

The International Labour Office  
Toolkit on Poverty Reduction through Tourism  
Training Package Teaching Notes

**Module 5**  
**TOURISM BUSINESS**

## **Module 5 Teaching Notes**

Estimated time to complete Module 5:

- Lecture and discussion: Total 35 slides. 28 content slides approximately 60 minutes
- Exercises including presentation: minutes
  - o Exercise 1 – 30 minutes
  - o Exercise 2 – 30 minutes
- Total: 120 minutes (2 hours)

### Slide 1 – Module 5 Tourism Business

### Slide 2 – Module 5 Learning objectives

This is the final module for the course. The purpose of this module is to understand how to manage tourism as a business.

*Go over the learning objectives in the slide with the participants.*

### Slide 3 – Module 5 Overview

*Go over the content on the slide.*

This concluding module discusses the complexity of tourism businesses and introduces ways to manage them and to make them viable poverty reduction opportunities.

*Headings for each unit in the module are shown on the slide. The following is the detailed content under each heading that can be used to describe the module.*

UNITS	CONTENTS
1. The potential of local, rural and community businesses	<ul style="list-style-type: none"><li>• Tourism sector and tourism experience</li><li>• Tourism value chain</li><li>• Connections with other sectors and wider impacts</li></ul>
2. The diverse world of businesses	<ul style="list-style-type: none"><li>• Concept and principles</li><li>• Types of tourism businesses</li></ul>
3. Ensuring your tourism business is sustainable	<ul style="list-style-type: none"><li>• Building a bridge between tourism business and sustainability</li><li>• Sustainable enterprise development</li></ul>
4. Identification, classification and ranking of tourist attractions	<ul style="list-style-type: none"><li>• The concepts of heritage and resources</li><li>• Diagnosis of local/rural tourism</li><li>• Inventory of tourist attractions<ul style="list-style-type: none"><li>↳ Definition and preparation of an inventory of attractions</li><li>↳ What does ranking of attractions mean? – and how to do it</li></ul></li></ul>
5. Business plan – concept, usefulness and application	<ul style="list-style-type: none"><li>• Key concepts and definitions</li><li>• What is the use of a business plan?</li><li>• Components of a business plan</li></ul>

#### Slide 4 – Module 5 Unit 1 The Potential of Local, Rural and Community Businesses

#### Slide 5 – Tourism sector and tourism experience

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.

*Go over the 5A's of the tourism sector as outlined on the slide.*

#### Slide 6 – Tourism value chain

A supply chain is a system of organizations, people, technology, activities, information and resources involved in moving a product or service from a supplier to a consumer. In the case of tourism, this means **all of the companies and people that contribute to making a holiday experience**

By analyzing the value chain it is possible to see how a tourist's expenditure is shared between the many different services providers, both at home and in the holiday destination. The challenge is to increase the benefits for local/rural people and particularly the share of poorer groups. One alternative is a community business.

#### Slide 7 - Reasons for Studying the Value Chain

**To increase the benefits for local/rural people** and in particular **the share of poorer groups**.

**Look at the extensive links with other sectors.** The more these connections can be strengthened through deliberate interventions, the greater the benefit to wider economic development and poverty reduction. There should be greater efficiencies and other benefits for the tourism industry itself.

## Slide 8 – Exercise 1 Mapping Economic Steps in a Tourism Value Chain

*Form groups of 7-8 people. Hand out a set of blank 3X5 cards for each group (slightly smaller or bigger cards are also acceptable). Also hand out the diagram showing the linkage of tourism to other industries. This can be used as a reference for the participants when thinking of other businesses that supply goods and services to the tourism business.*

*Stage 1:*

- *Ask each group to write on each card a type of enterprise or entrepreneur that is active in tourism in the destination. Try to cover the full range of businesses.*
- *Start mapping the enterprises, showing how they cluster together; usually this means clustering them by “nodes” such as accommodation, food and drink, shopping etc. but they can choose what works in their destination*
- *Think beyond the businesses that serve tourists directly and add in other businesses that supply goods and services to the tourism businesses*
- *Once everyone has agreed that they have a map of the businesses involved in tourism, add to the map (e.g. with stickers) to show where poor people participate in this map. In which businesses do they work (e.g. as restaurant staff), and which do they run (e.g. as farmers selling into the supply chain)?*

*Stage 2: when each group has finished, ask them to present their map to other groups, then:*

- *discuss the differences between the maps, and how people see it differently;*
  - *explore what participants have learnt about where in the tourism sector poor people participate;*
  - *each participant should identify something they learnt from someone else in the process of building the map, or learning about other group’s maps.*
- In conclusion, participants can discuss which parts of the map they think offer potential for increased benefits to poor people, and why they think this.*

**Key messages to summarize from the exercise:**

- **Poor people can earn income from tourism, either by working directly in tourism services or by working in related sectors and supply chains.**
- **The share of tourism expenditure that reaches poor people varies enormously from destination to destination. It can be as little as 5 per cent or as much as 25 percent in a destination. The share also varies greatly between modes of activity: the food supply chain and the craft sector can be proportionately pro-poor, but this depends on how they are structured.**

- In seeking to boost impacts on poverty it is important not to simply act on assumptions. The full variety of impacts and types of participation need to be considered, and it is essential to work with the private sector and civil society, for example through public-private partnerships.
- The establishment of a business is a way to participate in the tourism value chain and target a greater share of the benefits

### Slide 9 – Inclusive Business

*Go through the slide as an example of how to achieve poverty alleviation by paying attention to the value chain.*

*SNV works in 36 of the poorest countries worldwide. They have a team of local and international advisors working with local partners to equip communities, businesses and organizations with the tools, knowledge and connections. <http://www.snvworld.org/>*

### Slide 10 – Food Security and Tourism

*Go through the points on the slide.*

### Slide 11 – Module 5 Unit 2 The Diverse World of Businesses

### Slide 12 – Principles for Doing Business

Businesses can be for-profit or non-profit.

1. A business or company can be a capital investment project freely created by its owner(s) with the purpose of producing goods and services that meet market needs and generate profit. A company works ideally as a system or a set of integrated elements, in which people cooperate through planned activities to achieve common goals and objectives.
2. A business can also be a cooperative enterprise formed and owned by its members as an autonomous, democratically controlled association to meet their common needs and aspirations. Cooperatives do not have “profits” but surplus.

Despite the variety of business types and their particularities, and regardless of whether they are product or service businesses, four principles apply in essence to all.

*Go through the 4 principles on the slide.*

It must also be noted that while services are intangible, their provision almost always involves infrastructure, equipment and other tangible, material inputs and environmental conditions that influence the quality of the service and must thus be considered when assessing quality.

### Slide 13 - Company Structures

**Private company:** the owner(s) makes investments to generate wealth and maximize profits. Employees receive a salary according to their role in the production process.

**Nationalized or state-owned company:** the owner is a state agency that invests public funds usually in areas of community services for their protection, control and proper functioning. Activities tend to be less profitable.

**Cooperative:** a jointly owned and democratically controlled enterprise where members contribute equitably to the capital of their cooperative. Members decide on how to allocate the surpluses generated: to pay a return to members, to contribute to reserves and/or support activities approved by members. Cooperatives are guided by the cooperative principles of voluntary and optional membership, democratic member control, members economic participation, autonomy and Independence, education, training and information, cooperation among cooperatives and concern for community. They care based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity.

**Community business:** local resources and community assets and values are mobilized to generate employment and livelihood. The surpluses are distributed equitably. Participation of members is usually ruled by customary law. Values of reciprocity, equality and personal responsibility are encouraged, within the democratic structures of decision, participation and control.

**Joint venture:** results from the pooling of resources and shared interests of any of the actors mentioned above; any combination is possible: public-private; private-community.

### Slide 14 - Types of tourism businesses

The tourism industry consists of a wide range of businesses that provide a variety of services required by tourists in their place of origin, during the journey and at destination. Tourist agents and businesses are divided into three areas of activity, according to the services they provide.

**End suppliers** - provide the services at destination and belong to accommodation, catering, transport and other services

**Distributors** - Those businesses that act as an extension of the suppliers, providing promotional services and distribution. They include sales agents and central reservations agencies

**Organizers** - Are agents that have the dual role of organizers and/or producers of tourism services combined in packages, mediating between suppliers and consumers; this category includes travel agents and tour operators, whether wholesale, retail or mixed.

### Slide 15 - Module 5 Unit 3 Ensuring Your Tourism Business is Sustainable

### Slide 16 - Components of sustainable tourism

Remember this slide and what it stand for? For the ILO, sustainable tourism is composed of three pillars: **social justice, economic development and environmental integrity**. The ILO is committed to the enhancement of local/rural prosperity by maximizing the contribution of tourism to the destination's economic prosperity, including the amount of visitor spending that is retained locally. It should generate income and decent employment for workers without affecting the environment and culture of the tourists' destination and ensure the viability and competitiveness of destinations and enterprises to enable them to continue to prosper and deliver benefits in the long term. In this sense, development should be a positive experience for local populations, tourism companies, workers and tourists themselves.



## Slide 17 – Principles of Sustainable Community Tourism

A bridge is needed between tourism business and sustainability. Tourism is not a harmless activity; it always implies environmental impacts and changes in societies and economies. Furthermore, tourism is an ambivalent activity that can bring benefits or cause harm, especially to the environment and culture of local/rural communities. The recognition of the negative impacts of mass tourism has led some to question this model, because it is unsustainable, and to rethink the relationship between tourism, society and development.

The principles of sustainable community tourism are:

1. **Social solidarity** - Promotes effective **cooperation** among members of the community and between communities, within a framework of **equitable distribution of opportunities and benefits generated by tourism**.
2. **Environmentally responsible** - Promotes awareness and respectful forms of **sustainable management of natural resources and biodiversity**, linking the rights to land and ancestral territories.
3. **Economically viable** - Incorporates objectives and instruments of **efficient management** and evaluation of **resources** mobilized, seeking benefits that will adequately **reward work and investment**.
4. **Culturally enriching** - Enables successful experiences and fosters **quality experiences for both visitors and host communities, respecting cultural expressions of identity**. Social solidarity is the additional component.

### Slide 18 - Sustainable Enterprise Development

A sustainable enterprise is a business that does not negatively affect the global or local environment, community, society, or economy. It is a key source of growth, wealth creation, employment and decent work; and a sustainable enterprise takes into consideration the differentiated impact of its policies and practices on men and women. Cooperation among governments, businesses, labor and society is required to promote sustainable enterprises and guarantee the quality of employment in a sustainable manner. The competitiveness and capability of enterprises within this quickly globalizing environment depend on mutual trust, respect, non-discrimination and good labor- management relations among workers and employers. Workers who are qualified and satisfied with their working environment will produce better outcomes, both in terms of enterprise performance and enterprise engagement with social and environmental issues. Long-term capability implies that the management of enterprises should be based on the **three pillars of sustainability**, allowing enterprises to generate wealth and decent work. The 3 pillars are:

- **Entrepreneurship and business development**
- **Sustainable and responsible workplaces**
- **Enabling environments for sustainable enterprises and employment**

### Slide 19 – Module 5 Unit 4 Identification, Classification and Ranking of Tourist Attractions

This unit introduces the concepts and instruments with which to identify, classify and evaluate existing tourist attractions in a community or locality. The purpose of this analysis is to determine the number, diversity and hierarchy of existing attractions to establishing their potential contribution to the development of original, differentiated and sustainable local tourism products

## Slide 20 - Heritage and Tourist Resources

*Go through the definitions on the slide*

The elements of natural or cultural patrimony are not tourist resources as such; these elements are transformed into resources through their use or enjoyment. A resource is defined by its potential to satisfy certain human needs.

Touristic heritage is the raw material that is transformed by tourism development agents to obtain a resource that satisfies a human need. Deliberate action by public and private enterprises, national and local governments, agents or other actors is crucial for this to happen. Once the material is processed, a tourist product is obtained

## Slide 21 - Diagnosis of Local / Rural tourism

*Go through the points on the slide.*

## Slide 22 - Classification of Tourist Attractions

**Tourist attractions refer to the set of places, goods, customs and events that – given their own characteristics or location in a specific context – attract the interest of visitors.**

**“Natural Sites” include protected areas.**

These are locations that receive protection because of their environmental, cultural or similar value. A large number of kinds of protected area exist. These can be differentiated by their level of protection and by the enabling laws of each country or the rules applied to them by an international organization. Examples include parks, nature reserves and wildlife sanctuaries. There are over 147,000 protected areas in the world. According to the World Commission on Protected Areas, the proportion of protected terrestrial and marine areas worldwide has increased in the last two decades to 10.9 per cent (2009). In the case of the least developed countries, the proportion is 9.5 per cent.

**“Cultural Manifestations” include** historical and ethnographic attractions.

- **Historic:** the set of sites and events of the past that are considered of value or contribution to a given community. These are reflected in architectural works, historic areas, archaeological sites, museums, old mines and private collections.
- **Ethnographic:** attractions that highlight traditional expressions still valid in the customs of the peoples and their communities. These include the presence of ethnic groups and their settlements, vernacular architecture, religious events, music and dance, crafts, fairs and markets, food and drinks.

### Slide 23 - Inventory of tourist attractions

We must first identify what attractions we have in our community, then evaluate what we can do with them and decide on their best possible use. This is the starting point of any tourism business.

The process involves 3 steps to systematically register all physical, biological and cultural factors that actually or potentially can contribute to shaping the tourist offer.

- **Documentary consultation** aims to gather the printed and audiovisual information held by public or private sources.
- **Site visits** aim to verify the documentary information, undertake a comprehensive update of the attractions and assign to each all the features that apply. Field work also allows an estimation of the total time required for the development of the tourist activity.
- **Registration of information** involves selecting the definitive information on each attraction and transcribing it to descriptive record cards specially designed for this purpose (descriptive cards). At least five photographs must be attached for each attraction.

### Slide 24 - Ranking attractions

It is the process of evaluating attractions based on their potential contribution to the future tourism product as a whole. After identifying the attractions to be evaluated and compared in terms of their potential contribution, key criteria or factors to be analyzed must be identified and a maximum score for each assigned. Related factors can be grouped in terms of their maximum percentage of the total. The chart is an example of possible factors, scores and percentages to evaluate.

*Go through the chart and explain how the listed factors for each attraction are given a score based on their quality. Then explain how the total score is arrived by adding up the individual factor scores and then interpreting it according to the scale below.*

Evaluation scores and interpretations:

- More than 80 points: top quality attraction with great international and national significance and exceptional (potential) capacity to independently generate mass flows of visitors.
- 70 to 80 points: attraction of excellent quality, part of the national heritage; capable of mobilizing mass tourism in its own right or in association with other adjacent attractions.
- 60 to 70 points: very good quality attraction with striking features that can interest visitors who have come to the area influenced by other tourist motivations.
- 50 to 60 points: attraction of good quality that can be considered interesting for the domestic market but is relatively isolated and lacks the conditions to serve receptive tourism. Its use requires prior investment.
- 40 to 50 points: fair quality attraction for domestic tourism as part of a circuit that includes other destinations.
- Fewer than 40 points: including this attraction in a circuit will not add any significant value.

Cautionary note: Given the potential variability of the scores over time, evaluation should be considered an input and not determine an automatic decision to rule out some attractions. The originality of the tourist attractions and the quality of the tourism product must meet the demands and expectations of potential customers.

### **Slide 25 – Exercise 2 Assessing tourism attractions**

*Handout copies of the blank evaluation criteria form and instructions to the participants and ask them to*

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.*

### Slide 26 - Module 5 Unit 5 Business Plan – Concept, Usefulness and Application

Planning is an indispensable tool for any successful human enterprise. Starting a business without adequate preparation and improvising actions and investments increases the risk of facing difficulties that will affect your business's start-up and management.

The success of a project depends not only on a good idea. It is also crucial to present it convincingly and to be able to demonstrate its feasibility. A well prepared business plan needs to be based on relevant information, be supported by solid quantitative and qualitative arguments, and have a logical coherence.

### Slide 27 - The Business Plan

*Go over the definition on the slide.*

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. This instrument allows entrepreneurs to design future feasible scenarios to realize their business ideas and trace the path of their viability.

The business plan brings together in one document all the necessary information to conduct an assessment of the potential of a tourist destination and chart the feasibility scenarios, taking into account market demands and resource requirements, as well as their optimal allocation in the context of efficient and sustainable management. The business plan is a bridge between the long-term business strategy (strategic plan) and short term annual plans.

## Slide 28 - Uses of a Business Plan

- To present a concrete, comprehensive and well-based **business idea**;
- To find the most efficient and sustainable way to **carry out a project without endangering decent work conditions**
- To act as a **manual** to outline the path to be followed step-by-step by the entrepreneurs in **the realization of their business idea**
- To **ensure** that the proposed business is **technically, economically and financially sound** before deciding on its implementation
- To **anticipate resource requirements** and their optimal **allocation** over time
- To **evaluate the performance of an ongoing business and make adjustments for expansion**
- To have a project profile to search **for financial support and potential partners**
- **To value a business** for possible merger or sale.

## Slide 29 – A business plan answers the following questions

*Go through the questions on the slide.*

## Slide 30 - Components of a business plan

**Components of a business plan include:**

**1. Inventory of community heritage (attractions):** this is the stage to identify, classify and evaluate the destination for its overall potential for tourism, through analysis of its natural, cultural and social heritage that can become tourist attractions.

**2. Specify your business idea:** the initial business idea is developed in order to identify the tourist product, i.e. the attractions desired to be valued, the services to be provided for the tourists, and the facilities required for their operation.

**3. Identify your potential customers:** this phase is to define the profile of potential customers, i.e. travel motivations, social and demographic characteristics, tastes and preferences in activities and services, as well as the length of stay and expected average spending per tourist or hiker.

**4. Know your direct competitors:** be aware that there will be competition from similar offers and tourist destinations either in the immediate environment, at country level or abroad. To compete with an advantage, you need to know the strengths and weaknesses of your competitors.

**5. Marketing plan:** this phase requires the definition of five key elements: the tourist product to be offered by the community, the rates or charges to be applied (price), the marketplace or distribution channels, the marketing and promotion strategy including the use of ICTs, and personnel (people) that are part of the added value and competitive advantage (see Chapter 3).

**6. Human resources plan:** the number and characteristics of the people needed to operate the business in each area will be defined, together with their qualifications, (professional) experience and motivations. Also to be defined is the form of organization and stimulus required to optimize the human resources.

**7. Initial investment plan:** with information and analysis as listed above, there is the need to estimate the initial investment required to operate the business, breaking down the capital into its different items or components. Alternative funding sources may sometimes be necessary.

**8. Legal status:** according to the legislation in each country and the advantages and constraints offered by each business arrangement (business, corporation, partnership, cooperative, association, etc.), business owners and operators will need to choose the method that best suits their interests and expectations.

**9. Management and administration plan:** an excellent project may fail if it is in the hands of incompetent people or if the management and administrative systems are inadequate. An appropriate management system must be chosen taking into consideration potential risks (e.g. natural disasters, epidemics) to ensure that the business is viable and sustainable.



### **Slide 31 - Testing the Business Plan for Completeness**

Test your business plan: the author(s) of the plan need to verify that it meets each of the requirements for starting the business. With the assistance of a check list it can be concluded whether the authors are well prepared to continue the implementation phase of the business plan, or if some parts need to be reformulated.

*Handout copies of this chart to the participants.*

### **Slide 32 - Testing the Business Plan for Decent Work**

*Explain the use of this chart. Then emphasize again the importance of having a business plan as well as the need to periodically review and update it.*

*Handout copies of this chart to the participants.*

Without a business plan you run the risk of improvisation and falling into the routine of taking each day as it comes. In this case the company is comparable to a ship sailing aimlessly. The costs of adverse outcomes of a business are disastrous: the investments fail, staff may be fired and the entrepreneurial spirit of the promoter of the idea and his/her family is weakened.

A periodically evaluated business plan contributes to improving the management learning process and strengthens the entrepreneurial spirit because it develops the capacity of a business to respond to changing market situations.

### **Slide 33 – Preparing your Business Plan**

*Go through the tips on the slide.*

### **Slide 34 – A Summary**

**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.**

### **Slide 35 – For More Information**

For more information on this, please consult the sectoral webpage at the address given on the slide.

Thank you very much for your attention.

## Module 5 Exercises

### Exercise 1 – slide 8 Mapping Economic Steps in a Value Chain

Form groups of 7-8 people. Hand out a set of blank 3X5 cards for each group (slightly smaller or bigger cards are also acceptable). Also hand out the diagram showing the linkage of tourism to other industries. This can be used as a reference for the participants when thinking of other businesses that supply goods and services to the tourism business.

Stage 1:

- Ask each group to write on each card a type of enterprise or entrepreneur that is active in tourism in the destination. Try to cover the full range of businesses.
- Start mapping the enterprises, showing how they cluster together; usually this means clustering them by “nodes” such as accommodation, food and drink, shopping etc. but they can choose what works in their destination
- Think beyond the businesses that serve tourists directly and add in other businesses that supply goods and services to the tourism businesses
- Once everyone has agreed that they have a map of the businesses involved in tourism, add to the map (e.g. with stickers) to show where poor people participate in this map. In which businesses do they work (e.g. as restaurant staff), and which do they run (e.g. as farmers selling into the supply chain)?

Stage 2: when each group has finished, ask them to present their map to other groups, then:

- discuss the differences between the maps, and how people see it differently;
- explore what participants have learnt about where in the tourism sector poor people participate;
- each participant should identify something they learnt from someone else in the process of building the map, or learning about other group’s maps.

In conclusion, participants can discuss which parts of the map they think offer potential for increased benefits to poor people, and why they think this.

## Exercise 2 - Slide 25 Assessing Tourism Attractions

Handout copies of the blank evaluation criteria form and instructions to the participants and ask them to

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