

OECD  **OCDE**

Organisation for Economic Co-operation
and Development

Centre for Entrepreneurship, SMEs & Local
Development



Ministry of Culture and Tourism
Republic of Korea

CONFERENCE ON GLOBAL TOURISM GROWTH: A CHALLENGE FOR SMEs

6-7 September 2005, Gwangju, Korea

SESSION 3

**SHARING EXPERIENCES: ILLUSTRATIVE EXAMPLES OF VALUE CHAINS AND
NETWORKS IN THE TOURISM-RELATED INDUSTRIES IN OECD AND NON OECD
ECONOMIES**

The importance of the Tourism Mega-Cluster in the National Export Strategy

by Jamaica Promotion Corporation (JAMPRO)

ILLUSTRATIVE EXAMPLES OF VALUE CHAINS AND NETWORKS IN THE TOURISM-RELATED INDUSTRIES IN OECD AND NON OECD ECONOMIES

by Jamaica Promotion Corporation (JAMPRO)
Jamaica

ABSTRACT

In Jamaica, the tourism industry is vital to the country's economy in terms of its significant contribution to the GDP and foreign exchange earnings. There is stronger brand recognition of Jamaica as a destination, than of Jamaican-made products. Tourism is therefore important to the broader export sector and any related strategy. This paper aims to illustrate the 'Tourism Mega-Cluster' and national export strategy of Jamaica. JAMPRO has proactively linked its 'Tourism Mega-Cluster' to the national export strategy through the linkage programme.

INTRODUCTION

The tourist sector, which contributed almost 10% to Jamaica's GDP in 2003, is vital to the country's economy and contributed approximately 50% of the country's foreign exchange earnings. It also directly or indirectly accounts for an estimated 1 in every 4 jobs. In the same year the hotel, restaurant and entertainment sub sector grew by an estimated 6% for the year. Visitor arrival increased by 16.5%, while visitor expenditure increased by 9.6% to an estimated USD1,350m. With the productive sectors making up 35% of GDP, these sectors together represent less than 50% of our economy.

Tourism in the Export Sector

Tourism is Jamaica's most significant export. The value of Jamaica's tourism exports, as measured by the international visitor receipts, is projected at USD1,887m for 2004, and will represent 47% of total exports. Tourism provides a "domestic export market" because (i) the clients are substantially non-Jamaicans and (ii) it is a foreign exchange earner. Domestic exports in 2003, represented by hard-goods sold to the sector, were about USD29.6m, while goods exports were estimated at USD906.2m. Tourism has helped to define and build recognition of the brand "Jamaica" and is now a significant driver of both goods and service exports.

As a driver of goods exports, the tourism sector has been:

- Improving product and service standards: The tourism market to which we supply products has customer requirements similar to those in the export markets. Our ability to meet the same customer standards as for the export market serves as a benchmark for producers.
- Providing an intermediate export market: the tourism market is often used as a testing ground for the export market as a factor to establish/determine export-readiness and is an important part of a company's, export growth strategy. Once local suppliers to the sector are export-

ready, they would already have the knowledge and experience and understand the criteria for meeting market demand.

- **Enhancing competitiveness:** Beyond meeting the consumer's product or service requirements, the producer may have to implement international quality standards, such as HACCP. In addition, buyers may have firm-specific requirements related to consistency in quality and quantity of supply, which force companies to adopt management and production standards to improve efficiencies and profitability. These often result in improved competitiveness of firms.
- **Creating demand for export products:** Introducing the tourist to the product in-country may trigger a desire for the products once the traveller leaves. This often creates a demand for the product overseas – resulting in new export opportunities.
- **Driving exports through joint branding/marketing:** There is stronger brand recognition of Jamaica as a destination, than of Jamaican-made products. Combining product exports and tourism exports incorporating elements of our culture and lifestyle, would maximise our efforts in promoting Brand “Jamaica” and greatly enhance overseas marketing.

Tourism is therefore important to the broader export sector and any related strategy.

THE TOURISM MEGA-CLUSTER IN JAMAICA

A mega-cluster exists when existing clusters begin to cluster, forming one large cluster network. We believe that a mega-cluster or at least the beginning of one already exists in Jamaica. A number of sectors that are linked into the tourism industry have fairly active clusters, and Jamaica's strongest component of the tourism industry – accommodation, has an established cluster. The main tourism cluster has begun to integrate with the related clusters to form a tourism mega-cluster. While the mega cluster is still in its infancy and beginning to form, it has strong potential for significant growth. Some examples of the mega-cluster are provided below.

Integration of Tourism and Entertainment

The entertainment and tourism sectors have a complementary relationship. Entertainment enhances the tourism product, adding value to the sector, as an integral part of the package. Jamaica's cultural industries – especially music and entertainment, have become inextricably linked to ‘brand’ Jamaica, adding to the uniqueness of the product, thus becoming a tremendous pull factor tied to our culture.

Event tourism is gaining importance within the sector, and much of this is linked to the music and entertainment. The annual Reggae Sumfest, various Jazz Festivals or Jamaica Carnival bring hundreds of visitors to our shores and create a demand for cultural offerings and hence export opportunities for entertainment services. The result is that Jamaican singers and artistes find new avenues/markets to export their services through overseas events and record sales.

The private sector through its agency “the Jamaica Exporters Association” has spearheaded a Cluster Competitiveness Programme. Two Clusters under the programme are playing a role in value addition to export through tourism, as illustrated below.

Box 1. Case Study: “Where the Hits Are Made” Tour, Tourism & Entertainment Sectors

The “Where the Hits Are Made” Tour is an example of a cluster initiative that has relied on the resources and efforts of various players in both the entertainment and tourism clusters.

While the Entertainment Cluster can be credited with the conceptualisation of the tour it was its work with the JCCP Tourism Cluster that enabled the idea to be packaged and brought to market. This is an illustration of the formation of a tourism mega-cluster; the clustering of clusters. Using their existing networks, which would have been previously inaccessible to the local recording studios, the tour operators began to publicise the tour to their international counterparts. Local hotels from within the Tourism Cluster have also agreed to publicise the “Where the Hits Where Made” at their tour desks.

In sum, the Entertainment Cluster was able to leverage the work of the Tourism Cluster so as to productise, market, and distribute their offering. As a result, Jamaica’s entertainment industry has created an entirely new source of revenues and profits. To its benefit the tourism industry can now offer a compelling new product to would-be tourists.

This supports the export strategy which focuses on creative sectors, rather than only goods, including the export of music and music-related services.

Integration of Tourism and the Productive Sector

Probably the most basic form of integration of the productive and tourism sectors is through backward and forward linkages that exist between tourism and agriculture/agri-processing suppliers in terms of hotels, restaurants, attractions, and the gift sector. Based on the figures last year, Jamaican producers have the opportunity to introduce their products to a potential market of approximately 2.3 million persons each year. The gift market segment is also increasing in importance allowing small craft producers at both the individual and community levels an avenue for their products. Health and wellness tourism is another area of growing importance, providing an outlet for ethnic spa and health products. The productive sector also serves the accommodation sub-sector, providing pre-operations products and services in areas like construction, interior decorating, and furniture manufacturing.

Another way in which Jamaica has integrated tourism and production is developing production facilities as tourism attractions. Examples of this include:

- **Appleton Estate Rum Tour:** The tour gives the visitor an inside look at the rum making process. Visitors watch resident donkey "Pax" demonstrate how juice was extracted from sugar cane in the 18th century. From there the tour takes visitors to the Distillery & Aging House where the different methods of distillation are shown. Visitors are then able to juice their own cane, sample white rum and boil "wet sugar".
- **Sun Valley Plantation Tour:** Sun Valley is a working plantation located in the town of Oracabessa. The 90-minute tour of this plantation tells the story of the property from the slave era to present day. Visitors learn about tropical fruits and plants, taste coconuts, otaheite apples and other exotic fruits. They also watch bananas being packaged for export.

Box 2. Case Study: My Jamaica - Taste It!, Tourism & Productive Sectors

Under the “taste of Jamaica” component of the programme visitors to the island become intimately acquainted with the culinary culture of Jamaica. Through culinary tours and community-based tourism, tourists are brought more deeply into the local environment, and are able to gain first-hand knowledge of how local food products and dishes are prepared. In this respect, food serves as a window into the local culture.

In effect, Taste of Jamaica provides an opportunity for visitors to sample the variety of Jamaican cuisine, some of which would otherwise be deemed “too foreign” or intimidating. The well-guided trial period afforded by the Taste of Jamaica tour removes the intimidation factor associated with new foods and allows a greater appreciation for the cuisine, creating new opportunities for local restaurants and food processors. As a direct result of their experience, tourists will often buy food products on the island to take home to share with friends and family. Moreover, after they return home they will ‘seek out’ Jamaican products in their local supermarkets.

Through the JCCP Agribusiness Cluster, agribusiness firms in Jamaica have undertaken a number of initiatives to capitalize on this opportunity. Jamaican food products (for example hot sauces and jerk seasonings) are to be displayed at a number of tourist sites and restaurants along with information on where they can be purchased in the United States. A number of buyers for regional supermarkets in the U.S. are to be invited down to Jamaica where they will be introduced to Jamaican foods and agri-processors.

The goal is to heighten awareness and appreciation of Jamaican cuisine and food products, to facilitate more Jamaican foods on shelves in US stores.

THE TOURISM MEGA-CLUSTER AND THE NATIONAL EXPORT STRATEGY

Tourism best exemplifies the collaborative approach to development through such initiatives and programmes as work of the Jamaica Cluster Competitiveness Project. But the tourism industry contributes to the national export strategy as earlier mentioned because it contributes to the brand awareness of Jamaican export potential, prepares companies for export markets by exposing them to international standards, and creates an export demand for products.

Tourism Linkages Programme

From as early as 2001, there has been recognition of the need for greater linkages into the tourism sector. The focus however was limited to the agriculture and manufacturing sector, linking producers and food processors into the sector as suppliers. Initiatives include the signing of an MoU between the Jamaica Agriculture Society, the Jamaican Manufacturer’s Association and the Tourism sector, while some hotel operators are actively involved in programmes to use local products. The opportunities are far greater, however, and the benefits to be achieved largely untapped.

In recognition of this, JAMPRO is developing of a linkages programme, aimed at enhancing economic and social development by increasing opportunities for foreign investors to source domestic products, and to enhance exports. This deepening and upgrading of the linkages to the relevant sub-sectors will improve performance in those areas where Jamaica has a proven competitive advantage.

The target industries around which the linkages are to be built are similar to target sectors under Export 2010, Jamaica’s National Export Strategy. In the first phase of the linkages programme, JAMPRO will implement the Tourism Linkages, to exploit immediate opportunities as a result of:

- The recent large Tourism investments projects - Investor needs at the pre-operational and operational phases;
- Existing operations opportunities for the sector, particularly for the agriculture and food processing industries, as well as for gift, attractions and transportation sectors;
- Requests from TNCs to identify local suppliers in specific sub-sectors.

As part of Export 2010, the approach of a public-private partnership (PPP) as well as the use of the value chain to identify the related sub-sectors and strategy development will be employed.

Long-term domestic benefits include:

- Increased output from “linked” industries,
- Increased employment,
- Improved market access,
- Enhanced knowledge and skill base,
- Improved productivity and managerial capabilities,
- Improved capacities of domestic industries and a more competitive environment through value-added integration that would further enhance Jamaica’s attractiveness as an FDI host country,
- In summary, growth in the Jamaican economy.

The fit of the linkages project to the export strategy is demonstrated below.

Figure 1. Export strategies



JAMPRO as the government’s agency with the mandate for export development and investment promotion, must ensure the greatest impact of its programmes on national development. As such, it is our task to design programmes that will align the export and investment streams. We therefore feel that the linkages programme proactively seeks to integrate sectors making it an ideal model for achieving the desired results.

INCREASED EXPORTS DRIVEN BY THE TOURISM MEGA-CLUSTER

As we begin to understand the tourism sector and its many social and economic contributions, we begin to acknowledge needs for:

- Long-term planning
- Creating an inclusive industry
- Developing capacities within the sector itself, and in related sectors,
- Encouraging and facilitating linkages
- Monitoring and tracking the impact of the sector

Applying the principle of interdependence of $1+1>2$, the benefits to be derived from integrating several sectors ought to result in value addition. Specifically, export value addition will translate to:

- Creation of an internationally competitive tourism sector
- Increased visitor satisfaction
- Increased tourism exports
- Increased goods exports
- Increased domestic exports

Integration of the various sectors for value addition is nationally beneficial when each of these sectors grows as a result of the benefits of being interlinked, export demanding increases and is reflected in actual export figures improving. JAMPRO has therefore proactively linked its tourism mega-cluster to the national export strategy through the linkages programme, which serves as an export-readiness tool for both firms and sectors and assists with the promotion of Jamaican goods and services as well.