

# **ILO**

## **Poverty Reduction through Tourism Training Program**



### **MODULE 5**

### **TOURISM BUSINESS**



# Module 5

## Learning Objectives

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1. explore the potential, opportunities and challenges a tourism business involves for a community
2. identify, classify and rank tourist attractions
3. explore the concepts, approaches and basic tools to develop a business plan
4. identify and develop a business idea in community tourism that ensures technical, economic and financial feasibility, as well as sustainability

# Module 5 Overview

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**Unit 1** - The potential of local, rural and community businesses

**Unit 2** - The diverse world of business

**Unit 3** - Ensuring a sustainable tourism business

**Unit 4** - Identification, classification and ranking of tourist attractions

**Unit 5** - Business plan – concept, usefulness and application

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### **Module 5 Unit 1**

## **The Potential of Local, Rural and Community Businesses**

# Tourism Sector and Tourism Experience

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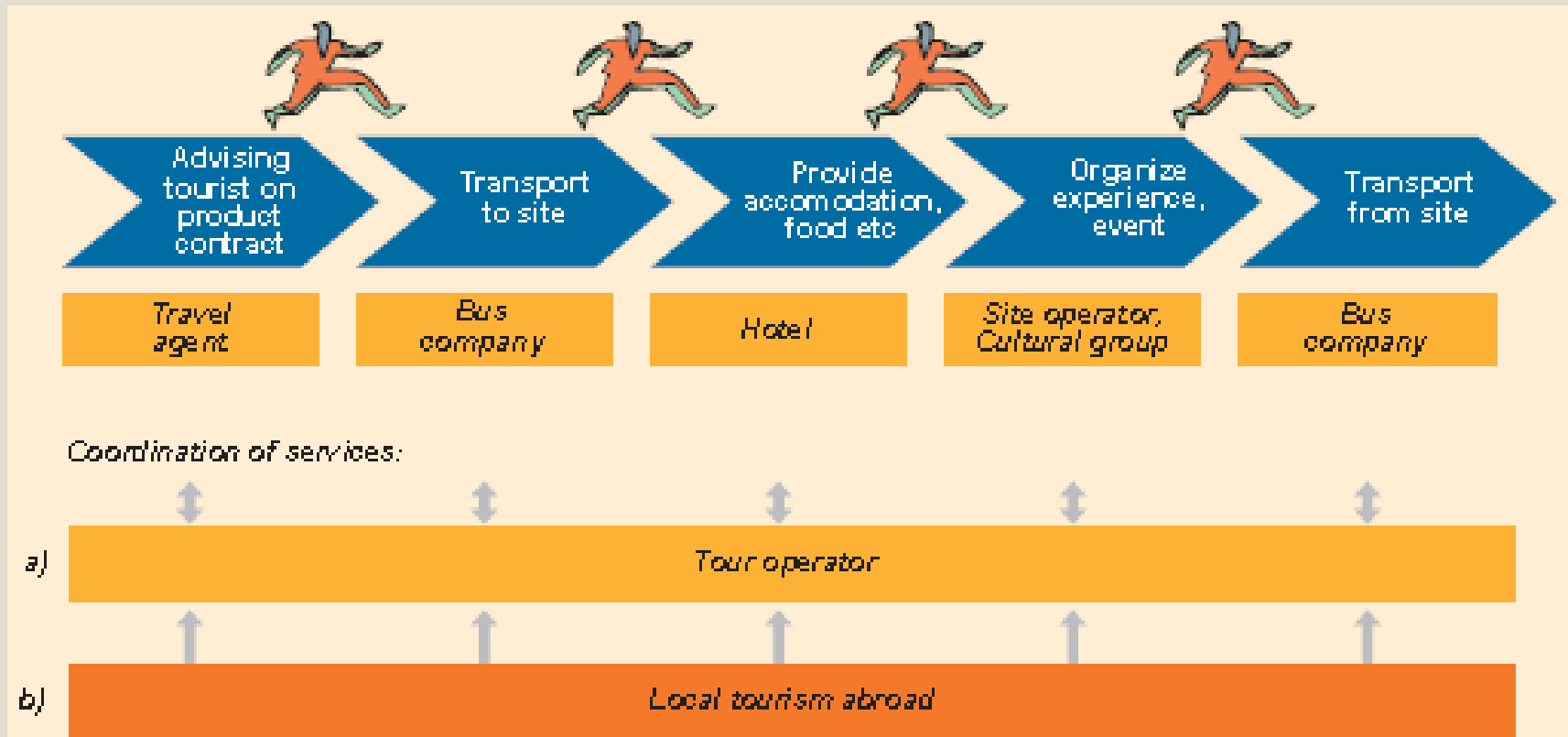
## The 5A's:

- Attractions (e.g. natural or cultural)
- Activities (e.g. hiking or shopping)
- Accommodation (e.g. hotels, guesthouses or camping sites)
- Amenities (e.g. shops or restaurants)
- Access (e.g. distance, suitable means of getting there, such as flights and roads)

# Tourism Value Chain

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...consists of all the companies and people that contribute to making a holiday experience



# Reasons for Studying the Value Chain

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- To increase the benefits for local/rural people and the share of poorer groups
- Look at the extensive links with other sectors

# Exercise 1 Mapping Economic Steps in a Tourism Value Chain

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- **Stage 1:** form groups of 7-8 people to map the tourism value chain
- **Stage 2:** compare and discuss the differences between the maps. Answer the following questions:
  - Where in the tourism sector do poor people participate?
  - What are the learnings from the process of building the map, or from the other group's maps?
  - Which parts of the map offer potential for *increased* benefits to poor people, and why?



# Inclusive Business

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An entrepreneurial initiative between SNV and the World Business Council for Sustainable Development that contributes towards poverty alleviation by including lower-income communities within the value chain of a company while not losing sight of the ultimate goal of business, namely generating profit.

- facilitates the development of specific Inclusive Business opportunities,
- creates growth in new markets
- reduces supply-chain related transaction costs
- manages stakeholder and shareholder risks
- leverages blended financial mechanisms

# Food Security and Tourism

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Decent employment in the tourism sector provides incomes.

Governments can set policy to protect the right to food:

- by expanding the opportunities for smallholders to sell their products at a decent price on local or global markets
- supporting diversification of trading and distribution channels,
- encouraging the formation of cooperatives and ensure the viability of wholesale and local markets.
- Reinforcing the bargaining power of smallholders
- engaging in public regulation of the global food chains

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### **Module 5 Unit 2**

### **The Diverse World of Businesses**

# Principles for Doing Business

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- Keep customers satisfied by offering quality products at a competitive price
- Manage resources efficiently, responsibly and transparently
- Manage the production process and workers effectively, encouraging cooperation and creating learning opportunities for all
- Establish cooperative relationships with suppliers of goods and services

# Company Structures

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- Private company
- Nationalized or state-owned company
- Cooperative
- Community businesses
- Joint venture

# Types of Tourism Businesses

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- End suppliers
- Distributors
- Organizers

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### **Module 5 Unit 3**

## **Ensuring Your Tourism Business is Sustainable**

# Components of Sustainable Tourism

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# Principles of Sustainable Community Tourism

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- Social solidarity – cooperation, equitable distribution of opportunities and benefits
- Environmentally responsible – sustainable management of natural resources and biodiversity
- Economically viable – efficient management of resources, adequately rewarding work and investment
- Culturally enriching – quality experiences for hosts and visitors, respecting cultural expressions of identity

# Sustainable Enterprise Development

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The diagram is shaped like a house. The roof is a blue triangle pointing upwards, with the text 'Sustainable enterprise' centered inside it. Below the roof are three orange rectangular pillars standing side-by-side. Each pillar contains text. The entire structure is set against a light beige background.

**Sustainable enterprise**

**Entrepreneurship  
and business  
development**

**Sustainable and  
responsible  
workplaces**

**Enabling  
environments for  
sustainable  
enterprises and  
employment**

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### **Module 5 Unit 4**

## **Identification, Classification and Ranking of Tourist Attractions**

# Heritage and Tourist Resources

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- Tourist resources - all goods and services that satisfy the demands and needs of tourist activities
- Tourist heritage - the potential set of available tangible and intangible assets that can be transformed to satisfy tourist needs
- Community heritage - the set of values and beliefs, knowledge and practices, techniques and skills, tools and artifacts, representations and venues, land and territories, as well as all sorts of tangible and intangible manifestations shared by people.

# Diagnosis of Local / Rural Tourism

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Three basic actions:

1. Identifying and listing the most important tourist attractions of the studied area, whether exploited or not
2. Estimating their potential and deciding whether they have sufficient merit to be incorporated into a plan for the sustainable use of natural resources and local cultural heritage
3. Listing pre-existing tourism initiatives as a baseline

# Classification of Tourist Attractions

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Tourist attractions refer to the set of places, goods, customs and events that attract the interest of visitors.

- Natural Sites” include protected areas.
- Cultural Manifestations include
  - Historic
  - Ethnographic

# Inventory of Tourist Attractions

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3 stage data collection process:

- Documentary consultation
- Site visits
- Registration of information

# Ranking Attractions

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The process of evaluating attractions based on their potential contribution to the future tourism product. An example:

## Assessment of tourism resources

Factors to evaluate		Maximum score	Maximum %
1.	Natural attraction	15	30
2.	Biodiversity	15	
3.	Experiential culture	15	30
4.	Cultural monuments	10	
5.	History and traditions	05	
6.	Accessibility	10	25
7.	Existing tourist places	05	
8.	Immediate environment	10	
9.	Fragility	15	15
Total		100	100



## Exercise 2 Assessing Tourism Attractions

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Imagine you have been asked by your community to assess three (potential) tourist attractions.

1. Select three actual or potential tourist attractions.
2. Review, complement, modify and/or adapt the factors to be evaluated and the maximum scores and percentages.
3. Proceed with the evaluation for each attraction. Rank the attractions according to the resulting scores.
4. Write a small report providing the results, an explanation and a brief analysis. Attempt to draw conclusions and make recommendations.

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### **Module 5 Unit 5**

### **Business Plan – Concept, Usefulness and Application**

# The Business Plan

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A planning tool to guide decisions on how to start, improve or expand a business based on a consistent and comprehensive assessment of :

- Destination potential
- The feasibility scenarios
- Market demands
- Resource requirements
- Resource allocations

# Uses of a Business Plan

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- To present a business idea
- To carry out a project without endangering decent work conditions
- To act as a manual to realize a business idea
- To ensure technical, economical and financial feasibility
- To anticipate resource requirements and allocation
- To evaluate the performance of an ongoing business and make adjustments for expansion
- For financial support and potential partners
- To value a business

# A Business Plan

## Answers the Following Questions

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- Is there a market for the products and services to be offered?
- Who are the potential customers and how much are they willing to pay?
- Who are the main competitors?
- Who can be the best allies?
- How many people will work in the business and what are the qualifications?
- Are the financial and material resources sufficient to start the project, including decent work wages and working conditions?
- If resources are insufficient, where and how can additional resource be obtained?
- What legal form will the business take?
- Is the business idea feasible and viable?

# Components of a Business Plan

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1. Inventory of community heritage (attractions)
2. The business idea
3. The potential customers
4. The direct competitors
5. The marketing plan
6. The human resource plan
7. The initial investment plan
8. Legal status of the company
9. The management and administration plan

# Testing the Business Plan for Completeness

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Steps	Components of a business plan	Included?	Quality?	Observations
1	Inventory and evaluation of the community heritage			
2	Business idea specified			
3	Potential consumers identified			
4	Direct competitors known			
5	Marketing plan: product, price, place, promotion and participation in networks			
6	Human resources plan			
7	Initial investment plan			
8	Legal status defined			
9	Management and administration plan			

# Testing the Business Plan for Decent Work

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Pillar	According to the Business Plan	Corrective Measures
Standards and rights of workers		
Employment creation		
Social protection		
Social dialogue		



# Preparing your Business Plan

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Now you are ready to identify a business idea and develop a business plan!!!

- Review Unit 4 and do not forget any component of the business plan.
- Be strict in assessing the (potential) attractions.
- Remember the connections and synergies with other sectors.
- Minimize risks related to effectiveness and efficiency.
- Take into account the four principles to ensure benefits.
- Ensure that decent work pillars are integrated.
- Treat sustainability as a quality and success criterion.
- Use the business plan check list to verify that your plan is complete and ensure its quality.
- Ask somebody else to critically review your plan and give you feedback. Ensure that information on the components, characteristics, requirements and objectives of the plan is provided to guide the reading and feedback.

# A Summary

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- Tourism is a sophisticated, dynamic industry, in which commercial businesses have to constantly adapt to meet changing consumer needs and keep their share of the market against keen competition.
- Poor people can earn income from tourism, either by working directly in tourism services, or by working in related sectors and in the supply chain.
- For the ILO, sustainable tourism is composed of three pillars: social justice, economic development and environmental integrity.
- The business plan is a planning tool to guide decisions about how to start, improve or expand a business, based on a consistent and comprehensive assessment of its main components.

# For More Information



<http://www.ilo.org/public/english/dialogue/sector/sectors/tourism.htm>

or

[www.ilo.org/sector](http://www.ilo.org/sector)



Thank you !!

