winter sun leisure	*712,935*	*821,368*	*852,378*	*758,202*	*885,780*
Culture and heritage	163,066	158,610	157,640	170,000	180,000
Diving	51,349	46,900	51,856	60,000	57,000
Other sports	29,261	34,970	33,265	16,000	19,500
English language	65,983	82,850	83,288	68,918	72,695
Conference and incentive travel	63,500	61,200	69,800	54,200	73,000
Total departures	*1,124,233*	*1,243,512*	*1,290,856*	*1,182,488*	*1,332,086*

Source: Malta Tourism Policy 2012–16

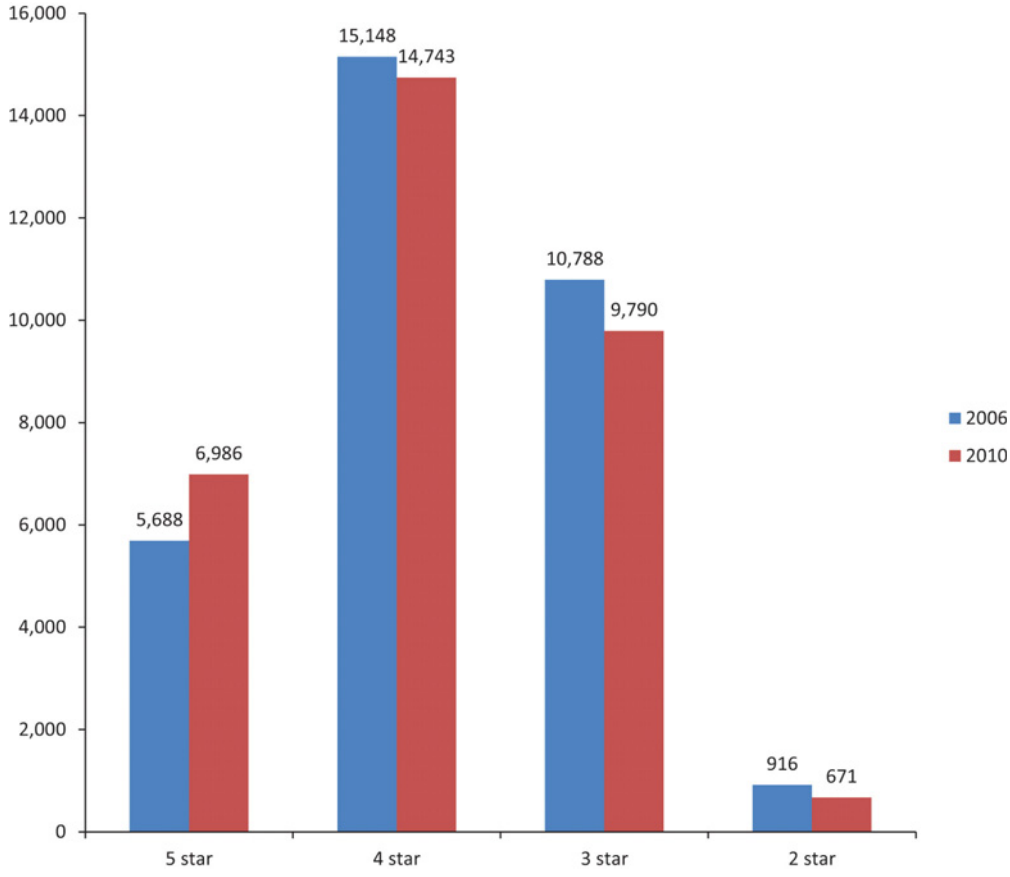
houses[21] which are typically locally owned and managed. Broadly, once they have been built and are operational, hotels require regular supplies of consumables such as food and beverages, cleaning materials, replacement toiletries and small electrical items such as light bulbs, fuses and batteries for TV remote controls. In addition, depending on size and laundry facilities, they may also require some local services, such as laundry services (for guest bed linen and towels,[22] tablecloths and napkins), and possibly the services of other specialists, such as local florists, to supply and create the large floral displays in hotel lobbies and other public rooms.

Value chain analysis suggests that, excluding international air travel, accommodation will be the major component of tourist expenditure in the local tourism value chain. In Seychelles, McEwen and Bennett (2010: 22) found that accommodation accounted for around 69 per cent of the total tourist spend, compared with an estimated 10 per cent for restaurants, 6 per cent for excursions, 4 per cent for souvenirs and 3 per cent for car hire. Similarly in Jamaica, 57 per cent of visitor spend per night was on accommodation during the winter season and 54 per cent in the summer season, during which time daily spend on shopping and miscellaneous items increased from 8.9 per cent to 11.3 per cent and 10.2 per cent to 11.7 per cent, respectively ((Jamaica Tourist Board 2010). Visitor spend (excluding cruise passengers) remained steady in food and beverage (F&B), entertainment and transportation for both seasons. The rise in shopping suggests that tourists visiting the island during the off-peak season visit are interested in more than sun, sea and sand. Nurse's (2009) study of heritage tourism in the Caribbean region states that 75 per cent of international tourists visited a cultural activity or event.

The accommodation sector in Malta caters mainly for the mass tourism market, with many four star hotels that are family owned and managed. There is a growing five star hotel offer for business travellers and MICE (meetings, incentives, conferences and events) (Ministry for Tourism, Culture and the Environment 2012) while three star hotels, which remain a dominant subsector, are in decline (Figure 2.1). The main reason for this decrease in three star hotel beds is cited in Malta's tourism policy (National Tourism Policy 2012: 35) as 'the result of difficulties encountered by some three star operators to adapt to the new way of doing business – that is, moving away from the tour operator model in favour of the internet booking system'. Similarly, Debattista (2004: 9) noted that although there is growing use of e-commerce in the supply chain between the hotels and the larger suppliers (for example, the island's main beverage supplier and brewery), there was concern over other parts of the supply chain, such as 'fruit and vegetable suppliers who are traditionally conservative and not keen to adopt IT'. Interestingly, Malta's 2012 National Tourism Policy shows that hostel beds increased particularly sharply between 2006 and 2010, from 488 to 1,185.

On the island of Gozo, most of the accommodation stock (licensed beds) is self-catering (62.8%), with hotel accommodation making up the remaining 37.2 per cent. Gozo is not the main tourist island and its infrastructure is not developed for the mass market, but rather for independent and special interest/niche tourists. Their preference for well-serviced accommodation over self-catering presents Gozo with an opportunity to diversify this sub-sector – boutique hotels and similar small accommodation units are more likely to attract this market.

Figure 2.1 Classified hotel beds in Malta, 2006 and 2010



Note: Excluding tourist villages, aparthotels, guest houses and hostels
Source: Ministry for Tourism, Culture and the Environment, Malta (2012)

Since Seychelles is a relatively remote, high-cost and upmarket destination, its accommodation sector is dominated by international resort hotels, with fewer small hotels and guest houses than comparable SIDS. Evidence from Seychelles value chain analysis (McEwen and Bennett 2010) and the recent Tourism Master Plan (Seychelles Tourism Board 2012) suggests that large hotels account for around 48 per cent of the tourism value chain. As elsewhere in other tourism-dependent SIDS, the accommodation sector has a high propensity to import and few inputs are sourced locally. Unlike the larger small states, there is no real manufacturing sector and hotel operations depend on imports for larger items, such as lifts and kitchen equipment, and consumables; these are typically sourced from Dubai or South Africa. Since 2008, attacks by pirates along the east coast of Africa and within Seychelles' territorial waters have extended the time taken to ship supplies from Mombasa to Seychelles – from 3 days to 12 days (Hampton and Jeyacheya field notes from 2012).

There is evidence of a local supply chain for some aspects of the accommodation sector. However, as in many other small states, the accommodation sector in Jamaica

has a higher propensity to import than other tourism sub-sectors (Commonwealth Secretariat/Ministry of Tourism and Sport Jamaica 2002: 14).

One aspect of tourism in Jamaica is the significant role of visiting friends and relatives (VFR) and its impact on the accommodation sector; an estimated 30 per cent of visitors to the island are VFR. Of the estimated 350,000 per year, less than 5 per cent of non-resident Jamaicans stay in tourist accommodation rather than with their relatives (Commonwealth Secretariat/Ministry of Tourism and Sport Jamaica 2002). The VFR market, with its longer average stay and lower spend, also affects overall average visitor spend in the island. It could be argued, however, that visiting friends and relatives are more likely to purchase locally produced food and non-food items that maybe difficult or expensive to source 'back home'. The extent to which VFR contribute to the local supply chain is not known, as this level of granularity in data collection is rarely completed. However, research by Nurse (2009) suggests that the number of diasporic tourists visiting cultural and heritage attractions, events and activities is growing.

A second aspect of tourism in Jamaica relates to the dominance of the all-inclusive sub-sector as an employer, as well as the dominant accommodation provider. Room occupancy rates in both peak and off-peak seasons are sustained in accommodation units with more than 100 rooms (Table 2.3); typically, these are all-inclusive hotels, which serve most international visitors. One reason given by Jamaica's Ministry of Tourism is visitor perceptions of security on the island. The Jamaican-owned accommodation sub-sector, which includes hotels, villas and guesthouses, is buoyant with around 30,000 rooms. This has been driven by government legislation (Hotel Incentives Act and Resort Cottages Incentives Act), designed to incentivise local accommodation businesses to develop new stock and improve their existing stock. In spite of this campaign to promote local supply and value chains through accommodation, the Tourism Ministry reports a 'notable trend in recent years [in] … the construction of large hotels by Spanish hotel chains' (Government of Jamaica 2009: 4). This is a clear example of how market forces dominate tourism in many SIDS and small states, in spite of concerted efforts by governments and tourism ministries to develop more inclusive, locally-driven economic growth in the tourism industry.

Table 2.3 Room occupancy rates for all accommodation types in Jamaica: winter and summer seasons, 2010

Room occupancy rates (%) 2010	Winter	Summer
All-inclusive	80	61
Non all-inclusive	41	30
Island	72	55
<50 rooms	37	23
51–100 rooms	46	30
101–200 rooms	81	62
>200 rooms	81	62

Source: Jamaica Tourist Board, Annual Travel Statistics 2010

2.4.4 Food supply

In terms of food supply to the tourist industry in small states, restaurants and accommodation providers (mainly hotels and guest houses) can usually source from a range of possible suppliers, including wholesalers, retailers and supermarkets, local farm producers, farmers' co-operatives or local produce markets. In addition, the food purchased may be imported or locally grown. While some small states have local tea and coffee production, or local breweries or vineyards, the tourism industry can source imported brands from wholesalers or local retailers to supplement local produce.

Some of the product mix in a given establishment depends upon the type of tourist market being catered for. Mass tourism is typically driven by a business model of high volumes of tourists, with customers looking for the lowest prices (Poon 1993). Research on tourist typologies and preferences[23] suggests that this market segment is generally conservative in its taste and prefers familiar foods and brands from their home country which typically need to be imported. In all-inclusive tourism – the logical further development of the resort hotel model – tourists tend to take their meals and drinks entirely within the resort complex. This pre-paid and all-inclusive business model thus captures their expenditure on food and drink almost entirely (Abdool and Carey 2004; Anderson 2012).

In comparison, some types of upmarket tourists show greater interest in consuming local food and specialities. Typically, in mass tourism hotels there is also a significant demand for well-known international brands of hot drinks, soft drinks and alcohol, whereas more upmarket tourists are more interested in local coffee, tea, beer or wine. Evidence from both Seychelles and Jamaica suggests that some purveyors just supply imported goods, so that some hotels have little idea of the provenance of the food supplied to them (Rhiney 2009). In addition, in both Seychelles and Jamaica, there is an apparent lack of cold storage units and a lack of chilled transport trucks. This results in higher levels of spoilage of fruit and vegetables and inconsistent quality of supply to hotels and restaurants.

In terms of food supply in Malta, accessible information is limited, but tourist spending on food was estimated to account for around 43 per cent of their total spend in the islands (Ministry for Tourism, Culture and the Environment 2012: 109). Local expenditure surveys also showed an interesting qualitative shift in tourist spending on food: from spending on eating and drinking in accommodation establishments to eating in restaurants, bars and pubs and the purchase of food in supermarkets. This is possibly due to a change in the type of tourists from mass tourists, who tend to eat in their hotels, to a growing proportion of independent travellers, who want local cuisine. This creates opportunities for locally owned restaurants and local producers to diversify their revenue stream. In 2008, local production of vegetables and fruit for the domestic market met around 80 per cent of demand on the islands (Dimech et al. 2011).

Regarding food supply to hotels and restaurants in Seychelles, local wholesalers supply from imported foods sourced in the Middle East via Dubai. The local component is very small indeed, with only some local fish being supplied to certain hotels. Despite fertile

land and the possibility of supplying certain types of tropical fruit to the hotels, there are significant bottlenecks in the supply chain, with a lack of cold storage facilities and refrigerated trucks, and heavy import duties on animal feedstock[24] (see Box 2.1 for further challenges for local fresh food suppliers). Observations from the field visit to Seychelles suggest that the local supply chain has become dysfunctional (or even broken), as the country has transitioned from a single-party state with parastatals and government subsidies to a free market economy under International Monetary Fund (IMF) tutelage. Local farmers supply some restaurants, but this is a small proportion of the total.

Rhiney (2009) discusses food supply and tourism, focusing particularly on local purveyors (mainly farmers) and agricultural co-operatives in Jamaica. Several points of interest emerge from this study. First, transport and logistical issues are highlighted, with a general lack of chilled trucks and chilled storage, commonly resulting in high levels of spoilage of fruit and vegetables. However, this has been partially overcome with the development of some farmers' co-operatives, which have greater access to funds to acquire trucks and cold storage units.

Box 2.1 Direct and indirect primary producers: Challenges for local suppliers in Seychelles

The agriculture and fishing industries were competitor industries that provided Seychelles with alternative revenue streams. Since around 2008, however, the decline in agriculture and fishing has been quite marked. Interviews with direct and indirect producers and suppliers to the tourism industry in May 2011 cited the following reasons for this decline.

- Land set aside for agricultural production is on the steep granite slopes where terracing is essential for growing crops. Flat land adjacent to the coast is designated for tourism infrastructure, therefore the scope for farming livestock is limited to a few cattle (less than 100), pigs and chickens.
- The cost and availability of land for farming beyond subsistence level is prohibitive. Soft loans up to SCR250,000 (US$17,556) (at 2% interest) are available; however, they are only granted once land has been secured. Land clearance is costly and can account for 40 per cent of the total loan. Combined with the cost of basic infrastructure (i.e. secure from increasing thefts) and rising labour costs, this means that often the loan is insufficient.
- As part of the privatisation and liberalisation process under the IMF reforms, the infrastructure necessary for an agricultural economy has declined to a point that the supply chain appears to have broken. One main issue is increasing import taxes, which is 'killing business', but provides the government with much-needed revenue. This led to the closure of the

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country's main chicken feed factory (in the last quarter of 2011) and an increase in imported frozen chicken from Brazil and other highly discounted poultry suppliers.

- Storage facilities (for dry goods and frozen) are minimal. This restricts opportunities to harvest the abundance of tropical fruit in Seychelles and reduces farmers' ability to sell surplus fruit to hotels and restaurants.
- The lack of cold storage distribution units and refrigerated transport trucks restricts the extent to which local produce can be stored and safely transported around the islands. 'To buy locally would be a dream' – unequivocal support and preference for local produce over imported goods was clearly expressed by the hoteliers interviewed, so long as the supply was consistent.
- Tuna canning remains fairly buoyant in spite of competition from Asia. Being located in the International Trade Zone, it is unclear how much profit is actually retained in the Seychelles economy, especially given intra-firm transfers by its owner, MW Brands, using the Seychelles offshore finance centre itself (fis.com 2010). Most workers are from the Philippines.
- The remaining fishing industry is extremely vulnerable. Somali pirate attacks within Seychelles' maritime territory has impacted the local fishing industry since 2008. Fishing vessels are restricted to the inner islands to limit the risk of attack, but this has limited the size of their catch and increased the price of fish by 20 per cent.

Second, Rhiney notes the role played by the purveyors as intermediaries between the farmers and the hotels and restaurants, observing the farmers' dissatisfaction at the low prices offered at the farm gate, compared with the healthy margins made by the intermediaries. Again, in contrast to the intermediaries, some local co-operatives successfully market their products directly to the large hotels. Third, Rhiney notes the role of the Sandals Resorts' Farmers Programme[25] in the provision to local famers of credit, seeds, specialist advice and access to other funding sources for irrigation and nursery facilities. The results of the latter appear to have strengthened linkages to the rural economy, provided a range of fresh vegetables and fruit to the Sandals Resorts and helped to 'reduce the mismatch between food supply and demand' (Rhiney 2009: 252).

2.4.5 Souvenirs and handicrafts

In many small states, especially SIDS, a significant proportion of the souvenirs sold to tourists are imported, such as t-shirts, basketware, wooden carvings, pottery, embroidered work, beads and jewellery, ornaments and other goods.[26] In addition, there is concern among governments about the role of the informal sector, especially street vendors and hawkers (Meyer 2007).

While information on the souvenir component of the value chain in Malta is scarce, the recent draft Tourism Policy 2012–16 (Ministry for Tourism, Culture and the Environment 2012: 47) notes that tourist expenditure on shopping has fallen from 20 to 14 per cent and suggests that tourists are attracted to international brands. However, a few pages later, the policy also recommends village development of handmade local crafts to sell to tourists as part of village regeneration and diversification. This might seem contradictory, but it is more likely to reflect a nuanced understanding of the fragmented tourist market visiting Malta (and Gozo), so that it is pragmatic to offer both branded goods and handmade local products to different tourist markets.

For the souvenir component in Seychelles, there is some local art and sculpture, rum, local perfumes and jewellery on sale. An attempt was made to produce a local stamp for souvenirs, 'Made in Seychelles', but there were problems in implementing this (McEwen and Bennett 2010: 43). State encouragement and some start-up funding from SENPA (Small Enterprise Promotion Agency) are available for local Seychellois wishing to develop handicraft businesses.

In terms of souvenirs, in Jamaica the majority of handicrafts are locally made from local source materials such as beads, shells and wood. Other materials are imported, but the proportions are unknown. However, it has been pointed out in the Tourism Sector Plan Vision 2030 that 'there is homogeneity of craft items which translates into high levels of competitiveness. Most craft vendors buy from the same producers, so there is limited variety and the quality is often at times low' (Government of Jamaica 2009: 7). This sub-sector is typically dominated by women and many of the tourist sales take place at craft markets in the resort areas; tourists from the growing cruise and all-inclusive tourism sectors may find these difficult to access. Information on other types of souvenirs appears to be unavailable.

The Vision 2030 report also outlines challenges for the craft sector, with competition from 'in-bond' souvenir outlets selling to cruise passengers, low skill levels of the craft vendors and poor product quality and, as noted above, poor location of craft markets, when tourists may not even venture out from their all-inclusive resort or cruise ship.[27] The Vision 2030 report argues for the planned development of this sub-sector when resort areas are expanded.

2.5 Niche tourism products and services

Tourism in SIDS is viewed by Bishop (2010: 101) as '… a particular kind of tourism industry which is often externally controlled, highly dependent upon external capital, and not particularly congruent with island society and ecology'. This is not necessarily the case with some niche tourism products and services. Although niche tourism or special interest tourism does not have a dominant market share in SIDS, there is increasing interest in this area as an additional direct and indirect revenue stream that could have more linkages to the local economy and employment than the traditional mass tourism market.

Niche tourism products are generally higher value, lower volume products that attract tourists who are willing to pay more for an enriching holiday experience. These tourists are generally motivated to learn something new or practise a hobby or sport (e.g. diving) and, perhaps more importantly, seek locally-sourced products and services (including accommodation, restaurants, visitor attractions and transport). Niche tourists are typically professionals with higher disposable incomes, seeking a holiday that is the antithesis of the all-inclusive, mass tourism experience and has the potential to generate more economic linkages along the tourism supply chain, particularly in the shoulder season.

Festivals and events '… create a strong demand-pull for visitors' (Nurse 2002: 4); exit surveys show that the contribution from festival tourism to the economy and occupancy rates is significant. A study by Nurse (2001) of festival tourism in two Caribbean states, Trinidad and St Lucia, is presented in Box 2.2. It shows that visitor expenditure is a significant direct contributor to tourism services (accommodation

Box 2.2 Case study: The direct contribution made by festivals and events to tourism in Trinidad and St Lucia

The Trinidad Carnival in 1998 attracted 9.2 per cent of the total annual visitors (32,071).

It generated 7.6 per cent (US$14.08 million) of the annual visitor expenditure for that year.

The budget for the carnival was US$2million and hotel occupancy was at 95 per cent capacity.

St Lucia Jazz Festival in 1998 attracted 3.9 per cent of the total annual visitors (9,929).

It generated 4.9 per cent (US$14.15million) of the annual visitor expenditure for that year.

The budget for the festival was US$1.55 million and hotel occupancy was at 74.5 per cent capacity.

These two case studies show that:

- The market for events and festivals are different, with higher spending patterns among 'jazz tourists' than 'carnival tourists'.
- Heritage and culture tourism attracts a different type of tourist, who are willing to pay more for the experience.
- The impact on hotel occupancy rates is significant. Annual festivals and events can extend the tourist season and, subsequently, the tourist spend.

(See Appendix 2, Table A2.8 for further details and case studies.)

and entertainment), as well as to government revenue (taxes and cost-benefit ratio, i.e. visitor expenditure to festival budgets).

> Often the cultural industries are not seriously regarded as an economic sector, the key stakeholders are poorly organized and its economic value remains largely undocumented. In this context policy measures have typically been absent. (Nurse 2001: 6)

While tourism cannot depend on this market exclusively, festival and events are part of the tourism mix and they are important areas to exploit, particularly during low season. Most SIDS have a unique culture and heritage; for many, their culture and heritage is already exported globally in the form of music, film, fashion and food, as well as sold in local shops and markets to visiting tourists and passengers.

The level of investment needed to promote existing festivals and events to the international market is likely to be substantially lower than developing new niche tourism products. However, the opportunity to develop this market further is generally limited through a lack of investment, training, entrepreneurship and profile. Reasons for this are given below (Nurse 2001: 6).

It is recommended that all SIDS should monitor and account for the direct and indirect impact of all festivals and events (domestic, regional and international) on the national economy. Understanding the benefits and contribution from hosting annual festivals or events to the tourism economy can help in strategic tourism planning that is sensitive to island life and culture. Box 2.3 refers to a niche tourism product categorised under 'cultural tourism' called creative tourism, where value-added is generated and evident along the supply chain.

2.5.1 Reef recreation including diving and snorkelling[28]

The coral reefs provide more than a recreational space for tourists and residents – they are a natural barrier to the erosive action of the waves and provide vital sources of protein for terrestrial and marine life. Furthermore, coral reefs can be classified as biodiversity hotspots with high numbers of endemic species; however, coral bleaching, caused by dramatic climatic events such as El Niño, and increased seawater temperatures have placed this globally significant natural resource under stress. The additional and direct impacts of humans from destructive fishing practices, industrial effluent, agricultural run-off, tourism development and coastal dredging has compounded and accelerated the rate of coral die-off.

The net benefits of tourism and recreation to coral reefs in the Caribbean and Indian Ocean SIDS are undeniably important, ecologically and economically (Figure 2.2).[29] The contribution of tourism to the total value of coral reefs varies between 33.7 per cent (US$1,408 million) in the Indian Ocean) and 35.7 per cent (US$663 million) in the Caribbean). The only activity of greater benefit to the reefs in the Caribbean and Indian Ocean regions in economic terms is coastal protection (US$1,579 million in the Indian Ocean and US$720 million in the Caribbean).[30] Perhaps not surprisingly,

Box 2.3 Creative tourism: Benefiting the local value chain

Creative tourism evolved as a backlash to 'identikit' cultural and heritage products. It is about the consumption of experience (tangible and intangible) and not consumption of services (Richards and Raymond 2000).

A creative tourist is motivated by '… travel directed toward an engaging and authentic experience, with participative learning in the arts, heritage, or special character of a place, and it provides a connection with those who reside in this place and create this living culture' (UNESCO 2006: 3).

People from this niche market are generally willing to pay more for a truly authentic holiday. Creative tourism fits in with the inclusive growth concept very well and value-added is generated throughout the supply chain. For example:

> The Mockingbird Hill Hotel in Jamaica is a high-end eco-boutique hotel. It offers, among other activities, cooking courses over a 7–9 day period in summer and winter. The course includes learning traditional Jamaican cooking, learning skills from local chefs and producers, and visiting markets, farms and plantations to source the food they prepare and eat. The average price per person is US$3,376 in winter and US$3084 in summer (2011 prices based on double occupancy and internal transfers only) (www.hotelmockingbirdhill.com/jamaican-cookery-course.shtml).

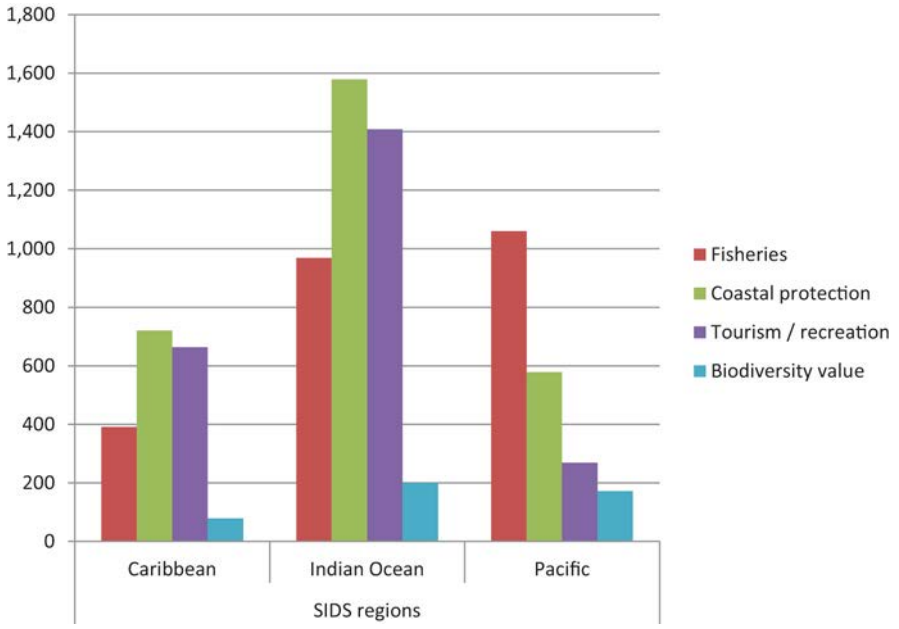
The creative tourism model can be replicated in other SIDS relatively easily. It offers a diverse range of experiences for tourists wishing to learn about local traditions, customs, handicrafts, culture, art and music.

SIDS can benefit from this niche market. It is high value and low volume. There are obvious stronger economic linkages here, and value-added can be tracked from the primary producers to the end source. In terms of inclusive growth, creative tourism consumes a broad range of local skills, knowledge and resources, and can catalyse entrepreneurial activity among the low- and middle-income groups. It can re-energise local interest and pride in culture and traditions, as well as in the natural environment.

the Pacific region is the exception, with fisheries and coastal protection providing significantly more benefit than tourism, which only contributes 12.9 per cent to the total value of coral reefs.

To put this in context, St Lucia and Tobago both offer statistical case studies of the economic value of specific tourism and recreation activities around coral reefs (Table 2.4). The economic value of all reef-related activities combined (diving, snorkelling and glass-bottomed boats) is fairly significant (US$2.8 million in Tobago and US$5.7 million in St Lucia).

Figure 2.2 Net benefit of tourism and recreation to coral reefs in SIDS regions (US$ million)



Source: Ministry for Tourism, Culture and the Environment, Malta (2012)

What is interesting is the additional tourist spend[31] that accompanies these activities (US$16 million in Tobago and US$21.2 million in St Lucia). This is a significant contributor to the national economy. However, the level of aggregation given limits any further analysis or understanding of the spending habits of this particular niche market. This is especially disappointing, as tourist are clearly motivated to visit

Table 2.4 Case study: The economic value of reef recreation in St Lucia and Tobago

	Tobago	St Lucia
Visitors motivated to visit island due to reefs (%)	40	25
Accommodation (US$ million)	24.7	64.7
Reef recreation – diving (US$ million)	1.3	4.9
Reef recreation – snorkelling and glass-bottom boats (US$ million)	1.5	0.8
Marine park revenues (US$ million)	n.a.	0.1
Miscellaneous visitor expenses (US$ million)	16.0	21.2
Indirect (US$ million) (using multiplier of 1.45–1.67 St Lucia and 1.8–2.2 Tobago)	58–86	68–102
Total (US$ million)	101–130	160–194
Values not always captured by economies		
Consumer surplus (US$ million)	1.1	2.2–2.4
Local use (US$ million)	13–44	52–109

Source: Burke et al. 2008: 19 and 30

these destinations by the natural marine assets (coral reefs), and it seems prudent to understand this niche market better.

Further points of interest in Table 2.4 are those 'values not always captured by economies'. This provides evidence that domestic tourist spending is being differentiated from spending by international visitors. However, without some level of disaggregation of where that spend takes place, this figure offers little guidance to tourism planners who may want to develop the domestic tourism market.

Although the case studies only provide snapshots of the economic impact of the niche and special interest tourist market in SIDS, the economic value of these products and services and, more importantly, their direct (and indirect) socio-economic value, including job creation, product innovation and entrepreneurial activities, is evident.

A tourism master plan is an effective way of promoting the growth of niche markets as a means to stimulate inclusive growth and adding value along the supply chain. Not all SIDS have a tourism master plan, while others have only recently released their first such plan. However, some SIDS have generated several master plans in the last two decades. For example, Maldives is preparing to release its fourth tourism plan in early 2013.

An example of a tourism master plan is taken from Trinidad and Tobago to highlight the guiding principles for tourism development on the islands. The 11 principles in Box 1.4 in Chapter 1 clearly indicate how tourism development is working for the people and culture of Trinidad and Tobago, its economy and the local environment. Although this small island state has cruise tourism and all-inclusive land-based tourism, as well as an unusually significant domestic tourism market in comparison to other SIDS and small states, the aim is very clearly to promote complementary tourism products that can retain and build on economic and other linkages, while effectively minimising leakages.