

Trade Linkages in Tourism: Piloting Pro Poor Tourism

Workshop for partners, May 24 2004,
Cradle of Humankind, Gauteng, RSA

Background to the workshop

This workshop was organised to bring together partners involved in the programme: 'Pro-Poor Tourism Pilots in Southern Africa'. This programme facilitates Pro-Poor Tourism (PPT) practice on-site with 5 companies, and promotes trade linkages in tourism. At this point, with implementation underway at the sites and with one year to run, the [workshop agenda](#) focused on the practical issues involved in implementing PPT. The aim was for [participants](#) to exchange ideas and learn from each other by discussing progress and challenges, and to identify key issues for the year ahead.

Building on Pilot sites' experience

The workshop began with updates from the 4 South African PPT pilot sites and the day built on their experience. While a diverse range of issues was discussed several common themes emerged, including:

- The '*internal agenda*': in different ways the pilot partners are all looking at how to 'mainstream' PPT into their core business, and move it beyond ad-hoc initiatives. Companies need to convince and motivate their own staff and boards to implement PPT, particularly through practical demonstration of what can be achieved. The business case for PPT needs to be clear, although the corporate costs and gains vary by type of company, site and initiative. The process of identifying and adapting corporate priorities for PPT and of building local relationships is time-consuming and slow, but integral to the PPT process.
- The *external context*: fractious relations with government bodies (e.g. a conservation authority) can block PPT action. Although consumer interest is growing, more critical mass is needed to provide the market for a strong PPT approach.
- *Enterprise development* is essential to implementing trade linkages with local entrepreneurs and SMMEs. But there is a lot of work to be done to move beyond 'fronting', to exploit a range of business opportunities, and to assist local entrepreneurs to break into markets in the face of existing contracts.
- *Local partnerships* are critical but difficult – clear expectations and adaptive management are needed.
- The *potential for further implementation of PPT* is enormous given: the desire – and pressing need – in the sector to move beyond BEE policies to impact on development on the ground; new efforts to link first and second economies; and the market gaps identified in relation to cultural tourism products in South Africa.
- *Good practice models* and further championing of PPT/trade linkages are needed to 'roll out' the approach to others in the industry.

The business case for PPT approaches

Development of local trade linkages can benefit a tourism operator in a number of ways including:

- Gaining informal 'licence to operate' or support amongst the **local community**, including locally recruited staff;
- Enhancing the **product offer** with complementary products, thus increasing guest satisfaction and / or length of stay, and giving them 'better stories' to take home;
- Stronger bids for **government contracts** by performing well against Governments' procurement criteria related to BEE, employment, and other goals;
- Supportive relationships with **municipal and provincial** government and other key stakeholders affecting local development and planning;
- **Cost-saving**, where local providers can provide goods or services more efficiently than current contractors or staff;
- Boosting **marketing** via increased company recognition and reputation, and adding to non-price competitiveness in a crowded market.

The context and the potential

The facilitator and PPT expert, [Harold Goodwin](#) introduced the concept of Pro-Poor Tourism reminding participants that Pro-Poor Tourism is not a specific tourism product or sector. Any form of tourism can be more or less pro-poor. Tourism is pro-poor when it generates net benefits – economic or other - for the poor. Interventions are pro-poor when they specifically focus on addressing poverty and move beyond "trickledown" effects. [Changing consumer trends in the UK market](#) and in other European markets provide a stronger rationale for operators to adopt PPT to boost their non-price competitiveness.

The purchasing decision and PPT

Consumer choice of product is generally based on:

- i. Destination or activity;
- ii. Price;
- iii. Availability;
- iv. USP / non-price competitiveness.

Harold Goodwin explained how, although the first three are critical there can be little to choose between operators on these. Increasingly operators are looking to 'responsible' tourism as a way of enhancing the holiday experience for customers, positioning their brand and securing repeat visits.

Didi Moyle (Chief of Research and e-Commerce at [South African Tourism](#) - presented [recent research on the position of the industry](#) conducted for South African Tourism. The industry remains dominated by a few large inbound tour operators and ground handlers. South African Tourism reports that two travel conglomerates dominate the industry although there are between 800 and 1,000 operators in South Africa (slide31). Recent surveys conducted for South African Tourism demonstrate that culture is of the highest importance to visitors from Europe and the USA and that it is also important for visitors from Asia; but only in KwaZulu-Natal does South African Tourism judge there to be

a strong presence of cultural products. -Using a gap analysis it was shown that more tourists desired cultural and historical heritage than wildlife viewing, but fewer had experienced it while in South Africa. South African Tourism concluded that South Africa's cultural tourism product is one of the country's key attractions and needs development.

Strengthening trade linkages in the Supply Chain

[Spier Leisure](#) is making a substantial investment in increasing Spier sourcing from local, previously disadvantaged individuals (pdi) and sustainable businesses. The [Spier approach to procurement](#) presented by Tanner Methvin (Sustainability Director) and Gareth Haysom (PPT facilitator) includes gathering detailed data on current suppliers, developing a procurement policy, taking a step-by-step approach to establishing contracts with new suppliers (aiming for six new suppliers in mid 2004, and working on a further six this year), and imposing a detailed questionnaire on all suppliers. This process is complimented by support to small businesses from the Western Cape's Integrated Tourism Enterprise Support Programme (ITESP). [Different approaches](#) to supply chain reform were discussed, ranging from the ad hoc single initiatives to longer-term multi-stakeholder approaches. [TBCSA's](#) (Tourism Business Council of South Africa) research indicates that so far public organisations have led the way in reforming procurement, and that industry has more willingness than understanding of how to do it.

Key issues identified in the workshop discussions on supply chains included:

- Reforming supply chains needs both **internal commitment and external support plus facilitation**: internal leadership to change staff attitudes and practice; external intervention to support SMMEs and reduce risks to buyers and suppliers; and facilitation to speed up a slow complex process.
- **Existing networks** between buyers and suppliers are strong, complex and personal. Challenging and supplanting them is difficult. It is important to shift **internal perceptions** among staff about local suppliers and what can be sourced.
- There can be a difference between increasing 'pro-poor' procurement (from small local pdi businesses) and increasing procurement from BEE companies (which may be large and not local). Objectives need to be clear.
- It is important to simultaneously address **demand** from the hotel, **supply** from local producers, and **market mechanisms** to link them. There is often a shortage of local suppliers. Local suppliers face entry barriers such as HASP (Health and Safety Plan) regulations. Poor quality may be more of an obstacle in perception than practice. Local databases and **technical and financial support from others** are important to help SMMEs get to the point of providing regular quality supplies to tourism businesses, as there are clear limits to the purchasing company's own role in SMME support.

Mainstreaming cultural, heritage and local products - from product development to marketing

One of the key challenges which faces tourism in South Africa is to develop a richer cultural product. While developing cultural tourism is just one element within a suite of PPT strategies, the potential to develop local cultural products and services is an important opportunity for making tourism pro-poor in South Africa, as culture is one of the assets of the poor on which they can build. Participants discussed the PPT challenge of developing cultural products that enable the poor to secure their livelihoods, are controlled by them, become part of the mainstream and are not 'ghettoised', and deliver quality 'authentic' products.

Demand for 'authentic' cultural tourism

Industry surveys in South Africa show 49% of industry respondents reporting that the cultural product lacks 'authenticity' and 46% say it is not sophisticated enough. 85% of Americans, 77% of Europeans, 64% of domestic tourists and 60% of Asians said that they were interested in finding out about the cultural experience on offer in South Africa. ([SAT tourism analysis](#))

'Authenticity' and mainstreaming were key issues of discussion. Most tourists are not seeking a Disney experience: they want to experience something which is also valued by the people who own the culture. To deliver these experiences the industry needs to encompass small scale local producers, and the large operators need to partner with SMMEs and community groups in ways which enable them to develop appropriate cultural products that are acceptable to the community and provide a first rate experience for visitors.

The need to 'mainstream' cultural tourism, as something well beyond a visit to a dance troupe or craft centre, was discussed. For example, present as well as past culture needs to be integrated into tourism products, ranging from airport and restaurant music to more specialised products that unveil the traditions of South Africa's people. PPT facilitator, Clive Poultney, described some of the products that can be built on the remarkable history of local people's interactions, conflicts and achievements over the centuries, based on many years' experience in Maputaland. There have been both successes and challenges in developing local tourist products, with one demonstration of success occurring when visitors were actually cancelling onwards part of their holiday package in order to stay longer enjoying cultural interactions in Maputaland.

Setting objectives for PPT

Once of the challenges confronting the PPT Pilots is to demonstrate that the PPT approach can deliver benefits for the poor and for business. To achieve and demonstrate change it is important that PPT sets objectives that are SMART: Specific, Measurable, Achievable, Realistic and Time-scaled. Success needs to be reported against such objectives. Objectives need to address three levels:

- Immediate outputs, e.g. new local enterprises established;
- Impact on the core business (i.e. the company implementing PPT);
- Impact on the local economy and people.

The example of a new laundry at Spier was used. The immediate objectives are to establish by July 2004 a viable laundry business on the Spier site that can be operated by a pdi contractor to the required level of service. The two primary objectives from Spier's perspective, are that the business would need to cost Spier less than the current off site operation, and in addition to this, Spier would need to ensure and reduce all losses of operating equipment that are difficult to account for at present. In addition, it must meet the required level of service, which will be outlined in the contract and monitored. In terms of development impact, the targets are that it will create three new jobs for previously unemployed local people, injecting cash income of around R6,000 a month in total into local households; it will establish a new business which is entirely pdi-run, able to break into the tourism market and has longer term capacity to expand and take on new contracts and staff.

Tourism trade linkages in the wider South African context:

How can PPT approaches be rolled out and supported by others?

There are a range of external organisations that can directly support PPT linkages in practical ways. Presentations from the [International Finance Corporation](#) and [ABSA](#) (Amalgamated Banks of South Africa) looked at how financial support can encourage PPT linkages - either by supporting SMMEs who operate within the tourism supply chain, or, in IFC's case, by encouraging corporate clients to adopt strong social performance criteria. A range of other technical inputs were also identified as necessary to make PPT linkages more viable, such as training and business development inputs. There was a strong call for more coordination between different providers would be helpful.

Rolling out PPT more widely across the industry, however, needs more than practical facilitation. Participants agreed it requires a strong business case, models of good practice, plus policy incentives. This led to a wide ranging discussion about incentives, and a number of barriers to the development of PPT initiatives that were identified. One group of barriers relate to the lack of best practice models, past disappointments and the lack of proven capacity to develop successful PPT initiatives, current dependency of PPT on outsiders, the high transaction costs of setting up trade linkages, and the lack of dialogue with communities and community based organisations. A second group of barriers related to the difficulty of mainstreaming a PPT approach within a company, given barriers faced by SMMEs, risks entailed in PPT approaches, the strength of existing business networks, few incentives to engage in PPT other than where it overlaps with BEE, and labour legislation which can discourage companies from setting up out-sourced suppliers that are dependent on them. A third group of constraints relate to the perceived lack of demand for products which can be provided by the poor and which

have value for holidaymakers. The language of PPT was also seen as a problem as the term PPT comes from a development (pro poor growth) agenda, rather than a business agenda of trade linkages and business impact or a community development agenda of access, rights and wealth creation.

Current and possible incentives for PPT were discussed. Apart from legislation, government can set incentives for PPT when, for example, allocating concession agreements or casino licences. South African Tourism could also require a certain level of PPT action when making joint marketing agreements with tourism companies, and similar leverage could be used by the Grading Council. Accommodation and events companies which seek government business could be influenced by government procurement criteria. However, at present government criteria for licences and procurement focus on BEE and would need to be adapted for specific consideration of poverty/local issues. Incentives from the financial sector were also noted, particularly as listed companies are now under pressure from the stock exchange to publish their CSR policies.

Looking forward, those present felt that for PPT to fly in South Africa there needed to be a compelling case, the pilots needed to demonstrate success and a firm market orientation. Financial incentives and ways of reducing the transaction costs of PPT are needed by companies. It is important that PPT is included in the industry charter, on the forthcoming tourism transformation 'scorecards' and in the next white paper.

Follow-up

Further details of the workshop presentations and a full pack of briefing papers are available on the [PPT Pilots website](#). The discussion at the workshop highlighted a vast range of opportunities, both in implementing PPT at the pilot sites and sharing lessons with others. Apart from what each participant takes from the workshop to apply to their own work, the Pilots project will build on the discussions by further supporting on-site work, developing packages of technical inputs around sites, developing the business case and good practice models, planning other lesson-sharing events and mechanisms, and engaging in policy discussions such as over the scorecard.

Our thanks go to all who contributed to the successful workshop. Feedback at the end of the workshop was very positive valuing the practical nature of discussion, quality and range of inputs, and effective facilitation.

For further information on workshop presentations or the PPT Pilots programme see www.pptpilot.org.za