

# Jamaica in the Tourism Global Value Chain

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## Acronyms

<b>CATIE</b>	Tropical Agricultural Research and Higher Education (Costa Rica)
<b>Duke GVCC</b>	Duke University Global Value Chains Center
<b>CTO</b>	Caribbean Tourism Organization
<b>DMC</b>	Destination Management Companies
<b>EU</b>	European Union
<b>FNC</b>	Federación Nacional de Cafeteros (Colombia)
<b>GDS</b>	Global Distribution System
<b>GVC</b>	Global Value Chains
<b>HPTC</b>	High Performance Training Centre
<b>ICT</b>	Instituto Costarricense de Turismo (Costa Rica)
<b>ILO</b>	International Labor Organization
<b>JTB</b>	Jamaica Tourism Board
<b>MT</b>	Millennial Traveler
<b>NTTO</b>	National Travel and Tourism Office (United States)
<b>OTA</b>	Online Travel Agent
<b>PATA</b>	Pacific Asia Tourism Association
<b>SME</b>	Small and Medium Enterprises
<b>TPDCO</b>	Tourism Product Development Authority
<b>UK</b>	United Kingdom
<b>UNWTO</b>	United Nations - World Trade Organization
<b>US</b>	United States

## Executive Summary

This report uses the Global Value Chain (GVC) framework to examine Jamaica's position in the global tourism industry and identify opportunities for local businesses to improve their position in the sector. Tourism is the most important economic activity in Jamaica; the total contribution to the country's GDP was estimated to be 30.3% in 2016.<sup>1</sup> That year, the sector directly and indirectly supported around 318,500 jobs, around 27.5% of the labor force (WTTC, 2017d).<sup>2</sup> Beautiful white sand beaches attract thousands of tourists each year mainly for family vacations and honeymoons; the "all inclusive" model is the most prevalent on the island. As a result, Jamaica is strongly focused on leisure tourism (73%), which together with visiting family and friends (16.5%), accounts for approximately 90% of arrivals (JTB, 2017). In 2016, the country attracted more than 2 million visitors with the majority of tourists coming from the US (63%), followed by Canada (19%) and the UK(9%).

Jamaica, however, is facing a number of constraints that hinder the country's ability to exploit its full potential. The sector is monopolized by all-inclusive resorts limiting the participation of smaller players. At the same time, Jamaica has not diversified its tourism product offerings and focuses only on the sun, sea and sand type of tourism. The country is well positioned to diversify its product offerings to ecotourism and sports tourism. However, this opportunity will require a master plan involving a wide range of stakeholders with a clear mandate.

## The Tourism Global Value Chain

Tourism is a dynamic source of economic growth throughout the world; the sector's expansion has outpaced that of world trade over the past five years (UNWTO, 2017b). The industry's direct effect to global GDP was estimated at 3.1%, and tourism's growth rate—also 3.9%—was higher than many other sectors, including agriculture, manufacturing, retail and financial services. Indirect contributions are even higher: it supported an estimated 292 million jobs in 2015 and indirectly accounted for 10% of global GDP between 2015 and 2016 (UNWTO, 2016a).<sup>3</sup> Because of the expansion, tourism generated close to 7% of the world's total exports in 2016 (UNWTO, 2017b). The vitality of the industry is not confined to any one region; while Europe remains the most visited continent in the world, Asia Pacific and Africa had the highest growth rates in visitors over the decade from 2006-2015.

With its idyllic beach settings and unique cultural experiences, tourism is a significant economic activity in the Caribbean. All forms of tourism accounted for 15% of the Caribbean's GDP in 2016, which was the largest share of any region in the world (WTTC, 2017c). Buoyed by two years of strong growth in visitor arrivals in 2015 and 2016 (7% and 5%, respectively) (CTO, 2015; UNWTO, 2017b), tourism also accounted for the highest share of total employment, including high female employment rates; capital investments and visitor exports in the Caribbean of anywhere in the world (WTTC, 2017c). The Caribbean saw an increase of 5% in international tourism arrivals in

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<sup>1</sup> In 2016, the direct contribution of tourism to the countries' GDP is estimated in 9.3%.

<sup>2</sup> Tourism directly supported 97,000 jobs, around 8.4% of the total employment in 2016.

<sup>3</sup> Unless otherwise specified, the global and regional statistics cited in this section are compiled by the World

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<sup>3</sup> Unless otherwise specified, the global and regional statistics cited in this section are compiled by the World Travel & Tourism Council (WTTC). The WTTC data can be accessed through the WTTC website: <http://www.wttc.org/datagateway/>.

2016, reaching 25 million arrivals, and 12.7% of the global market by volume (UNWTO, 2017b).<sup>4</sup> Jamaica accounted for 9% of those arrivals (UNWTO, 2017b). While tourism in the Caribbean is a mature industry, changing dynamics in the global market present new opportunities and challenges for countries in the region. Three of the most important trends that will shape the way that these countries can benefit from tourism in the future are:

**Increase use of mobile & social media:** The use of mobile and social media channels in the tourism industry has significantly increased over the past five to ten years, with a considerable impact on the tourist-provider relationship (Gonzalo, 2016; Wong, 2016). Today, tourists increasingly review, select and book their travel experiences based on social media reviews, such as TripAdvisor and do so on their mobiles. It is estimated that leisure travelers read an average of 6-7, and as many as 20 reviews before making a reservation, while mobile bookings increased 1,700% between 2011 and 2015 to account for 18% of the tourism market (Gonzalo, 2016). Due to the importance of online reviews in tourist decision making, highly responsive customer service has also become more critical than ever, and service providers must have the capability to resolve conflicts to protect their online brands around the clock (BCG, 2013).

**The rise of millennials and Generation Z requires new products, budgets and purchasing channels:** As the millennials and Z generations come of age and join the global workforce, they are rapidly becoming the largest share of global travelers. By 2015, 15-29 year olds already accounted for 29% of all travelers (UNWTO & WYSE, 2016); they will account for an estimated 50% by 2020 (BCG, 2013). The rise of this new generation has significant implications for the tourism industry in terms of demand for types of tourism products, costs, and purchasing channels. In particular, as these younger generations begin to travel more than in the past, they are looking for newer, more adventurous and authentic experiences (IPK International, 2017). Travel providers will have to adapt to this new reality.

**Asia Pacific, in general, and China, in particular, are becoming ever more important drivers of global tourism.** In 2016, Asia Pacific accounted for 26% of outbound tourists with some 316 million travelers, trailing behind only Europe (48%). 1/3 of the region's travelers were Chinese.<sup>5</sup> While China's leadership is nothing new, having led outbound tourism since 2012, Chinese expenditure habits are changing. In 2016, expenditure (12%) grew twice fast as the number of outbound tourists (6%); and the country had extended its 5-year lead over the US (the next largest contributor), doubling the US's expenditure (US\$261B compared to US\$123 B) (UNWTO, 2015, 2017b).

### **Jamaica in the Tourism Value Chain**

Jamaica's participation in the tourism GVC is primarily based on the all-inclusive sun, sand and sea vacation product (Scott, 2017). The country attracts primarily tourists from English-speaking markets in North America and the United Kingdom (UK). The majority of these tourists are over the age of 35 traveling as couples, young families, retirees or wedding guests. Generally,

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<sup>4</sup> The region's global market share has been relatively constant between 2014 and 2016, at 12.4 and 12.7% respectively (UNWTO, 2017b).

<sup>5</sup> 70% of these trips however, are to Hong Kong and Macau. But, their real international tourism numbers are still high at 39 million (US is 74 million by comparison. (IPK International, 2017).

international tourists enter the country, and travel directly to their hotel where they remain for the duration of their stay; on average, for the past five years this has been for 8.8 days.<sup>6</sup>

In 2016, Jamaica, with 2.1 million arrivals, is one of the leading destinations in the Caribbean after the Dominican Republic (6.0 million), Cuba (4.0 million), and Puerto Rico (3.7 million). Dominican Republic arrivals almost triple those of Jamaica. Expenditure is higher than these other popular destinations, although lower than other islands known for their high-end, luxury tourism, such as the British Virgin Islands. Jamaica tourism sector is characterized by:

- **Dominance of North America Tourists.** Jamaica's tourism sector is driven primarily by the North American demand; 81% of the country's arrivals are from the region, with Canada and the US accounting for 18% and 63% respectively (UNWTO, 2016a). Only 14% of tourists derive from outside of the Americas (UNWTO, 2016a). Asian arrivals have increased over the past five years, but at just 13,000 still only account for less than 1% (UNWTO, 2016b). Reflecting global trends, Chinese tourists account for approximately 1/3 of total Asian arrivals (JTB, 2017).
- **Tourism is centered in the sun, sea and sand product.** Jamaica has solely focused on beach holiday as have most other Caribbean countries. The majority of the tourists stay in hotels close to the beach, especially concentrated in three areas, Montego Bay, Negril and Ocho Rios; these three areas accounted for 98% of all rooms in the country in 2016 (JTB, 2017).
- **All-inclusive resorts are the dominant business model;** these have accounted for an average of 87% of all hotel room stays on the island in the past five years (Figure 8). With the exception of Jamaican-owned Sandals (see Box 2), the majority of these operations are foreign-owned, primarily chains from Canada (Royalton, Sunwing), Spain (RIU, Bahia Principe, Iberostar) and Mexico (Karisma, Moon Palace) (Brown, 2017; ECLAC, 2016; Tesse Fox, 2017). These resort chains account for 90% of foreign direct investment in the tourism industry.
- **Growth is concentrated in adults over 50 years old.** Growth has been most significant in the +50 categories; absolute arrivals numbers in this category have increased by 71% over the past decade, while arrivals in the young millennials category have declined. The 35-49 year olds make up the largest share of visitors with 29% in 2016, followed by 50-64 (25%). At less than 10%, younger millennial arrivals in the 18-24 year old category are lower than that of the global market (30% for 15-29 year olds).

Jamaica's potential in the Tourism GVC depends on a set of structural strengths and weaknesses. These strengths allow for strategic opportunities that should be capitalized on. At the same time, the constraints presented below must be addressed for the country to improve its position in the industry.

## Advantages

1. **Natural Attractions and Climate.** The country's stunning beaches and crystal clear seas are routinely named as amongst the most beautiful in the world. With average temperatures ranging

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<sup>6</sup> This is the length of Saturday through the following Sunday, allowing working-age travelers to take only one week of vacation time.



from lows in the 70s to highs in the 80s, this makes the country a strong contender for beach holidays. These strong natural assets extend beyond the beaches to its tropical rainforests, such as Blue and John Crows Mountain National Parks which were declared World Heritage sites in 2015 (Outside, 2016) and Blue Mountain coffee production. Initial efforts are underway to market the country's adventure tourism opportunities but there remain other options to be explored.

2. **Proximity to the US Market.** Just over three hours from major US cities – including New York City, Philadelphia, Boston and Chicago, and served by multiple international airlines (including Air Canada, American Airlines, Delta, Jet Blue, Southwest, United Airlines/US Airways) the island's proximity to the US makes it a very attractive destination for relatively short vacations.
3. **Cultural affinity with both US and British markets.** As a result of its historical ties to the UK and as a member of the Commonwealth States, combined with its proximity to the US, Jamaicans have a strong cultural affinity with English speaking tourist from these major markets. Culturally, there are strong linkages in everything from food, to TV shows, dress codes, language and forms of expression.
4. **Strong reputation as a vacation destination.** The country is the forth-largest destination in the Caribbean for beach holidays after Dominican Republic, Cuba and Puerto Rico.

## Constraints

1. **Incongruence between Product Options and Global Reputation.** Jamaica has a strong foothold in the industry as a great value warm weather destination, but there is room to expand its product offerings beyond this scope. Globally, Jamaica is well known for its music, Olympic athletes and a relaxed culture. Yet, the tourism sector continues to be dominated by couples and families seeking all-inclusive beach experiences, where they are not exposed to these elements.
2. **All-inclusive model continues to overshadow other tourism segments.** This model has been very successful in the country; however, globally, it is less popular with the younger millennial generation which seek increased interaction with the authentic local experience and there are limited opportunities for smaller firms to participate. Nonetheless, for less cost-conscious millennial travelers such as the Chinese MT, these resorts offer safety and comfort benefits from which to base their island explorations.
3. **Lack of coordination amongst stakeholders and bureaucracy.** Strategy development has not yet been coordinated across all stakeholders to ensure marketing efforts align with country capabilities. At the same time, the development of new products continues to be slowed down by bureaucratic procedures and a lack of clear definition of mandates of different stakeholders. Initial efforts are underway to reduce bureaucratic requirements, however, it will take time and continued commitment for their effect to be felt by the industry.
4. **High crime rates and tourist harassment.** Crime and security concerns contribute to limited tourist movement beyond the resorts (Oxford Economics, 2012). High homicide rates during the 2000s also resulted in poor global perception about security. Recent efforts have

brought homicide rates down by over 30% but it remains the fourth deadliest country in the world (World Bank, 2017a). The Tourist District Constable Program was launched in 2016 to reduce tourist harassment and ensure safety, allocating some 200 constables exclusively to resort areas (Jamaica Star, 2017), but this continues to be a concern for the industry.

- 5. Poor soft & hard transportation infrastructure.** Poor road infrastructure, combined with a lack of public transportation providers and a costly taxi system, hinders travel beyond the resort, and further contributes to the dominance of the all-inclusive model. This has undermined efforts to diversify tourism products and include a broader range of actors – particularly SMEs into the value chain. The poor infrastructure is made even worse in areas with sloping mountains and with frequent flooding.

Other countries have faced similar challenges and have used a number of strategies to overcome these problems. The report presents the cases of Costa Rica and Peru as a best practices in developing niche tourism products, namely ecotourism and gastronomy. Today, these two countries are recognized worldwide in these segments. Some of the key lessons for Jamaica based in these two cases are listed below.

- First, both cases provide examples of the development of new tourism products that have been leveraged to become leading attractions. In Costa Rica, ecotourism emerged as a national tourism product in the late 1980s/early 1990s, while in Peru, gastronomy tourism is more recent, emerging over the past decade. In the case of Costa Rica, ecotourism has become as important as the country's previous beach holiday package options. Importantly, these products were proactively developed into national brands from a small base of entrepreneurial activity, leveraging growing expertise.
- Second, quality improvement was an essential early driver of these new products from niche offerings to mainstream. In Costa Rica, the government launched numerous certifications to help to standardize the understanding of "eco-branding". In Peru, CENFOTUR launched numerous training programs at the chef, kitchen assistant and server level to ensure a supply of consistent, high quality staff.
- Third, highly effective marketing campaigns supported by coordinated groups of stakeholders were key to ensuring a broader audience for these products. Costa Rica's entry into ecotourism products began as early as the 1960s, however, its branding as an ecotourism destination only began in the 1990s when it was taken up as a broader national program. This followed the country being named as the number one ecotourism location in the world by an international group in 1992. In Peru, while the country has long been home to internationally recognized talented chefs with a varied cuisine, it took PROMPeru's 2006 campaign to create international demand for Peruvian gastronomy tourism.
- Finally, these product segments provided ample opportunities for local SMEs to engage. Costa Rica's ecotourism industry was, in fact, built on a base of small enterprises that began by offering tailored trips for environmental and research groups primarily from the US. Large foreign investors have typically focused on the coastal beach segment. In Peru, gastronomy tourism's success has been facilitated by the clustering of local restaurants in Lima. Indeed, this has even driven the internationalization of these firms with the better-known opening up locations in

both neighboring countries such as Chile as well as in the US. Gaston Acunio, the leading Peruvian (and Latin American) celebrity chef has over 30 restaurants in 9 countries.

Jamaica has a tremendous potential to upgrade in the tourism GVC. The country can pursue multiple paths simultaneously, since upgrading in tourism is not linear as it is in other value chains such as manufacturing or agriculture. The main strategy is to lure more tourists and offering a wider range of alternatives to enjoy Jamaica. Diversification of the tourism products is one of the main pending tasks for the country. This will bring not only economic benefits to the nation as a whole, but also will allow small businesses to participate more actively in the tourism sector that are limited by the dominance of the all-inclusive resort system. The upgrading trajectories include:

**Product Upgrading to Diversify the Tourism Options:** Currently, Jamaica has only capitalized on the sun, sea and sand tourism and the majority of this tourism takes place in all-inclusive resorts. Jamaica has to take advantage of its global cultural reputation in addition to its beautiful beaches, drawing on national symbols such as reggae, sports and Blue mountain coffee. Below a number of potential tourism products are listed in which Jamaica has high opportunities to participate.

- **Sports Tourism.** Jamaica has established a strong sport brand, especially over the last decade, with the success of Olympic medalists Usain Bolt, Asafa Powell and Shelly-Ann Fraser-Pryce. These elite athletes are trained from an early age in the country's unique sporting culture. Jamaica has built a robust environment for high performance sports; the island has developed a good infrastructure for track and field disciplines, reputable coaches and has a growing sports medicine discipline to support the athletes (Field Research, 2017). However, the country has not yet been able to capitalize on the sport brand outside participating in global athletics events. Due to the momentum gained from Jamaica's recent global athletic victories, and a growing global sports tourism industry, this sector offers the country an opportunity to diversify its product offerings.
- **Ecotourism.** In 2015, UNESCO named the Blue and John Crow Mountains as a World Heritage Site. These two ranges covers approximately 20% of the island and are home to important cultural and natural traditions. Their forests contain unique flora and fauna, including many endangered species. The mountains have hidden trails, archaeological remains and lookout points across the island. In addition, they have a strong historical and spiritual importance for the island, as they provided refuge for the Maroon community when they escaped from enslavement (UNESCO, 2018). These mountains are a perfect location to attract tourists that are looking for a deep connection with nature. Locally-owned tour operators, such as Sun Venture Tours, offer overnight hiking trips into these mountains, and have begun to develop a global reputation, highlighted in well-known international adventure magazines such as Outside Magazine.

**Market upgrading to diversify the range of visitors for the sun, sand and sea all-inclusive tourism segment.** To date, Jamaica has been highly dependent on the North American market. This is consistent with regional travel patterns for short vacations, and the country's occupancy rates for all-inclusive hotels has been solid comparable to global averages. With the planned investments in new all-inclusive resorts, the country will need to continue to diversify its markets to ensure this high occupancy rate is sustained. In particular, Jamaica has the opportunity to tap into the growing Asian and South American markets. Chinese emergent and affluent middle-class, in particular, are increasingly looking to all-inclusive resorts. Currently, Chinese tourists

account for less than 0.5% of Jamaican visitors. While there are no direct flights from China to Jamaica, there are numerous connections options through Europe, Canada and the US. The growing connectivity of South American markets with Jamaica has already begun to boost tourist arrivals. In the past five years, Chile and Peru have been amongst the fastest growing markets. In addition, the country needs to attract the millennial travelers that by 2020 will represent more than 50% of all travelers.

## I Introduction

Tourism is a dynamic source of economic growth throughout the world; the sector's expansion has outpaced that of world trade over the past five years (UNWTO, 2017b). The industry's direct effect to global GDP was estimated at 3.1%, and tourism's growth rate—also 3.9%—was higher than many other sectors, including agriculture, manufacturing, retail and financial services.<sup>7</sup> Indirect contributions are even higher: it supported an estimated 292 million jobs in 2015 and indirectly accounted for 10% of global GDP between 2015 and 2016 (UNWTO, 2016a).<sup>8</sup> Because of the expansion, tourism generated close to 7% of the world's total exports in 2016 (UNWTO, 2017b). The vitality of the industry is not confined to any one region; while Europe remains the most visited continent in the world, Asia Pacific and Africa had the highest growth rates in visitors over the decade from 2006-2015.

Tourism is the most important economic activity in Jamaica, as it is for most of the Caribbean. The total contribution to the country's GDP was estimated to be 30.3% in 2016 and the sector employed just over a quarter of the labor force. The country's beaches attract thousands of tourists each year. As a result, Jamaica's tourism sector is strongly focused on that segment, which accounts for close to 90% of arrivals. Jamaica is the fourth largest destination in the Caribbean with over 2 million visitors annually after Dominican Republic, Cuba and Puerto Rico.

While the sector continues to grow, with arrivals increasing by approximately 12% over the past decade, Jamaica's participation in the tourism GVC has been relatively static. The country currently offers one primary product – sun, sand and sea, sold by primarily foreign-owned all-inclusive resorts to a predominantly middle-aged North American market. With the exception of Sandal's resorts, there is limited participation of local firms in the industry in the hotel, restaurant, transportation or excursion stages. With new global travel alternatives emerging as air travel becomes easier and a changing age and cultural profile of global tourists, Jamaica must upgrade its position in the GVC both to remain relevant as a destination, but also to take advantage of the new opportunities that are emerging. The country should capitalize on its competitive advantages and develop new tourism products such as sports tourism and ecotourism. However, this opportunity will require a master plan involving a wide range of stakeholders with a clear mandate.

This report uses the Duke Global Value Chain Center framework to assist local and regional stakeholders' efforts to boost the Jamaican tourism sector. The Global Value Chain (GVC) framework helps policymakers better understand how the global tourism industry is evolving and assess Jamaica's current position in the chain with the goal to identify opportunities for economic upgrading that can provide returns for small and medium-sized enterprises (SMEs) in the country. The report is structured as follows: It first provides an overview of the tourism GVC to present a clear understanding of the scope of the industry, how markets are structured and how changing distribution of demand and supply destinations alter structural dynamics. It then analyzes the domestic industry within Jamaica, first detailing the country's position in the chain as well as recent characteristics and trends. After examining Jamaica's position in the chain, it outlines the organization and governance found in the local landscape.

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<sup>7</sup> The WTTC defines direct contribution to GDP is as follows: "GDP generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists (WTTC, 2017a)."

<sup>8</sup> Unless otherwise specified, the global and regional statistics cited in this section are compiled by the World Travel & Tourism Council (WTTC). <http://www.wttc.org/datagateway/>.

After the analysis of Jamaica’s role in the sector, the paper then examines Costa Rica and Peru’s experiences in the tourism sector to extract useful lessons for the country’s growth. These two cases offer important examples of successful introduction of new tourism products, ecotourism in Costa Rica and gastronomy tourism in Peru. Driven by both product quality standardization and improvement, and national marketing campaigns at home and abroad, these tourism products have become so strong that they currently define the tourism brand for both countries. While in distinct product segments, both countries have also successfully leveraged these themes to support the engagement of locally owned SME enterprises in the industry. The report concludes by identifying upgrading trajectories for Jamaica as well as recommendations to allow these strategies to take root.

## 2 The Tourism Global Value Chain

Tourism is a dynamic source of economic growth throughout the world; the sector’s growth has outpaced that of world trade over the past five years (UNWTO, 2017b). The industry indirectly supported an estimated 292 million jobs in 2015 and indirectly accounted for 10% of global GDP between 2015 and 2016 (UNWTO, 2016a).<sup>9</sup> Its direct effect to global GDP was estimated at 3.1%, and tourism’s growth rate—also 3.9%—was higher than many other sectors, including agriculture, manufacturing, retail and financial services.<sup>10</sup> Because of the expansion, tourism generated close to 7% of the world’s total exports in 2016 (UNWTO, 2017b). The vitality of the industry is not confined to any one region; while Europe remains the most visited continent in the world, Asia Pacific and Africa had the highest growth rates in visitors over the decade from 2006-2015.

With its idyllic beach settings and unique cultural experiences, tourism is a significant economic activity in the Caribbean. All forms of tourism accounted for 15% of the Caribbean’s GDP in 2016, which was the largest share of any region in the world (WTTC, 2017c). Buoyed by two years of strong growth in visitor arrivals in 2015 and 2016 (7% and 5%, respectively) (CTO, 2015; UNWTO, 2017b), tourism also accounted for the highest share of total employment, capital investments and visitor exports in the Caribbean of anywhere in the world (WTTC, 2017c). The Caribbean saw an increase of 5% in international tourism arrivals in 2016, reaching 25 million arrivals, accounting for 12.7% of the global market by volume (UNWTO, 2017b).<sup>11</sup> Jamaica accounted for 9% of those arrivals (UNWTO, 2017b). The lion’s share of travel spending in the Caribbean is for leisure travel, which accounted for 89% in 2016, compared to 11% on business tourism (WTTC, 2017c). Leisure tourism is thus the focus of this report.

Table I provides a summary of tourism’s contribution to various regions and highlights many of these trends. The table is ordered by the direct contribution to GDP, and global rankings are listed while the share is in parenthesis.

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<sup>9</sup> Unless otherwise specified, the global and regional statistics cited in this section are compiled by the World Travel & Tourism Council (WTTC). The WTTC data can be accessed through the WTTC website: <http://www.wttc.org/datagateway/>.

<sup>10</sup> The WTTC defines direct contribution to GDP is as follows: “GDP generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists (WTTC, 2017a).”

<sup>11</sup> The region’s global market share has been relatively constant between 2014 and 2016, at 12.4 and 12.7% respectively (UNWTO, 2017b).

**Table I. Regional Rankings for Tourism’s Direct Contribution to Economies, 2016**

	Direct Contribution to GDP (%)	Direct Contribution to Employment (%)	Share of Total Investments (%)	Share of Visitor Exports (%)
<b>Caribbean</b>	<b>1 (4.7%)</b>	<b>5 (4.2%)</b>	<b>1 (12.3%)</b>	<b>1 (20.7%)</b>
Southeast Asia	2 (4.7%)	7 (3.6%)	4 (6.8%)	4 (8.6%)
North Africa	3 (4.4%)	6 (4.2%)	2 (7.3%)	3 (10.7%)
European Union	4 (3.7%)	1 (5.0%)	9 (4.9%)	11 (5.9%)
Oceania	5 (3.5%)	3 (4.9%)	7 (5.5%)	2 (12.5%)
Middle East	6 (3.3%)	8 (3.1%)	3 (7.2%)	7 (8.0%)
Latin America	7 (3.2%)	10 (2.9%)	5 (6.0%)	8 (7.3%)
South Asia	8 (3.2%)	2 (5.0%)	8 (5.4%)	10 (6.1%)
North America	9 (2.9%)	4 (4.6%)	11 (4.3%)	6 (8.0%)
Sub-Sahara Africa	10 (2.6%)	11 (2.4%)	6 (5.6%)	5 (8.6%)
Other Europe	11 (2.6%)	13 (1.8%)	10 (4.5%)	9 (7.0%)
Northeast Asia	12 (2.5%)	9 (2.9%)	13 (3.1%)	12 (5.6%)
Central Asia	13 (1.6%)	12 (1.9%)	12 (4.3%)	13 (0.4%)

Source: WTTC, 2017a. **Note:** The table is sorted by direct contribution to GDP.

While tourism in the Caribbean is a mature industry, changing dynamics in the global market present new opportunities and challenges for countries in the region. Three of the most important trends that will shape the way that these countries can benefit from tourism in the future are: (1) Rapid uptake of mobile and social media by tourists, (2) Increasingly important role of millennials and Generation Z travelers, and (3) an increase in share of Asian travelers. These trends are discussed in further detail below.

**Increase use of mobile & social media:** The use of mobile and social media channels in the tourism industry has significantly increased over the past five to ten years, with a considerable impact on the tourist-provider relationship (Gonzalo, 2016; Wong, 2016). Today, tourists increasingly review, select and book their travel experiences based on social media reviews, such as TripAdvisor and do so on their mobiles. It is estimated that leisure travelers read an average of 6-7, and as many as 20 reviews before making a reservation, while mobile bookings increased 1,700% between 2011 and 2015 to account for 18% of the tourism market (Gonzalo, 2016). These new communication channels are creating opportunities for travel providers to reach their markets and drive growth. Activity providers in one survey, for example, saw an increase of 30-40% after establishing a mobile reservation channel (TrekSoft, 2016). This is driving a need for new capabilities in the sector including trend monitoring, micro-targeting and digital, mobile and social media marketing. Due to the importance of online reviews in tourist decision making, highly responsive customer service has also become more critical than ever, and service providers must have the capability to resolve conflicts to protect their online brands around the clock (BCG, 2013).

**The rise of millennials and Generation Z requires new products, budgets and purchasing channels:** As the millennials and Z generations come of age and join the global workforce, they are rapidly becoming the largest share of global travelers. By 2015, 15-29 year olds already accounted for 29% of all travelers (UNWTO & WYSE, 2016); they will account for an estimated 50% by 2020 (BCG, 2013). The rise of this new generation has significant implications for the tourism industry in terms of demand for types of tourism products, costs, and purchasing channels. In particular, as these younger generations begin to travel more than in the past, they are looking for newer, more adventurous and authentic experiences (IPK International, 2017). Less

concerned about political unrest and other safety considerations, they seek out opportunities to experience a location as a 'local'. In general, they are deal seekers, using online aggregators and sharing sites such as Kayak, Expedia and Airbnb to book a growing share of their travel (BCG, 2013; Wong, 2016). They also tend to use their mobile devices as a key tool for travel research, review and booking (BCG, 2013); indeed, their increasing presence in the global tourism industry is one of primary drivers of the shift towards high mobile and social media use. Some estimates suggest that just one in four visit a national tourism website in their research (Bizirgianni & Dionysopoulou, 2013), and rather tend to be more highly influenced by posts from their peers or social media influencers (Wong, 2016). Seeking a shared experience, they tend to travel in groups, post photos to social media, and review travel experiences online (BCG, 2013). Travel providers will have to adapt to this new reality.

**Asia Pacific, in general, and China, in particular, are becoming more and more important drivers of global tourism.** In 2016, Asia Pacific accounted for 26% of outbound tourists with some 316 million travelers, trailing behind only Europe (48%). 1/3 of the region's travelers were Chinese.<sup>12</sup> While China's leadership is nothing new, having led outbound tourism since 2012, Chinese expenditure habits are changing. In 2016, expenditure (12%) grew twice fast as the number of outbound tourists (6%); and the country had extended its 5-year lead over the US (the next largest contributor), doubling the US's expenditure (US\$261B compared to US\$123 B) (UNWTO, 2015, 2017b). In addition, there is growing interest in the beach holiday (sun, sand and surf category) amongst Asian travelers as the site-seeing category matures, with the beach category growing 20% over the first half of 2016 (IPK International, 2017). A growing share of these tourists are younger than their US and European counterparts; about 38% of Asians taking international trips are aged between 15-34 while a further 49% are aged 35-54, and only 13% are aged over 55 (IPK International, 2017). It is estimated that the region will account for 57% of the world's 15-35 year olds by 2030 (PATA & Toposophy, 2016). This younger generation are also slightly better educated, and are spending big –albeit funded by their parents; 1 in 5 stay in at least a four-five-star hotels, 37% use parents credit cards to pay for their travel (IPK International, 2017; PATA & Toposophy, 2016). Although they are globally curious, they are more conscious of their personal safety than their Western counterparts.

## 2.1 The Tourism Global Value Chain

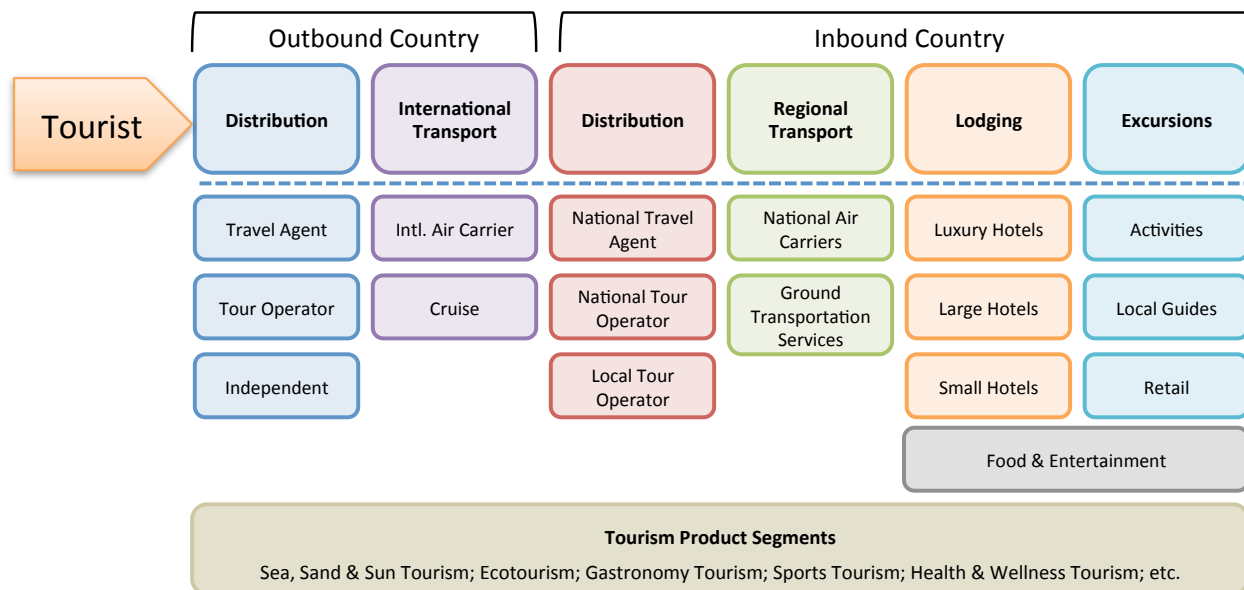
Following Christian (2010), the global leisure tourism value chain presented in Figure 1 uses the international tourist as a focal point. Tourism is a complex industry to visualize because services included combine multiple sectors with a wide range of products and services that interact to provide an opportunity to fulfill a tourist experience (Clancy, 2008; Judd, 2006). Placing tourists at the center of the chain acknowledges how consumption and production take place simultaneously, combining tangible components with (e.g., hotel, restaurant, or air carrier) and intangible parts (e.g., sunset, scenery, mood) (Judd, 2006, p. 325). This approach also allows the framework to be used to unpack the great variety of tourist preferences (e.g. budget/comfort level) and products. For example, these include sun, sand and sea or beach tourism, ecotourism, adventure tourism, gastronomy tourism amongst others. A tourist's demographics, socioeconomic status, and overall taste preferences shape the choices they make when buying and experiencing tourism activities.

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<sup>12</sup> 70% of these trips however, are to Hong Kong and Macau. But, their real international tourism numbers are still high at 39 million (US is 74 million by comparison. (IPK International, 2017).



**Figure 1. Global Tourism Value Chain**



Source: Adapted from (Christian, 2010).

The first stage of the tourism GVC is **distribution** in the outbound country. In the past, tourists' destination or trip type were inspired by mass marketing campaigns. Today, the increased use of social media and digital marketing means that the tourist experience begins with "inspiration" from sites such as Facebook, Trip Advisor and Google Travel. Micro-targeting solutions are offered by a growing number of firms, including large distributor and social media influencers. Tourists then typically undertake considerable independent online research regarding their destinations. This is followed by the decision of how they will purchase their tourism products or components of trip. Travel agents and tour operators are the main distribution intermediaries. Commonly, travel agents act as the retail outlet for tourism products – transportation, lodging, excursions, and hold no inventory. Tour operators tend to be wholesalers; they purchase in block airline seats, hotel rooms, and excursion activities and bundle these segments in various package arrangements. The packaged product is then sold via a travel agent or directly. Tourists can also bypass a distribution actor and book directly all or some of their trip components.

The next stage is **international transport**. The most common international transport mode is with international air carriers but cruise services are a popular option, as well. International distribution and transport are based in the outbound countries, but there is **regional distribution and transport** segments based in the inbound country. Inbound countries have their own distribution actors and often work directly with international distribution firms. For example, national tour operators work as incoming agents or destination management companies (DMC) to organize and execute the destination components of a global tour operator's package tour. When this is the case, national tour operators meet tourists at the airport and escort them to their series of destination activities.

While in the inbound country, tourists engage in a number of events that include local transportation (air or ground), lodging, and excursions, and food. **Lodging** options range across

the luxury and size scale. **Excursions** are the local activities representative of the tourism product, such as cultural or natural assets of the destination. For beach tourism, the activities might include snorkeling, sailing, or surfing. For cultural tourism, a guided tour around a configuration of monuments, or a wine tour may be activities. For gastronomy tourism, this can include restaurant tours and visits to local markets. Many excursion activities are executed by local guides whom take on the role of area experts. Retail may also be considered as part of excursions as visiting local bazaars, or artisanal centers.

As a fragmented industry, except for international airfare, most segments of the value chain are characterized with a diversity of organizational, ownership, and operational business structures. Large corporations coexist with small and medium enterprises (SMEs) and micro businesses. Within the value chain the value-added activities focus on organization, coordination, and marketing. International tourism demands a sophisticated level of coordination and marketing that reaches tourists based in numerous countries and regions. Firms that have coordination capabilities and marketing prowess carry the most value. International distribution actors, and hotels based in destinations that are managed by foreign brands, typically hold these functions. Box I highlights the most prominent of these actors.

### **Box I. Key Actors in the Tourism Global Value Chain**

**Travel agents** are the distribution intermediaries who interact directly with consumers most commonly, acting as a retailer for products that tour operators assemble. As the primary point of contact, one of the travel agents' most immediate value additions is communicating with the traveler, which helps build trust that the experience will conform to expectations (Christian & Nathan, 2013).

**Online travel agents:** These are online portals that, like traditional brick and mortar travel agents, retail tourism products. Online systems have been very successful in establishing markets share for "DIY" travelers willing to put together their own itineraries. However, they do not yet operate in the itinerary-based tourism operations that travel agents are popular for.

**Tour operators** purchase services from individual providers and assemble them into leisure tourism products. The tour operators' most significant value addition is its knowledge of its local market, which allows it to make critical decisions of what products to sell and how to sell them while also wielding power over suppliers. Tour operators can be **local, regional, or global**.

Globally, the most **prominent leisure tour operators** are integrated companies with multiple brands that specialize in various tourism products (cruises, safaris, etc.). Some of the largest include Thomas Cook Excursions, TUI AG and Flight Centre. Local or **inbound tour operators** package local services and either sell them direct to international consumers or work for global tour operators facilitating in-country operations.

**Global Distribution Systems (GDS):** These are platform companies that serve as marketing channels for service providers and tour operators, and reservation systems for travel agents. These platform firms play a particularly important role in the tourism industry, with approximately half of all airline flights being booked through GDS operators.

**Service Providers:** These include accommodation, transportation, hospitality and activity providers to or at the tourist destination. Actors range from local SMEs to large multinational hotel chains/restaurants and airlines. Some products and services fit into multiple segments; restaurants or food and beverage can be considered both hospitality and excursions. Many excursion experiences, especially related to eco-tourism, are offered through local guides.

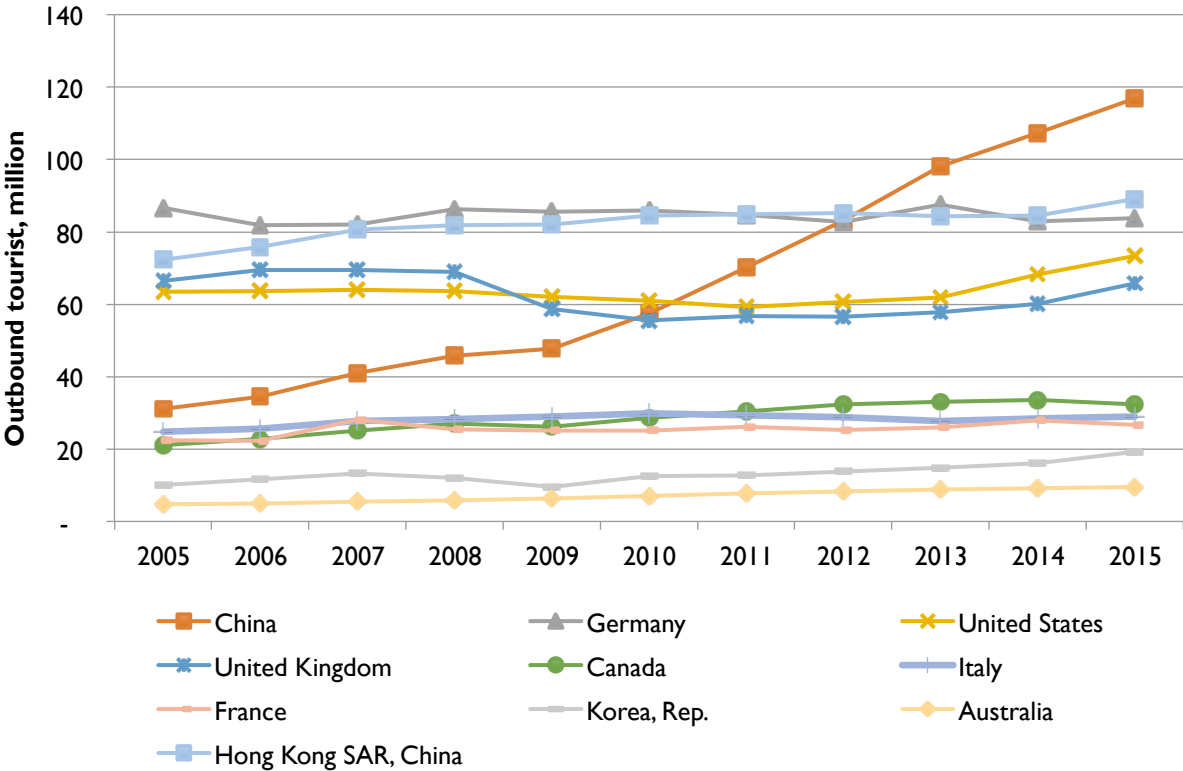
Sources: Authors based on Daly and Guinn (2016).

## 2.2 Global Trade in the Tourism Global Value Chain

### 2.2.1 Global Demand

Global outbound tourism over the past decade has been led by the European Union (EU), with the region consistently accounting for the highest number of outbound departures, supported by strong demand from the UK and Germany. In 2016, the EU accounted for approximately half of all outbound trips (UNWTO, 2017b), this is followed by the US. While these traditional lead markets saw a drop off in travel as a result of the 2008 global financial crisis and its aftermath, they have now rebounded. Nonetheless, this leadership is slowly being eroded by the rise of Asia-Pacific, in general, and China, in particular. Chinese outbound tourism has steadily increased from just 31 million to approximately 120 million in 2015 (see Figure 2) and 135 million in 2016 (UNWTO, 2017b), as foreign travel restrictions have been eased, visa processes simplified, and incomes risen (IPK International, 2017, p. 14). With differing preferences, these changes have the potential to alter the global tourism sector in the not too distant future.

**Figure 2. Leading Tourism Markets by Number of Departures, 2005-2015**



Source: World Bank Statistics Database, based on WTO statistics, downloaded 9/06/2017

**An important share of international travel is regional, with leading outbound markets concentrated on regional destinations.** Chinese outbound tourism is largely made up of travel between Mainland China and Hong Kong and Macau. Overseas travel by Chinese, while growing, was estimated to account for just 1/3 of its outbound trips, with 39 million travelers in 2016 (IPK International, 2017). Similarly, destinations outside of Europe accounted for just 14% of European outbound travel in 2015 (Eurostat, 2017). Mexico and Canada accounted for 56.1% of US citizen

outbound trips in 2016; Central America and the Caribbean account for a further 13.4% (NTTO, 2017).

**This regional focus is evident in the inbound tourism market in the Caribbean.** The Americas (including the Caribbean) account for three quarters of inbound tourists for the region. The US is by far the largest single market and accounts for half of the region’s tourists. Approximately 25% of U.S. non-business tourists (i.e. leisure and visiting friends and relatives) head to the Caribbean, with the largest share visiting the Dominican Republic, Jamaica and the Bahamas (NTTO, 2015a). Likewise, Dominican Republic, and Jamaica have been popular destinations for Canadian travelers over the past five years, although the Dominican Republic has seen the total number of travelers steadily decline during this time (Statistics Canada, 2016). Table 2 indicates the recent breakdown of inbound tourism for the Caribbean through 2016 (CTO, 2014).

**Table 2. Inbound Tourism to the Caribbean, 2010-2016 (million)**

	2010	2011	2012	2013	2014	2015	2016	2010	2011	2012	2013	2014	2015	2016
Total	22.8	23.4	24.6	25	26.5	28.2	29.3	100%	100%	100%	100%	100%	100%	100%
US	11.3	11.4	12	12.3	13.3	14.1	14.6	50%	49%	49%	49%	50%	50%	50%
Canada	2.7	2.9	3.1	3.1	3.3	3.4	3.3	12%	12%	13%	12%	12%	12%	11%
Europe	4.9	5	4.9	4.8	4.9	5.1	5.6	21%	21%	20%	19%	18%	18%	19%
Caribbean	1.5	1.6	1.6	1.6	1.6	1.7	1.7	7%	7%	7%	6%	6%	6%	6%
South America	0.9	1.2	1.4	1.4	1.7	2	1.8	4%	5%	6%	6%	6%	7%	6%
Other	1.6	1.4	1.7	1.9	1.7	1.9	2.2	7%	6%	7%	8%	6%	7%	8%
Regional	16.4	17.1	18.1	18.4	19.9	21.2	21.4	72%	73%	74%	74%	75%	75%	73%

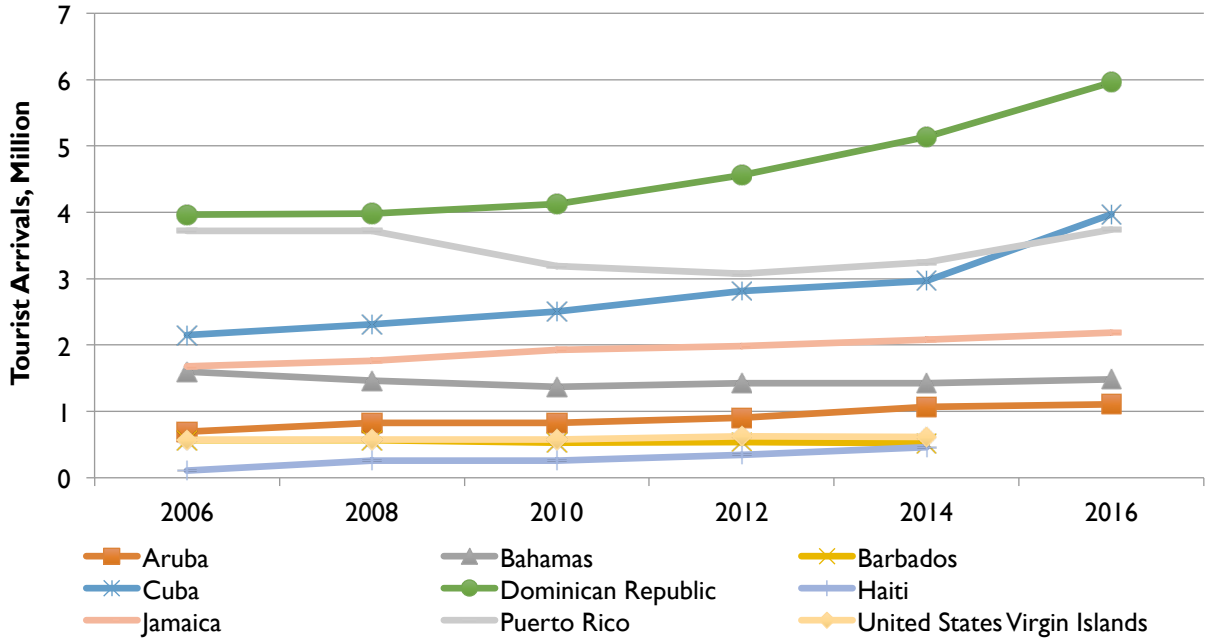
Source: (CTO, 2014)

**Leisure travel accounts for the largest share of US outbound tourism**, at 53% and 27% respectively in 2015 (NTTO, 2015b). Top leisure activities for U.S. travelers in 2015 were sightseeing (83%), shopping (77%), sports & adventure (55%), visiting small town/countryside (47%), gastronomy (42%), visiting historical locations (41%), taking guided tours (39%), visiting art galleries/museums, experiencing cultural/ethnic heritage sites (33%) and visiting national parks/monuments (32%) (NTTO, 2015a). Approximately half (55% - 2014 & 2015) engaged in some sort of sport and adventure tourism activity<sup>13</sup> during that their vacations, with water sports being amongst the most popular (NTTO, 2015a). This has increased slightly over the past few years from 52% in 2012; non-watersports activities have increased by 5% during the same period.

**Travelers concentrate their preferences in four countries in the Caribbean.** As can be seen in the diagram below, Dominican Republic, Puerto Rico, Cuba and Jamaica attract the majority of the travelers to the Caribbean. This region is the primary choice for US travelers in the search to sun, sea and sand tourism with multiple alternatives within a three to four hour flight radius. High competition among countries has forced these locations to compete either on price, or new and niche tourism products. Cuba and Dominican Republic have the higher growth rates on tourism arrivals. Cuba almost doubled the number of arrivals in just 10 years, while the Dominican Republic increased the number of arrivals from 3.9 million in 2006 to 5.9 million in 2016.

<sup>13</sup> Includes watersports, camping/hiking, sports events, ski/snow sports, fishing/hunting, golf/tennis and eco-tourism.

**Figure 3. International Arrivals, Leading Caribbean Destinations, 2006-2016**



Source: Author based on (UNWTO, 2017b).

**2.3 Lead Firms and Governance**

The way in which an international tourist purchases their tourism products – transportation, lodging, and activities – has important consequences for developing countries. **There are many forms of tourism distribution channels.** Traditionally, intermediaries such as travel agents and tour operators are key actors in linking outbound tourists to global destinations. Most distribution channels serve the purpose of providing information, bundling tourism products, and confirming and paying for reservations (Buhalis, 2001, p. 8). Many tourists from developed countries choose to mitigate risk and uncertainty of international travel by working with firms based in the developed world for their trip planning services but tourists can choose to use multiple distribution channels at the same time, or by-pass others. Common distribution channel choices are working with an intermediary like a travel agent or a tour operator, booking with a vertically integrated travel company such as a cruise line, or by independently selecting and booking. The independent selection route is potentially where many developing countries can capture more economic gains by pushing out global middlemen; however, global intermediary firms provide decisive marketing strength and tourism access that many developing countries lack.

Lead firms in the leisure tourism global value chain have the ability to assemble and package individual services into cohesive tourism experiences. Their power derives from their ability to draw on the capabilities of large, global networks of service providers while also having direct access to consumers or travel agents (Christian, 2013). Most often, these actors are distribution intermediaries, with online portals, tour operators and Destination Management Companies (DMCs) being among the most prominent. In some cases, powerful individual service providers such as international airlines and hotels may act as lead firms by bundling and selling tourism products. The specific firms and power dynamics within the GVC have changed considerably over the past two decades, as a result of the rise of new, disruptive information technologies and the changing

characteristics of the customer base. Understanding these dynamics among these lead firms is essential for service providers in developing countries that are seeking to upgrade.

In the 1990s, the introduction of IT in the tourism sector disrupted the traditional powerbase of travel agents and global tour operators, giving way to the emergence of two sets of large firms that controlled access to market: global distribution systems (GDS) and, slightly later, online travel agents (OTAs). GDSs are largely unseen by the public, but provide transaction-based platform services for connecting travel agents with service providers, such as airlines and hotels, around the world. Over the past two to three decades, these firms have consolidated their market position and the sector has matured. Today, three GDS companies – Amadeus (Spain), Sabre (Texas) and Travelport (US) control 95% of the market; these firms are strongest in the airline industry, controlling approximately half of all global ticket sales, although non-air still accounts for sizable sales (O'Neill, 2017).

Similarly, online travel agents (OTAs) have become increasingly powerful. Early OTAs included Travelocity, Orbitz, Priceline and Expedia. Priceline and Expedia have gradually acquired their competitors and control the majority of Western markets; Priceline's brands today include well-known names such as Kayak, Booking, and Agoda, while Expedia own Orbitz, Hotels.com and Travelocity. In terms of annual revenue, the leading firms, Expedia and Priceline, are the largest distribution intermediaries in the travel industry, with combined sales of about \$15 billion in 2017 (Statista, 2017a, 2017b). Expedia and Priceline have also posted the highest growth rates over the last five years of any distribution intermediary in all distribution channels (Daly & Guinn, 2016). In the hotel segment, although in-person and/or direct reservations continue to dominate the industry, indirect sales through OTA are growing rapidly, gaining a 2% market share per annum in the US. In 2016, OTAs accounted for 27% of hotel reservations (Lomanno, 2017).<sup>14</sup> The Chinese market is driven by CTRIP, which only takes bookings in China; the company is growing extremely fast, with its most recent quarterly results up 46% from 2016 (Ctrip, 2017). Priceline and Expedia both own shares of the company.

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<sup>14</sup> Direct booking is most prominent in markets with high concentrations around airlines and hotel chains, such as in the US, where loyalty programs help to drive customer returns. Where the market is more fragmented, OTAs play a more important role in offering options.

**Table 3. Online Travel Agents**

Online Travel Agents	Prime Market	Brands	Market Capitalization (2018)	Business Model
Priceline	Global (Launched in Europe 1997).	Kayak Booking Agoda OpenTable Rentalcars.com	US\$88.6Billion	Agent – fee-based sales
Expedia	Americas (Originally Microsoft 1996)	Expedia Orbitz Travelocity Hotels.com	US\$19.1 Billion	Inventory and repackaging
CTRIP	China	Ctrip.com	US\$24 Billion	

Source: (Bloomberg, 2018; Daly & Guinn, 2016)

Shifting technologies, including the rise of mobile and big data analytics, however, have altered the dynamics between these firms. At the same time, airlines and hotels are also under tremendous pressure from low-cost alternatives and the sharing economy, and are thus seeking new ways to drive revenues. With the growing availability of data allowing providers to highly personalize sales, these providers are eager to circumvent both the GDS and OTAs for sales giving them direct access to the market. Currently, these distributors are able to analyze market data to drive their revenues, while also taking commissions of up to 30% (Barthel & Perret, 2015). Aggressive new direct booking campaigns have been launched both by airlines, American Airlines, IAG (British Airways, Iberia, etc.) and Lufthansa, and hotels (O'Neill, 2017). IAG recently followed Lufthansa's 2015 strategy and began applying surcharges to tickets booked through GDSs. In the hotel segment, large hotel chains including the Marriot and Hilton have increased their direct booking alternatives for loyalty members in an effort to stem the flow of customers towards OTAs. There are a host of small technology providers that are facilitating these ambitions, including Google (ITA Software, Destinations on Google) and Farelogix (IPK International, 2017). In lodging, in all major markets, direct online sales have increased (Table 4), although at a slower rate of conversions to OTAs (Euromonitor Data, 2017).

**Table 4. Share of Online Sales Channels, Select Major Markets 2012 and 2017**

Country	Online Channels	2012	2017
China	Direct	1.5%	9.3%
	Indirect	7.3%	26.5%
US	Direct	19.5%	20.2%
	Indirect	17.7%	25.4%
Canada	Direct	15.3%	18.4%
	Indirect	14%	20.8%
France	Direct	8.3%	11.1%
	Indirect	30.1%	36.2%
Germany	Direct	9.9%	14%
	Indirect	23%	33.4%

Source: (Daly & Guinn, 2016)

GDS firms including Sabre and Amadeus have responded by making their systems more user-friendly (Sabre Red Workspace – “build travel experiences rather than itineraries”), diversifying (Amadeus and Sabre both have very strong IT software operations for airports) and innovating –

building new systems to support the meta search engines and the changing profiles of travel agents serving the leisure tourism segment in particular (O'Neill, 2017). This latter category is increasingly independent (hence fragmented) contractors, who have had to strengthen their value proposition for the evolving customer base which is increasingly likely to book online. Their ability to establish itinerary based tour packages, provide personal attention to travelers, and leverage their personal connections with suppliers in country to customize the experience. This latter will be particularly appealing to the millennial travelers (MT) of the future.

### **2.3.1 Human Capital**














The global tourism industry supports 284 million jobs – 1 in 11 jobs in the global economy (WTTC, 2017a). Tourism in the Caribbean alone employs 725,500 in direct jobs and twice that in indirect employment (WTTC, 2017a).

Each tourism subsector has a wide range of jobs with varying levels of technical and nontechnical skills.<sup>14</sup> In particular, success in the industry relies heavily on good interpersonal skills (Burns, 1997). The jobs that have direct contact with tourists—hotel front office, tour operator, airline agent, and guide—call for strong language and communication skills, courtesy, ethics, friendliness, good behavior, discipline, conscientiousness, self-confidence, adaptability, creativity, and punctuality (ILO, 2010). International tourists also expect destination service providers to speak their language; while in most cases, English suffices, increasing tourism from Asia and Latin America has placed a premium on additional foreign language skills. Management-level positions require undergraduate degrees in hotel business management, tourism management, and related fields, in addition to on-the-job training and experience. Today a significant proportion of these positions also require computer and/or mobile literacy. Other technical skills required for tourism include culinary skills, wait service, room preparation, and housekeeping, among others. Notably, most positions in the sector require formal education or training at a technical school or university.

Tourism also offers significant opportunities to drive female employment (Christian & Nathan, 2013). Overall, women are represented in multiple job categories in all segments of the value chain but are overrepresented in accommodations and food and beverage. Within these segments, they are engaged mostly as low- to mid-skill workers in hotels (for example, housekeeping, laundry, and food and beverage); and as independent workers or entrepreneurs (for example, artisans, retail vendors, and support staff in family restaurants). While the number of women involved in the industry varies by destination, this pattern is reflected in the Caribbean. In hotel and restaurant jobs, with 55.4% the region trails only Latin America (58.5%) in the highest participation of females in the tourism industry. Indeed, Jamaica and Barbados have even higher rates – with 64% and 61% respectively (UNWTO, 2011). At the same time, women are less represented in transportation and tour guide segments. In terms of conditions of work, globally, women are well represented in formal tourism employment. However, women are more likely than men to be working in administrative or service roles, are less likely than men to reach professional-level employment, and as a result, average wages are lower than men's. However, the Caribbean scores well in this category, and has the highest gender equality in tourism salaries amongst global regions, receiving 95% of men's pay for similar work (UNWTO, 2011).



**Table 3. Job Profiles in the Tourism Global Value Chain**

Position	Job Description	Formal Education Requirements	Training/ Experience	Skill level
<b>Distribution</b>				
Local Arranger	Sells and arranges tours in local destinations and acts as a broker between guides, excursion operators, and tourists.	High school diploma/technical education	Management and soft skills	
Travel Agent	Promotes tourism destinations; plans, organizes and sells tour packages and provides general travel information and assistance. Must be licensed/certified.	Certification program, technical education	Technical training	
Tour Operator	Designs, plans, and arranges package tours, negotiates rates with suppliers, and sells travel products. Most are licensed/certified.	Technical certification/ Bachelor's degree for owner	Internships for support staff Management and soft skills.	
<b>Transportation</b>				
Transport drivers	Responsible for transporting tourists to and from airports, hotels, and sites. Most are licensed.	No formal education required, licenses, insurance	On-the-job training	
Airline Agents	Responsible for sales and customer service including tickets, reservations, check-in, missing baggage and cargo shipments.	High school diploma/no formal education	On-the-job training	
Airport/ Airline Maintenance	Responsible for facilities and equipment maintenance, cleanliness, and safety.	Specialized certificates and licenses	Technical training, internships	
Airport Manager	Plans, organizes, directs, controls, and evaluates the operations of facilities. Oversees safety and security systems and procedures. Hires and trains staff.	Business-related Bachelor's degree	Management and technical training	
Pilots	Responsible for air transportation. Requires aeronautics specialties, safety procedures, weather system management, etc. Must be licensed.	Specialized flight schools and licenses, further airline training	Flight hours, specialized courses	
<b>Lodging</b>				
House-keeping	Responsible for cleanliness, room preparations, laundry, inventory, and maintenance.	No formal education required; literacy and numeracy skills	On-the-job training	
Food and beverage	Plans, organizes, and operates hotel room service, bar, restaurants and/ or other food and beverage services.	Technical certificate or diploma program	On-the-job training and internships	
Front Office	Responsible for front desk operations (check in and check out), customer feedback, and customer assistance; and manages reservations and room assignment.	Technical diploma or certificate program	Technical and on-the-job training and internships	
Management	Responsible for hotel operations, budgets, supervising quality standards, hiring and training staff, enforcing hotel policies, and monitoring profitability.	Technical degree /diploma or business/tourism Bachelor's degree	Management and soft skills; on-the-job training	
<b>Excursions</b>				
Retail	Offers tourist products such as artisanal crafts and souvenirs for tourists to buy.	No formal education required	On-the-job training	

Local Guide	Plans excursion itineraries, arranges transportation to site, leads individuals or groups, and advises on safety and emergency measures. Must be licensed/certified	Certificate programs	On-the-job training	
Excursion Operator	Guides activities and provides specific services such as canoeing, rafting, mountain climbing, camel riding, and bicycling. Most are licensed.	Technical certificate programs licenses, insurance	On-the-job training	

Source: Duke GVCC.

Skill Level					
	No formal education; experience	Literacy and numeracy skills; experience	Technical education/certification	Technical education/undergraduate degree	University degree and higher

### 3 Jamaica in the Tourism Global Value Chain

Tourism is the most important economic activity in Jamaica. The total contribution to the country's GDP was estimated to be 30.3% in 2016.<sup>15</sup> That year, the sector directly and indirectly supported around 318,500 jobs, around 27.5% of the labor force (WTTC, 2017d); including the highest female tourism employment in the region (64%).<sup>16</sup> Beautiful white sand beaches attract thousands of tourists each year mainly for family vacations and honeymoons; the "all inclusive" model is the most prevalent on the island. As a result, Jamaica is strongly focused on leisure tourism (73%), which together with visiting family and friends (16.5%), accounts for approximately 90% of arrivals (JTB, 2017).

**Table 5. Relative Contribution of Tourism to Jamaican Economy**

Variable	Jamaica	Caribbean Average	Global Average
Direct contribution to GDP	9.3%	4.7%	3.1%
Total contribution to GDP	30.3%	14.9%	10.2%
Direct contribution to employment	8.4%	4.2%	3.6%
Total contribution to employment	27.5%	13.4%	9.6%
Share of total investments	12.1%	12.3%	4.4%
Percentage of total exports	58.2%	20.7%	6.6%

Source: (WTTC, 2017d)

Jamaica saw international tourism arrivals increase by 2.8% between 2015 and 2016, reaching 2.18 million. International tourist receipts that year reached US\$2.54 million (UNWTO, 2017b). Jamaica's tourism sector is driven primarily by the North American demand; 81% of the country's arrivals are from the region, with Canada and the US accounting for 18% and 63% respectively (UNWTO, 2016a). Only 14% of tourists derive from outside of the Americas (UNWTO, 2016a).

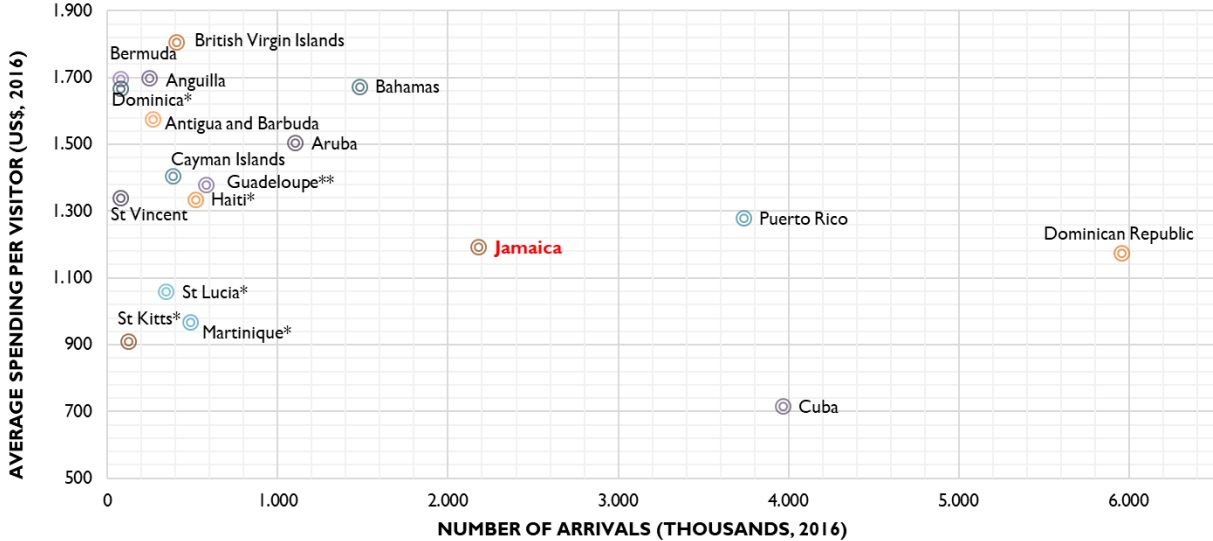
<sup>15</sup> In 2016, the direct contribution of tourism to the countries' GDP is estimated in 9.3%.

<sup>16</sup> Tourism directly supported 97,000 jobs, around 8.4% of the total employment in 2016. According to the 2011 UNWTO Global Report on Women in Tourism, Jamaica have the highest female employment in hotels and restaurants in the Caribbean (UNWTO, 2011).

Asian arrivals have increased over the past five years, but at just 13,000 still only account for less than 1% (UNWTO, 2016b). Reflecting global trends, Chinese tourists account for approximately 1/3 of total Asian arrivals (JTB, 2017).

As shown in Figure 4, in 2016 Jamaica, with 2.1 million arrivals, is one of the leading destinations in the Caribbean after the Dominican Republic (6.0 million), Cuba (4.0 million), and Puerto Rico (3.7 million). Dominican Republic arrivals almost triple those of Jamaica. Expenditure is higher than these other popular destinations, although lower than other islands known for their high-end, luxury tourism, such as the British Virgin Islands.

**Figure 4. Caribbean Tourist Arrivals and Expenditure (per Capita) per Year, 1996-2016**



Source: (UNWTO, 2017b). **Note:** \* data from 2015

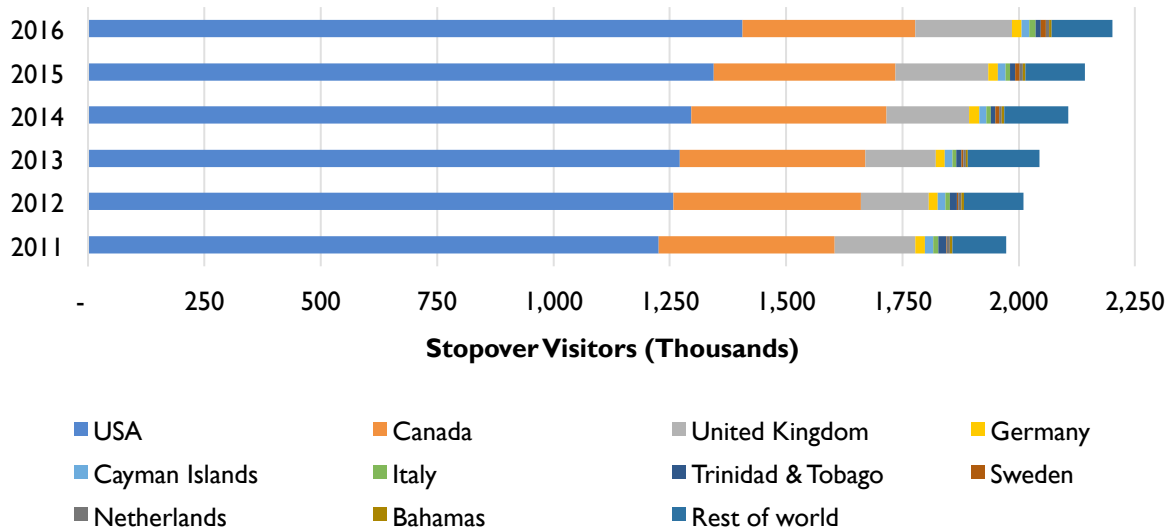
**3.1 Jamaica’s Current Participation in the Tourism Global Value Chain**

Jamaica’s participation in the tourism GVC is primarily based on the all-inclusive sun, sand and sea vacation product (Scott, 2017). The country attracts primarily tourists from English-speaking markets in North America and the United Kingdom (UK). The majority of these tourists are over the age of 35 traveling as couples, young families, retirees or wedding guests. Generally, international tourists enter the country, and travel directly to their hotel where they remain for the duration of their stay; on average, for the past five years this has been for 8.8 days.<sup>17</sup>

The number of tourists visiting Jamaica has increased by 12% since 2011, comparable to growth in the rest of the region. As seen in Figure 5, the origin of tourists to Jamaica has remained fairly constant over the past five years, with the majority of tourist coming from the US (63%), followed by Canada (19%) and the UK (9%). Jamaica’s dependence on the North American market (82%) is higher than the regional average (61%) for the Caribbean (see Table 2).

<sup>17</sup> This is the length of Saturday through the following Sunday, allowing working-age travelers to take only one week of vacation time.

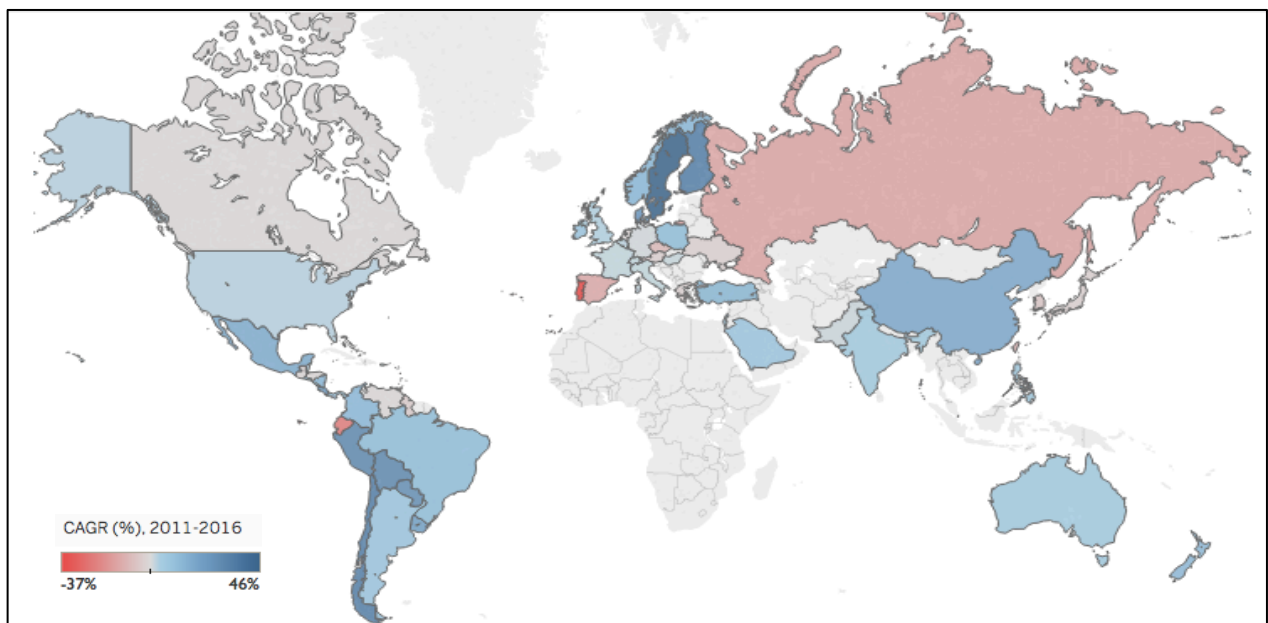
**Figure 5. Stopover Visitors by Country of Residence, 2011-2016 (Stacked)**



Source: (JTB, 2017)

Growth has been driven primarily by the US market, accounting for 78% of the increase in arrivals between 2011-2017. Nonetheless, as the most mature market for Jamaican tourism, the CAGR is considerably lower than others. Figure 6 illustrates the CAGR for tourist arrivals by origin for 2011-2017. New notable sources of demand include Latin America and Scandinavia. Increased travel from Latin American markets has been driven by improved connections by COPA, a major airline carrier in the region. Likewise, the decline in arrivals from Russia, Spain and Portugal has been the result of the reduction of direct flights and easy connections.

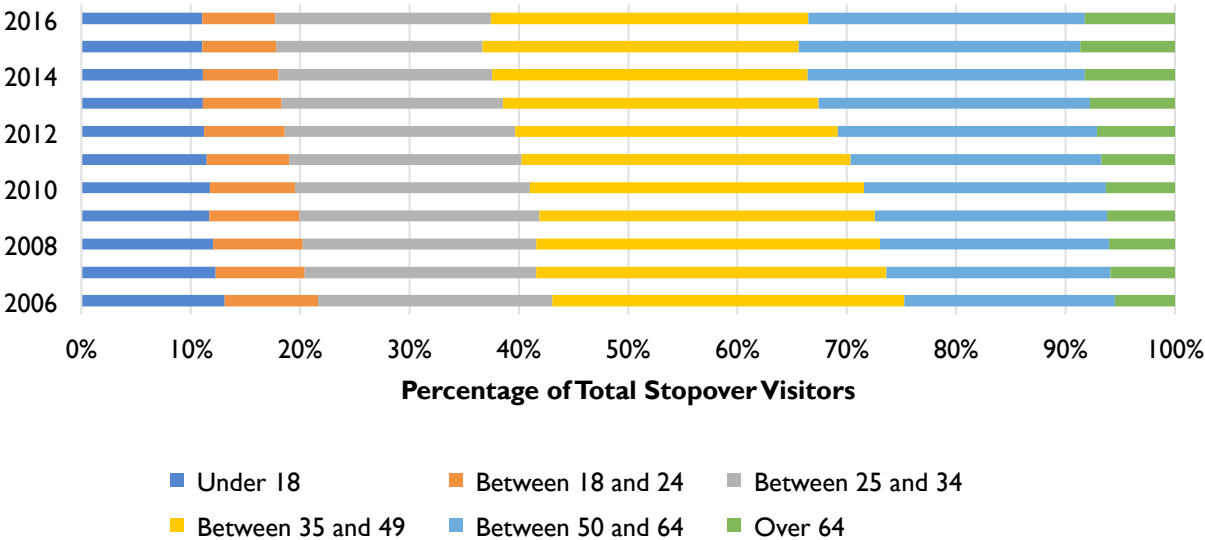
**Figure 6. Jamaica Tourist Visitors CAGR 2011-2017**



Source: (JTB, 2017).

The Figure 7 shows the age composition of the Jamaica visitors. Age-wise, 35-49 year olds make up the largest share of visitors with 29% in 2016, followed by 50-64 (25%). The smallest shares are from over 64 years and 18 to 24 year olds, which accounted for just 8% and 7% in 2016. At less than 10%, younger millennial arrivals in the 18-24 year old category are lower than that of the global market (30% for 15-29 year olds) and it is the only age category that has declined in terms of total arrivals, although the country does continue to attract an important number of slightly older millennials in the 25-34 category. This latter group is drawn by weddings and honeymoon visits. Growth has been most significant in the +50 categories; absolute number arrivals in this category have increased by 71% over the past decade.

**Figure 7. Jamaica's Stopover Visitors by age (% of Total Stopover Visitors), 2006-2016**



Source: (JTB, 2017). **Note:** 2014 figures were not available and instead show an average of 2013 and 2015 data. The graph shows more than half of the visitors are over 50, with their percentage declining.

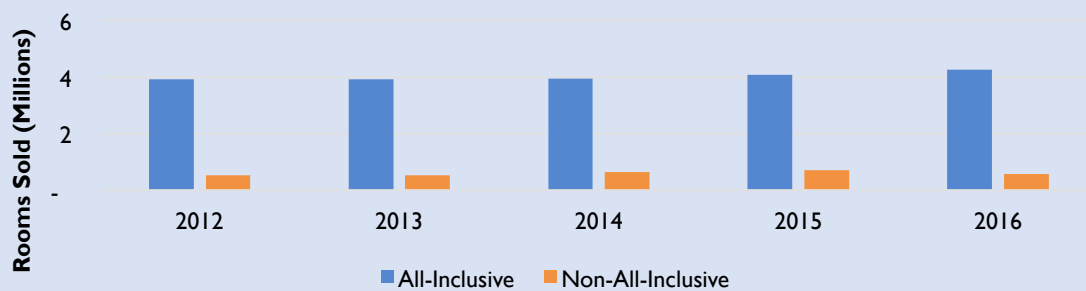
**3.1.1 Industry Organization**

As of March 2018, there are 929 villas, 522 guesthouses, 369 apartments and 198 hotels, 55 of which have over 100 rooms. All-inclusive resorts, however, are the dominant business model in the Jamaica tourism sector; these have accounted for an average of 87% of all hotel room stays on the island in the past five years (Figure 8). With the exception of Jamaican-owned Sandals (see Box 2), the majority of these operations are foreign-owned, primarily chains from Canada (Royalton, Sunwing), Spain (RIU, Bahia Principe, Iberostar) and Mexico (Karisma, Moon Palace) (Brown, 2017; ECLAC, 2016; Tesse Fox, 2017). These resort chains account for 90% of foreign direct investment in the tourism industry. All-inclusive resorts are concentrated in three areas, Montego Bay, Negril and Ocho Rios; these three areas accounted for 98% of all rooms in the country in 2016 (JTB, 2017). These chains operate primarily with direct bookings, accounting for as high as 70% of reservations. These resorts are vertically integrated firms, offering everything from lodging, to multiple restaurant operations, entertainment and, in some cases, even excursions. For example, in 2009, Sandals created an in-house agency, Island Routes, which operates excursions for both their guests as well as those at other hotels, in Jamaica and around the region. In other cases, the excursions are sold and operated by local tour operators.

## Box 2. Emergence of All-Inclusive Resort Model in Jamaica

The Jamaican all-inclusive industry was born out of adversity in the 1970's, at a time that the island was not able to grow unless the already developed rooms were altered or resorts offered a different holiday (Issa & Jayawardena, 2003; Misaki, ND). In 1976, John Issa created the first all-inclusive resorts for couples. The concept was taken from the 'holiday camps' concept popularized by the French company Club Med and imitated by cruise ships; even though Club Med must be given the credit for having invented the club holiday concept, Issa customized it to create the revolutionary all-inclusive concept, which added extras and amenities not found before, such as drinks, taxes, transfers from and to airport and sports, with tipping being prohibited. This led to many companies copying and expanding the concept. In 1981, Gordon 'Butch' Stewart, chairman of Sandals Resort International (SRI) opened his first all-inclusive hotel at Montego Bay (Sandals, 2017). In the light of both resorts' success, five years later Issa went to launch the first all-inclusive resort for families (Issa & Jayawardena, 2003). Today, all-inclusive is by far the dominant model in Jamaica's tourism sector (see Figure 8).

Figure 8. Hotel Room Nights Sold, 2012-2016



Source: (JTB, 2017)

The larger of these resort chains have centralized sourcing operations although many of these are based in the region or in Miami (Field Research, 2017). Each individual resort has limited autonomy in purchasing decisions. Global sourcing is facilitated by duty free imports of inputs used exclusively for tourism purposes (Field Research, 2017; Oxford Economics, 2012).<sup>18</sup> Together this reduces the potential for the development of local suppliers, who are less competitive as a result of poorer economies of scale. Local suppliers, overall, have a difficult time engaging with these chains; an important challenge is access to finance and cash flow management, as large resorts have 60 to 90 days payment policies. Sandals regional procurement operations, for the company's 24 resort properties, however, are based in Jamaica and have supported the internationalization of Sandals suppliers.

There are few non-all-inclusive food and lodging alternatives that cater to tourists. Non-resort hotel bookings such as in guest houses or business hotels account for just 12% of the market and are typically found in other non-traditional touristic areas of the country, including the capital, Kingston. Courtyard (Marriot), Jamaica Pegasus and Spanish Court are amongst the largest hotels in the capital accounting for 2/3 of rooms,<sup>19</sup> Smaller guest houses and apartments control the remaining 1/3.

<sup>18</sup> Exceptions include inputs for or products that are produced on the island itself.

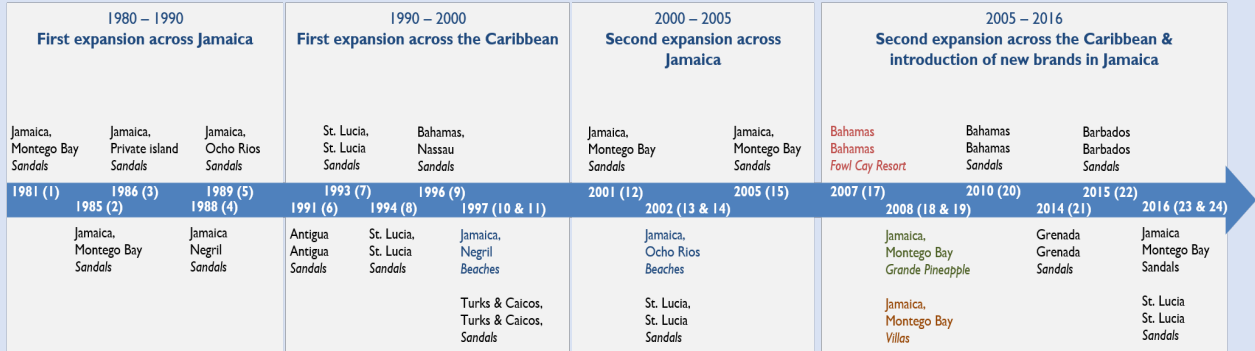
<sup>19</sup> There are only 6 hotels in the Kingston area with more than 100 rooms.

**Box 3. Sandals Resorts International**

Sandals Resorts International (SRI, or ‘Sandals’) is a family-owned company that has evolved from one brand and one resort in Jamaica to become one of the leading hospitality companies in the world for couples. Currently, it is the largest non-government employer of Jamaica (1,500 workers) and the most awarded all-inclusive resort company of the globe. In 2017, about one percent of Americans with an annual household income of US\$200 or more stayed at SRI Resorts.

The company started operating in 1981 with the opening of an all-inclusive resort in one of Montego Bay’s nicest beaches. During the following 9 years, SRI opened four other hotels within Jamaica and by the end of the 1980s, many former guests were returning to Jamaica, as Sandals had augmented its appeal by establishing special packages for weddings and honeymoon couples. In 1990, Sandals married its 1,000<sup>th</sup> couple and the occupancy rate reached over 90%. A year later, Sandals established a presence in Antigua, becoming the Caribbean’s largest operator of all-inclusive resorts. In the early-2000s, the company created the first property for families, to be branded ‘Beaches’. Throughout this decade, other six properties were developed in five Caribbean destinations. Between 2000 and 2005, the firm opened other four properties, mostly in Jamaica; the slowdown was partially due to the global decline of the travel industry after September 11. From 2005 onwards, SRI experienced a strong growth with eight new properties and three new brands (Figure 10). Up to 2017, SRI developed 24 hospitality properties and a total of five brands (Sandals, Beaches, Fowl Cay Resort, Grande Pineapple, and Villas).

**Figure 9. Evolution of Sandals Resorts International**



Source: Authors based on (Sandals, 2017). **Note:** different font colors are used for each brand.

Since 2010, SRI has invested US\$156 million in the modernization of Jamaica’s resorts and corporate offices. In addition, acknowledging the near-US\$148 billion export leakage of Jamaica’s tourism industry within the manufacturing and agricultural sectors, in 2013, SRI actively participated in the creation of the Tourism Linkages Network.

Source: (Jamaica Observer, 2015; Sandals, 2017)

**3.2 Upgrading in Jamaican Tourism Global Value Chain**

While Jamaica’s tourism sector has continued to grow and draw in both new investment and increased tourism numbers, this has been largely the expansion of existing products rather than upgrading into new product segments. The growth continues to be strongly focused on the North American market, with little diversification. Value chain upgrading in the tourism sector has therefore been limited. Nonetheless, in recent years, efforts have been made to strengthen



backward linkages in the industry, through programs focused on developing networks for local firms to participate in the industry in areas such as agriculture and manufacturing (see Box 4).

#### **Box 4. Jamaica Tourism Linkages Network**

Jamaica implemented a Tourism Linkages Program in 2013 to strengthen linkages between tourism and agriculture and manufacturing. The mission of this initiative is to position the tourism sector to increase its consumption of goods and services that can be competitively sourced in Jamaica. Special attention is paid to developing networks in five priority areas: 1) Gastronomy; 2) Health & Wellness; 3) Knowledge; 4) Shopping; and 5) Sports and Entertainment. Organizationally, there are both public and private sector actors that prioritize inter-sectoral collaboration to initiate and strengthen backward linkages. The chairman of the program is the CEO of Sandals Resorts; his company participates in the program and is a buyer. Key initiatives in support of these efforts have included:

- Entrepreneurship coaching
- Creation of agri-tourism awards
- Demand studies
- Development of investment forums
- Creation manufacturing directories
- Staging of tourism linkages speed networking events

The speed networking event was hailed as a noteworthy success, with providers of cosmetic and spa products, furniture, bedding, craft, toiletries and guest amenities and other goods meeting with buyer companies met to discuss business opportunities and negotiate contracts. Each individual priority area also has a range of initiatives. For example, the projects within the shopping network have included: 1) Reform legislation for duty-free shopping; 2) Shopping satisfaction surveys; 3) Engagement with local designers and artisans to participate in formal economy; and 4) Geographic mapping and databases for guide of Jamaican shopping experiences.

In the agro-business sector, this program is working to connect farmers with all-inclusive hotels, to supply products from fresh produce to chocolate and pork sausages. In addition, they are working with manufacturers to maximize local procurement, for items such as furniture and mattresses. A key focus area has been to raise awareness of the product quality, and consistency and process standards required by the hotel procurement departments.

This has been particularly successful with companies with their regional procurement operations based in Jamaica, which has helped to internationalize some of these suppliers.

Source: (Ministry of Tourism and Entertainment, 2015)

### **3.3 Industry Institutionalization**

Several key stakeholders are active in driving growth in the industry; the three key public sector entities are the Tourism Board, the Tourism Product Development Authority (TPDCo), JAMPRO, the country's investment promotion agency, and in the private sector, the Jamaica Hotel and Tourist Association.



**Table 6. Key Industry Stakeholders in the Tourism GVC**

<b>Actor</b>	<b>Description</b>	<b>Role</b>
Ministry of Tourism	The Ministry of Tourism establishes the main tourism policy in the country.	Responsible for the management and promotion of Jamaica's tourism product. A key activity is facilitating the Tourism Linkages Network.
Tourism Board	Established in 1955, the Tourism Board is a public agency under the Ministry of Tourism. It has international network of representatives or offices in key markets.	Responsible for marketing the country abroad, track industry performance, build and maintain relationships with global tour operators, airlines and cruise ships.
Tourism Product Development Company	The Tourism Product Development Company (TPDCo) is the central agency mandated by the Government of Jamaica to facilitate the maintenance, development and enhancement of the tourism product. Established in 1993.	Responsible for facilitation of the diversification, development and improvement of the tourism product to enhance visitor experience. In practice, the company has focused more on social inclusion issues supporting the engagement of marginalized groups in the industry.
JAMPRO	Agency of the Government of Jamaica's Ministry of Economic Growth and Job Creation that promotes business opportunities in export and investment to the local and international private sector.	Responsible for attracting investment into the tourism sector, including hotels, travel agencies, etc.
Ministry of Culture, Gender, Entertainment and Sports	Prior to 1992, the Ministry of Tourism was the Ministry of Tourism and Sports. Sports is now overseen by a separate ministry.	Despite its relevance of culture, entertainment and sports to the industry, the Ministry currently plays no major role in the tourism sector.
Jamaica Hotel and Tourist Association	Represents Jamaican hotels, other visitor accommodations as well as most suppliers of goods and services to the tourism industry, including excursion suppliers and transportations.	Responsible for advocacy on behalf of hotels and industry suppliers to the government and other stakeholders. Approximately 100 hotel members (90% market).

Source: Authors.

While the separation of mandates for the development of tourism products from the Tourism Board to the Tourism Product Development Company was undertaken in 1993, in practice, the Ministry of Tourism has retained the role of developing these new products. Partly as a result of this lack of clarity in roles, there has been a lack of diversification of the country's tourism offering. At the same time, there is no cohesive strategy for driving the tourism industry that brings together the three agencies mandated for its development: the investment promotion agency, JAMPRO, with the TPDA and the Tourism Board. This lack of coordination across actors is problematic for upgrading in the sector, which requires alignment of the types of investors to attract, forms of local linkages to promote and engagement of experts in related ministries. For example, the Ministry of Tourism has few connections with other key Ministries such as the Ministry of Culture, Gender, Entertainment and Sports, despite including Sports and Entertainment as a key pillar of their Tourism Linkages Network. Similarly, there is little coordination with other key ministries such as the Ministry of Transport and Works. This hinders the potential to identify and overcome key transversal challenges faced by the industry.

### 3.4 Advantages and Constraints

Jamaica’s potential in the Tourism GVC depends on a set of structural strengths and weaknesses, elaborated in Table 7. These strengths allow for strategic opportunities that should be capitalized. At the same time, the threats presented below must be addressed for the country to improve its position in the industry. These advantages and constraints were compiled based primarily on interviews with stakeholders from the industry, as well as on reports and comparisons with other global locations and analyses of Jamaica’s tourism industry conducted by other international organizations.

**Table 7. SWOT of Jamaica in the Tourism GVC**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Natural attractions (e.g. beaches) &amp; good climate</li> <li>• Proximity to the US market</li> <li>• Cultural affinity with both US and British markets</li> <li>• Strong reputation as vacation destination</li> </ul>	<ul style="list-style-type: none"> <li>• Limited tourism offer (only one product)</li> <li>• Dominance of branded all-inclusive</li> <li>• Incongruence between product offering and global reputation</li> <li>• Lack of coordination amongst stakeholders &amp; bureaucracy</li> <li>• High crime rates</li> <li>• Infrastructure</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• New tourism products (e.g. Sports tourism, Ecotourism)</li> <li>• New tourist market segments (e.g. millennials)</li> <li>• Growing tourists from Asia, especially China</li> </ul>	<ul style="list-style-type: none"> <li>• High competition in key beach products with less expensive alternatives</li> <li>• Emerging destinations</li> </ul>

Source: Authors

#### 3.4.1 Advantages

- 1. Natural Attractions and Climate.** The country’s stunning beaches and crystal clear seas are routinely named as amongst the most beautiful in the world. With average temperatures ranging from lows in the 70s to highs in the 80s, this makes the country a strong contender for beach holidays. These strong natural assets extend beyond the beaches to its tropical rainforests, such as Blue and John Crows Mountain National Parks which were declared World Heritage sites in 2015 (Outside, 2016) and Blue Mountain coffee production. Initial efforts are underway to market the country’s adventure tourism opportunities but there remain other options to be explored.
- 2. Proximity to the US Market.** Just over three hours from major US cities – including New York City, Philadelphia, Boston and Chicago, and served by multiple international airlines (including Air Canada, American Airlines, Delta, Jet Blue, Southwest, United Airlines/US Airways) the island’s proximity to the US makes it a very attractive destination for relatively short vacations.
- 3. Cultural affinity with both US and British markets.** As a result of its historical ties to the UK and as a member of the Commonwealth States, combined with its proximity to the US, Jamaicans have a strong cultural affinity with English speaking tourist from these major markets. Culturally, there are strong linkages in everything from food, to TV shows, dress codes, language and forms of expression.

- 4. Strong reputation as a vacation destination.** The country is the fourth-largest destination in the Caribbean for beach holidays after Dominican Republic, Cuba and Puerto Rico.

### 3.4.2 Constraints

- 1. Incongruence between Product Options and Global Reputation.** Jamaica has a strong foothold in the industry as a great value warm weather destination, but there is room to expand its product offerings beyond this scope. Globally, Jamaica is well known for its music, Olympic athletes and a relaxed culture. Yet, the tourism sector continues to be dominated by couples and families seeking all-inclusive beach experiences, where they are not exposed to these elements.
- 2. All-inclusive model continues to overshadow other tourism segments.** This model has been very successful in the country; however, globally, it is less popular with the younger millennial generation which seek increased interaction with the authentic local experience and there are limited opportunities for smaller firms to participate. Nonetheless, for less cost-conscious millennial travelers such as the Chinese MT, these resorts offer safety and comfort benefits from which to base their island explorations.
- 3. Lack of coordination amongst stakeholders and bureaucracy.** Strategy development has not yet been coordinated across all stakeholders to ensure marketing efforts align with country capabilities. At the same time, the development of new products continues to be slowed down by bureaucratic procedures and a lack of clear definition of mandates of different stakeholders. Initial efforts are underway to reduce bureaucratic requirements, however, it will take time and continued commitment for their effect to be felt by the industry.
- 4. High crime rates and tourist harassment.** Crime and security concerns contribute to limited tourist movement beyond the resorts (Oxford Economics, 2012). High homicide rates during the 2000s also resulted in poor global perception about security. Recent efforts have brought homicide rates down by over 30% but it remains the fourth deadliest country in the world (World Bank, 2017a). The Tourist District Constable Program was also launched in 2016 to reduce tourist harassment and ensure safety, allocating some 200 constables exclusively to resort areas (Jamaica Star, 2017).
- 5. Poor soft & hard transportation infrastructure.** Poor road infrastructure, combined with a lack of public transportation providers and a costly taxi system, hinders travel beyond the resort, and further contributes to the dominance of the all-inclusive model. This has undermined efforts to diversify tourism products and include a broader range of actors – particularly SMEs into the value chain. The poor infrastructure is made even worse in areas with sloping mountains and with frequent flooding.

## 4 Upgrading in the Tourism GVC

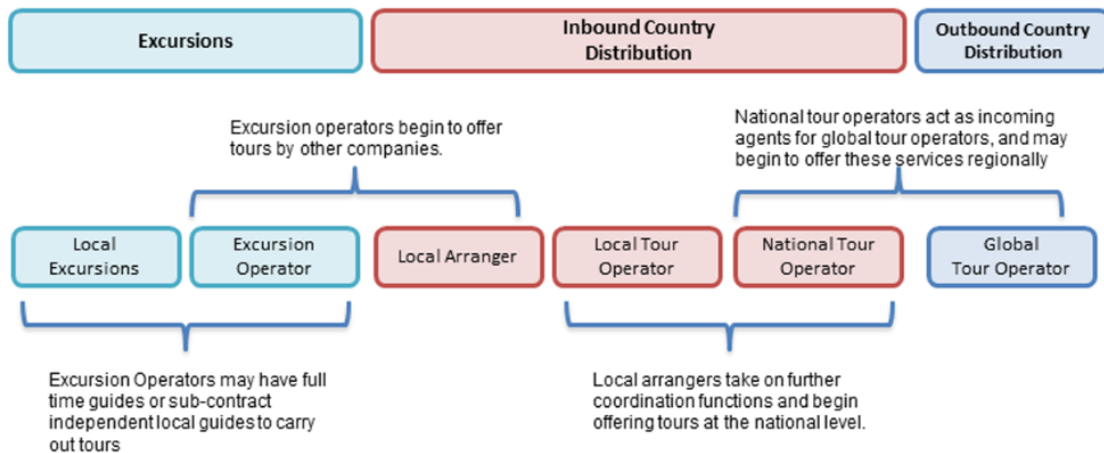
In the global value chains terminology, upgrading refers to “a process of improving the ability of a firm or an economy to move to a more profitable and/or technologically sophisticated and skill-intensive economic niche” (Gereffi, 1999, p. 51). Depending on the level of analysis upgrading can be examined from the country, firm, and potentially individual level. According to Humphrey and Schmitz (2002) there are multiple forms of upgrading:

- **Process upgrading:** transforming inputs into outputs more efficiently by reorganizing the production system or introducing superior technology
- **Product upgrading:** moving into more sophisticated product lines (which can be defined in terms of increased unit values)
- **Functional upgrading:** acquiring new functions (or abandoning existing functions) to increase the overall skill content of activities.
- **Chain or Inter-sectoral upgrading:** firms move into new productive activities.

Below we describe the major upgrading strategies that are typically undertaken by developing countries in the tourism industry, particularly focusing on opportunities to include SMEs in the chain.

**Upgrading along the tour operator segment** is the strongest example of functional upgrading in the industry, and the trajectory can offer interesting opportunities for SMEs to improve their participation in the tourism GVC. The tour operator segment can be construed as the broadest of the tourism businesses. At the lowest stage of tour operators there are local guides who typically work as independent contractors. Excursion operators is the next form of upgrading which includes a local guide gaining the capability to open a business of a particular tourist activity like bike rentals or watersports. The next level is local arrangers and upgrading occurs when excursion operators begin to sell the tours of other excursion operators and may begin to arrange regional travel for their excursion clients. The last two stages are when tour firms gain national coordination and arrangement capabilities, and may work directly as incoming agents for global tour operators, and then become a “global” tour operator themselves by creating and executing tour packages to other regional countries. The last two segments commonly only occur for firms in urban or capital cities. Excursion operators who become mini local arrangers selling other tours that they do not execute, is a common form of upgrading. Typically, countries that have national tour operators have firms that begin that way but add functions to their services.

**Figure 10. Functional Upgrading in the Tour Operator Segment**



Source: Duke GVCC.

**Upgrading in the hotel segment** is best described as product upgrading but can take on functional traits if hotels that previously did not have the ability for food service or transport acquire them. When hotels gain those functions, however, they typically are changing their hotel product moving to a higher service, level of luxury or size. The hotel segment in developing countries is the most bifurcated among the sectors. Some developing countries enter in the highest stage of hotel upgrading via multinational hotel brands managing a local hotel property. Local ownership typically entails budget or small accommodations. Some developing countries, like India, and Jamaica however, have been able to develop locally owned and managed worldwide recognized hotel brands.

Another form of product upgrading involves a country **adding on a tourism type**. This is a popular form of tourism upgrading and many countries attempt to develop multiple tourism types at the same time, but one form may develop faster or stronger than another. Tourism centered on the sun, sand, and sea variety is typically seen as key tourism development route but specific tourism niches cultural travel, authentic experiences, adventure and health & wellness stays are gaining in popularity (IPK International, 2017).

Tourism firms **adopting IT** business functions are a process upgrading strategy for developing countries. IT tools (especially mobile and social media) allows companies to market directly their services, cut out global middle-men, and efficiently reserve and book reservations. Typical IT upgrading today includes the development of social media marketing campaigns and mobile booking platforms. While IT adoption in some developing countries remains complicated by unreliable power supplies, weak infrastructure, and economic barriers (ILO, 2010), there widespread use of smart phones has helped to rapidly increase access.

A single developing country may constitute all of the above upgrading examples, but differences are seen in tourism types and between urban, rural, and geographical settings. Domestic policies, access to international markets, via tour operators and travel agents, human capital, and a strong international image are all factors determining developing country tourism success. Table 8 shows examples of upgrading trajectories in the global tourism value chain in developing countries.

**Table 8. Selected Upgrading Trajectories in the Tourism GVC**

Upgrading Trajectories	Description
<b>PROCESS UPGRADING</b>	<p>Firms and country marketing boards adopt IT, such as web site design and computer reservation systems.</p> <p><i>Example:</i> In 2017, the Vietnam National Administration of Tourism (VNAT) created a public-private online portal maintained by a new organization created to improve the country’s tourism industry. The organization (Tourism Advisory Board) is a private body that group industry stakeholders, including major tour operators and hotel and resort brands. It represents a new model for Vietnam’s tourism industry, with the public sector leveraging off private sector expertise. The site, designed by OlgivyOne’s Vietnam office is between a traditional tourism promotion portal and a glossy travel magazine; there are straight informative pieces and others that are more in-depth articles about travel experiences and destinations (Davis, 2017).</p>

<p><b>PRODUCT UPGRADING</b></p>	<p>Countries expand their tourism offerings by developing tourism in different regions or by cultivating a particular tourism product.</p> <p><i>Example:</i> In the last decade, Peru expanded its tourism offerings with a focus on its gastronomy. Currently, around 40% of all tourism in the country is motivated by food, with gastronomy-based tourism accounting for 3% of the nation’s GDP. The rise in this product segment and the increase in tourism was possible to a coordinated effort by stakeholders in the country.</p> <p><i>Example:</i> Costa Rica has established itself as a premier global destination for ecotourism and adventure tourism. The country’s success is the result of a successful enabling environment cultivated by the government and local stakeholders. This, in turn, allowed for crucial relationships to develop between domestic and international actors, allowing for the product upgrades that attracted increasing numbers of visitors.</p>
<p><b>UPGRADING WITHIN THE HOTEL SEGMENT (PRODUCT UPGRADING)</b></p>	<p>Countries offer larger and higher quality hotels. Hotels firm that started as small or budget accommodation and upgrades in size and/or luxury. Local company creates a hotel “brand” that becomes a chain or a hotel management company.</p> <p><i>Example:</i> Sandals started in 1981 and evolved from one brand and one resort in Jamaica to become one of the leading hospitality companies in the world for couples, currently Sandals Resort International (SRI). It is the largest non-government employer of Jamaica and the most awarded all-inclusive resort company of the globe, with 24 all-inclusive hospitality properties and a total of five brands.</p>
<p><b>UPGRADING IN THE TOUR OPERATOR SEGMENT</b></p>	<p>Firms move along the tour operator segment. The tour operator segment begins as a guide and moves to excursion operator, local arranger, national arranger to incoming agent.</p> <p><i>Example:</i> In the 1990’s, Costa Rica experienced an expansion of the tour operator segment. The Asociación Costarricense de Operadores de Turismo (ACOT) began to improve their tour operators’ capabilities in creating tour packages around the country, reflecting a mix of adventure activities and upscale leisure by combining nature tourism and beach tourism.</p>
<p><b>MARKET UPGRADING</b></p>	<p>Includes moving into more sophisticated or new geographic markets whose consumers require better quality accommodation and tourism services.</p> <p><i>Example:</i> Recently, large travel operators, hotel groups, and countries (e.g. Singapore) started to explore the travel mentality and behavior of Asian MT, to allocate the right resources and focus on aspects that truly matter for this market, as well as to stay sensitive to cultural differences. In the past five years, world's 10 biggest chains including Hyatt, Hilton, Intercontinental, and Marriott offer new brands to attract digitally-savvy travelers with short attention spans and an interest in authentic experiences. Marriot’s brand Moxy reigns as the most millennial-friendly brand; in September 2015, it launched its own Youtube series (De Silva, 2016)</p>

<b>INTER-SECTORAL UPGRADING</b>	<p>Intersectoral upgrading entails moving into or creating strong linkages with other industries, namely, with the culinary industry.</p> <p><i>Example:</i> In Colombia, the Ministry of Tourism and the Colombia Coffee Growers Federation (FNC) are working together in the Quindío district to modify coffee farmhouses to accommodate tourists. The outreach proved to be successful, and Quindío positioned itself as the second-most popular tourist destination in Colombia with coffee theme parks and routes as well as UNESCO World Heritage site that explore the crop's history in the country. Roughly 30 farms in that region have facilities that can accommodate overnight visitors (Muñiz, 2016).</p>
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Source: Authors.

## 5 Lessons for Jamaica's Upgrading in Tourism GVC from Costa Rica and Peru

In analyzing different prospective paths for upgrading in the Jamaican tourism industry, it is useful to look more in depth at specific examples from countries facing similar questions of how to add value to their domestic sectors. In this section, we examine two cases – Costa Rica and Peru. These cases provide strong examples of diversifying their tourism products away from traditionally successful experiences to new products. In each case, these new products went on to become countries tourism offerings.

### 5.1 Costa Rica

Costa Rica's tourism industry has been on an upward trajectory for an extended period. The total number of foreign tourists visiting the country increased nearly 150% in the 15 years from 2000 to 2015, jumping from 1.08 million arrivals to 2.66 million. In 2007, the direct contribution of tourism to the Costa Rican economy was approximately US\$1.95B (CRC1,100 billion;) by 2017, it was projected to have grown to US\$2.7 billion (CRC1,486). In terms of direct employment, the industry directly supported 110,000 jobs, which was approximately 5.2% of total employment (WTTC, 2017b). It has also been the country's top export for much of the last 25 years (World Bank, 2017c).

The influx of visitors has translated to measurable gains in not only employment opportunities but also wages. In a study comparing tourism workers to non-tourism workers in the Osa Peninsula, the monthly wages of individuals working in tourism were almost twice as high as those not working in tourism (US\$709.70 per month compared to US\$357.12 per month) (Hunt et al., 2015). Specific locations within the region had even higher wage discrepancies, and tourism jobs also had higher stability than alternatives.

The economic and social upgrading observed in Costa Rica are largely attributable to product improvements associated with the country carving out a prominent niche in the emergent ecotourism and adventure tourism realm. In the period from 2014 to 2016, an estimated 8.1 million people visited the country.<sup>20</sup> Of those, while surf and beach experiences continued to be the most popular activities (72% of all international arrivals reported participating in surf and beach activities such as visiting a beach or sea kayaking), this was followed by ecotourism (66%) and adventure

<sup>20</sup> Of the total visitors coming to Costa Rica in that time, 87% came for personal reasons and 13% came for business or professional reasons (ICT, 2018).

(53%) tourism.<sup>21</sup> Table 9 below lists the share of participation in each category as well as the percentage of leisure and business travelers who experienced each.

**Table 9. Share of Costa Rican Tourists Experiencing Different Products, 2014-16**

Activity	Share of Visitors Participating	Share of Leisure Travelers	Share of Business Travelers
Surf and beach	72.1%	80.2%	28.7%
Ecotourism	66.3%	73.7%	21.5%
Adventure	53.3%	60.0%	14.6%
Well-being	35.0%	39.4%	10.3%
Sports	22.2%	25.1%	6.0%
Cultural	17.2%	19.3%	7.1%

Source: (ICT, 2018).

This section investigates Costa Rica's upgrading in the tourism value chain, concentrating on its development as a premier global destination for ecotourism and adventure tourism. The country's attainment is the result of a successful enabling environment that was cultivated by the government and local stakeholders. This, in turn, allowed for crucial relationships to develop between domestic and international actors, allowing for the product upgrades that attracted increasing numbers of visitors.

### Industry Development

The development of Costa Rica's ecotourism industry has been the subject of international interest and an array of books and articles. These sources have generally detailed three areas that have all contributed to Costa Rica's emergence as an ecotourism location: 1) the establishment of a national park system that conserved the country's natural resources; 2) the emergence of private reserves that have supported the protection of those resources; and 3) the appearance of a class of entrepreneurs and other private sector actors that have helped link the country's natural resources with foreign visitors.<sup>22</sup> The following section explores each of these characteristics.

#### *National Parks*

The national system first gained traction in 1971 with the establishment of two parks: Santa Rosa in the northwest portion of the country and Poas, a volcano north of San Juan (Wallace, 1992). The government expanded the number of parks throughout the 1970s, further distinguishing itself by ensuring these areas had adequate protection of flora and fauna (Wallace, 1992). Today, there are 32 national parks in Costa Rica, encompassing an area that accounts for roughly 25% of the country's surface area (Go Visit Costa Rica, 2018). Guanacaste is the largest of these, with 84,000 protected hectares. La Amistad International Park is unique in that it is split between Costa Rica and Panama and represents an attempt by both governments to co-manage the territory.

<sup>21</sup> Ecotourism is now defined as "responsible travel to natural areas that conserves the environment, sustains the well-being of the local people, and involves interpretation and education" (TIES, 2015). Ecotourism includes activities such as visiting volcanoes, flora and fauna, bird watching, snorkeling and scuba diving, caving and others. Adventure tourism includes similar categories that involve more activity, including rock climbing, canoeing and kayaking.

<sup>22</sup> While there are extensive examinations of the environmental policy dynamics of Costa Rica's ascension as an ecotourism destination, Jones & Spadafora (2017) provide notable analysis



### *Private Reserves*

Private reserves play an important supporting role to the larger national park network in Costa Rica, providing corridors of protected area between national parks or to expand the footprint of habitat surrounding parks (Jones & Spafadora, 2017). While they cover a smaller amount of land than national parks—previous estimates reported private reserves cover 63,832 acres (Langholz & Lassoie, 2001)—they include some of the country’s most famous sites, including Monteverde Cloud Forest and La Selva. In some cases, their histories pre-date the formation of the national park system; however, most were created in the 1980s. While many are connected to scientific research, they use entrance fees and revenue from concessions to support upkeep (Aylward et al., 1996). Because they are private, they can charge higher prices than the national parks (Jones & Spafadora, 2017).

### *Private Sector*

Tour operators and lodging providers responded to the formation of national parks and private reserves by concentrating on ecotourism offerings. The late 1970s and mid-1980s saw particularly robust growth in the number of for-profit actors operating in the space—while early tourism efforts in Costa Rica focused on beaches, local actors and American expatriates saw opportunity both in the country’s environmental assets as well as its close geographic proximity to demand emanating from the US (Jones & Spafadora, 2017). Although rafting and canoeing expeditions proved to be popular initial activities, Costa Rica’s products have diversified in more recent years, with tour operators offering as hiking, bird-watching and other ecotourism/adventure tourism activities in protected areas. As these companies have strengthened their base, they have also undertaken widespread functional upgrading, with many tour operators expanding and offering integrated lodging experiences (Jones & Spafadora, 2017). Table 10 below provides a list of major ecotourism tour operators in Costa Rica, highlighting the major periods of expansion in the late 1970s, mid-1980s and early 1990s.

**Table 10. Major Ecotourism Enterprises Established in Costa Rica, 1975-1993**

<b>Name</b>	<b>Nationality of Founder</b>	<b>First Year in Ecotourism</b>
Papagayo Excursions	American	1975
Caminos de la Selva	Costa Rican	1976
Costa Rica Expeditions	American	1978
Tikal Tours	Costa Rican	1978
Rara Avis	American	1983
Horizontes	Costa Rican	1984
Ríos Tropicales	Salvadoran	1985
Marenco Biological Station	Costa Rican	1985
Selva Verde	American	1985
GeoTur	Costa Rican	1985
Finca Rosa Blanca	American	1985
Savegre Mountain Lodge	Costa Rican	1986
Hacienda Baru	American	1987
Arenal Observatory Lodge	Costa Rican	1987
Tiskita	Costa Rican	1987
Hotel Las Tortugas	American	1991
Villa Blanca	Costa Rican	1991
Hotel Si Como No	American	1993
Lapa Rios Ecolodge	American	1993

Source: (Jones & Spadafora, 2017).

## **Supportive Environment**

Costa Rica's emergence as an ecotourism destination has been supported both by internal and external stakeholders. Most immediately, the government played a significant role in at least three ways: 1) Implementing policies that attempted to provide the foundation for protecting the country's natural resources while also cultivating a business-friendly environment; 2) Creating institutions capable of performing regulatory or management roles; and 3) Prioritizing critical infrastructure projects. The government's supporting mechanisms are examined below.

### *Policies*

One of the more successful initiatives pursued by the Costa Rican government related to ecotourism was the Forestry Law passed by the legislature in 1969. That bill charged the Agriculture Ministry with implementing the strategic plan for the nation's forests, which prioritized conservation, tourism, research and limited deforestation. As the national park system gained international attraction, the government sought to marry its development strategy with the Forestry Law, raising entrance fees in 1994 from US\$1.50 to US\$6 in order to expand park budgets and increase the economic benefits for local individuals (Jones & Spadafora, 2017).

In addition to providing the basis of the development of Costa Rica's national park system, the Forestry Law provided a measure of confidence to business owners to proceed with investments. This was a major point of distinction for Costa Rica compared with regional peers, where national parks were more likely only to exist on paper.<sup>23</sup>

Costa Rica's efforts to build a national park system caught the attention of international NGOs, which in turn played a critical supporting role in the country's product upgrading into ecotourism. In the 1980s, NGOs such as the World Wildlife Fund, Rainforest Alliance and Rainforest Action Network launched the "Save the Rainforest" campaign to build awareness in North American and European markets of deforestation in emerging countries. With some American universities or prominent NGO officials already having research or property interests in Costa Rica, which allowed the country to use its national parks as a marketing opportunity (Jones & Spadafora, 2017).

Other efforts passed by the government had mixed success. In an effort to boost the entire tourism sector, the legislature passed a series of tax incentives in 1985, including a moratorium on property taxes (Jones & Spadafora, 2017). However, these measures were oriented toward large-scale tourism investments and were largely not accessible for ecotourism actors. As a result of this and other shortcomings—there was also corruption associated with the program—ecotourism businesses largely boycotted the organization, the Costa Rican Tourism Board (ICT), that administered the initiative (Jones & Spadafora, 2017).

### *Institutions*

Any initial shortcomings of the ICT do not reflect the robustness of Costa Rica's institutions. One of the country's competitive advantages is the strength of its government and supporting organizations. Costa Rica's political stability stands in contrast to its regional peers, with the country regularly holding representative elections for the last century.

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<sup>23</sup> Jones & Spadafora (2017) identified the law as a major competitive advantage, quoting one entrepreneur as saying: "There was good reason to believe that the resources would stay protected, so as to justify the investment of time and energy to get the parks known (p. 156)."

The development of the ecotourism sector has been aided by multiple government agencies. The National System of Conservation Areas (SINAC) is housed under the Ministry of Environment and Energy and is responsible for the administration of the national parks, reserves and refuges. SINAC has 11 different offices based in conservation areas around the country that provide a measure of local participation in the policy process (Basurto, 2013). While the structure is not perfect and has its coordination and accountability challenges (Basurto, 2013), SINAC's engagement in the sector and its protection of the country's resources has been hailed as a reason why conservation efforts have continued to be successful (Hernández & Picón, 2015).

Both the National School of Agriculture and the Tropical Agricultural Research and Higher Education Center (CATIE) both contribute technical and scientific understanding of Costa Rica's natural environment. The University of Costa Rica helped found the Organization for Tropical Studies, which, together with the National School of Agriculture and CATIE help train conservationists.

By the mid-1990s, following the US Adventure Travel Society's 1992 naming of Costa Rica as the number one ecotourism destination in the world, the ICT had also become an important champion of ecotourism, publicizing the sector to international audiences despite its earlier embrace of conventional sun, sea and sand tourism. This helped to mainstream the marketing efforts being made by individual tour operators at the time. The organization began working together with the country's investment promotion agency, CINDE, aligning marketing messages and supporting FDI in the sector.

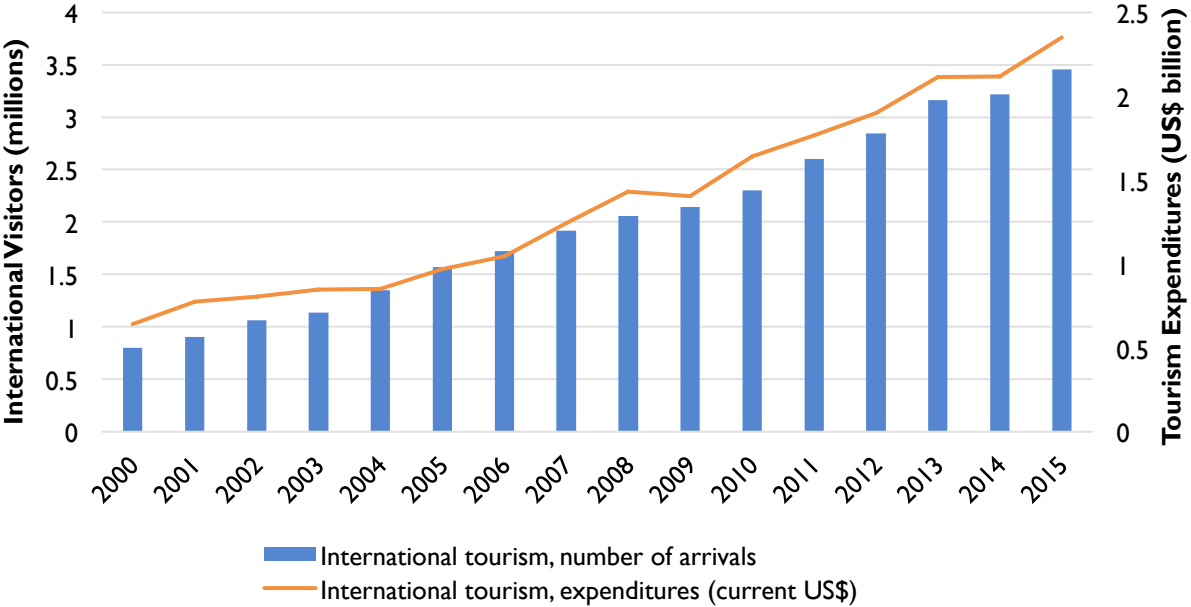
#### *Infrastructure*

Costa Rica's entire tourism industry has benefitted from infrastructure improvements the government made in the second half of the 20<sup>th</sup> century. Roads were the initial focus, including the expansion of the Pan-American Highway (Jones & Spadafora, 2017). After completing rail lines, the government then built modern airports in San José and in Guanacaste near the Pacific Ocean.

## **5.2 Peru: The Rise of Gastronomy Tourism**

Tourism is a critical economic driver for Peru. In 2013, tourism accounted for 13% of jobs in services and generated 43,000 new jobs nationwide (World Bank, 2016). Total estimated contributions of tourism to the GDP in 2015 were US\$2.3 billion, or 9.7% of the GDP (World Bank, 2017b; WTTC, 2015). Visitors and tourism expenditures in the nation are growing (Figure 11), increasing 332% and 267% respectively from 2000 to 2015 (World Bank, 2017b). Following a period of political turbulence and violence in the 1980s and 1990s, Peru began to attract visitors abroad, capitalizing on its many its historical sites, namely the 15<sup>th</sup> Century Incan citadel, Machu Picchu. In the last decade, Peru has sought to expand its tourism offerings with a focus on its gastronomy.

**Figure 11. Peru’s International Visitors and Expenditures, 2000-2015**



Source: World Bank (2017b).

Gastronomy tourism is a significant attraction for visitors to the nation as well as a source of national pride for Peruvians. The Peruvian embassy estimates that 40% of all tourism in the country is motivated primarily by food (Singh, 2015). Estimates project that gastronomy tourism contributes 3% to the nation’s GDP and is growing faster than the average growth rate in the nation. Further, interest in gastronomy tourism is helping facilitate the export of foods via the establishment of restaurants and franchises abroad that showcase the diverse cuisine in the country.

The rise in gastronomy tourism and the increase in tourism, in general, in Peru came about due to a coordinated effort by stakeholders in the nation. Growth can be divided into three key trajectories: (1) product and process upgrading to improve quality via training; (2) process upgrading to increase gastronomy focused marketing of the country internally and abroad, and; (3) functional upgrading into new tourism activities beyond restaurants including tours of production facilities and offering culinary classes. Each of these factors is examined in further detail below:

- 1. Product and process upgrading via the training of professionals working in gastronomy tourism.** Peru has invested in several programs to help build capacity for food professionals. Since the 1990s, the number of cooking schools has risen dramatically. Lima now has 52 private culinary schools in operation (The Economist, 2014). Notably, Peruvian chefs have the opportunity to be trained at Le Cordon Bleu Peru, the only branch of the world-renowned institute in South America. Further training via the state run Tourism Training Center (*Centro de Formación en Turismo – CENFOTUR*) seeks to promote both sustainability and innovation in the kitchen (UNWTO, 2017a). CENFOTUR’s training extends beyond chefs to include kitchen assistants, waiters, and other restaurant workers who gain accreditation and experience (UNWTO, 2017a).

2. **Process upgrading—Improved marketing of Peruvian gastronomy as a tourism attraction.** Beyond increased training and capacity building, Peru embarked on several marketing campaigns to help profile the culinary offerings of the country and promote the Peruvian brand. Marketing efforts have focused on gaining international distinctions for the cuisine and restaurants as well as promoting the brand abroad via coordinated campaigns that highlight the gastronomy of the nation. Accentuation of the national cuisine is one strategy the country is using to divert attention away from negative connotations from its past and offer a source of pride. A survey of Peruvians found that the cuisine was a more significant source of national pride than Machu Picchu (Tegel, 2016). Finally, the country hosts several fairs around food to help promote its national dishes.
  
3. **Functional Upgrading—expansion from restaurant operations to other tourism functions including tours and culinary classes.** As the gastronomy profile of the nation rose, Peru made efforts to expand into new areas of tourism around food. For example, many tour operators now offer multiday packages focused exclusively on food. These packages offer cooking courses, farm tours, as well as tours of famous food regions, such as the pisco, a brandy and the national spirit of Peru and wine regions in the Ica valley or villages around Cusco, with demonstrations of traditional Incan dishes, such as chicha, a beverage from fermented corn.

### **Programs and Policies**

Growth in gastronomy tourism is the result of several programs and policies that both increased the visibility of Peru abroad as well as internal programs to improve offerings and spur growth in the gastronomy and tourism sectors, capitalizing on areas of overlap. These policies happened both from the top-down via state-led programs from both CENFOTUR, a tourism training agency, and the Commission for the Promotion of Peruvian Exports and Tourism (*Comisión de Promoción del Perú para la Exportación y el Turismo*, PROMPERU). It also was aided by a bottom-up approach of restaurants, especially in Lima, forming clusters and an identity of their own. Collectively both approaches drove growth. The major programs and policies implemented that facilitated this growth are detailed below:

**Product and process upgrading to improve quality of service:** Before growth in gastronomy tourism could occur, Peru first had to improve the food offerings. The diversity of the country provided a natural vehicle for several different dishes, but efforts to improve the functioning of restaurants and the skills needed in the kitchen were still necessary. This upgrading occurred primarily via the establishment of training programs to help Peruvian workers gain the skills necessary to be competitive in restaurants, both from a culinary perspective but also from a business angle.

- CENFOTUR implemented a degree program in Peruvian Cuisine over ten years ago. The program allows gastronomy professionals to gain familiarity with various regional cuisines and also explore ways to innovate dishes while maintaining traditional flavors. Beyond the kitchen, the program includes courses on entrepreneurial skills needed to open a business. It also offers a venue for networking with national chefs as well as chefs from abroad. The program boasts of a 100% employment record upon completion (CENFOTUR, 2017).
- Beyond the degree in Peruvian Cuisine, CENFOTUR also offers specialized training in other aspects of restaurant services, including capacity building for kitchen assistants and servers. These training courses are especially important because many in the industry worry about the shortage of trained servers in the nation as the number of restaurants grow (Tegel, 2016).

Beyond the formation of the soft skills needed for the industry, these programs provide opportunities to gain experience across the nation and allow for certification of skills in a restaurant environment (UNWTO, 2017a).

- Beyond state-sponsored training institutes, Peru is also attracting major international culinary schools. Le Cordon Bleu, an internationally renowned school for chefs, provides one example. Established in 2000, the school is currently seeking to expand to its third location in Peru. As mentioned above, Peru is the only South American nation with a campus, and one of two Latin American nations with the school, the other located in Mexico (The Economist, 2014). Le Cordon Bleu, Peru operates not only undergraduate and graduate degree programs in culinary arts and hospitality management but also free and continuing education courses in mixology and coffee, all focused on Peruvian products. Training from the school and hosting a campus allowed Peru to distinguish itself as a culinary destination.

**Process upgrading with heightened marketing:** A dominant force behind the growth in Peruvian gastronomy tourism is marketing campaigns that sought to promote the country as a brand both domestically and abroad. Many of the efforts are coordinated by government agencies, although PROMPERU has played the most prominent role. The country's export promotion agency, PROMPERU was launched in 1993 and oversees the promotion of the country tourism programs. It is partly financed via a tourism fund, which collects a US\$15 tax on all incoming airfares to the country (Oxford Business Group, 2016). Promotion around gastronomy tourism includes both international and domestic initiatives:

- In 2006, PROMPERU launched an international campaign, Peru Mucho Gusto. The campaign is a play on words in Spanish, meaning both "Peru, full of flavor" and "Peru, nice to meet you." The campaign sought to increase Peru's profile via a collection of cookbooks, food festivals, and spotlights on Peruvian restaurants (Singh, 2015).
- The government is also helping boost its image as an international gastronomy destination via various international channels. In 2011, the OAS recognition Peruvian cuisine as part of the "cultural heritage of the Americas". Current government efforts are underway to win similar recognition from UNESCO (Singh, 2015). In 2016, Lima hosted the second UNWTO World Forum on Gastronomy Tourism.
- In country, PROMPERU promotes cuisine and culinary spaces via a network of kiosks and information desks in 20 cities that provide impartial information on tourist attractions as well as other services to visitors. Information is available in multiple languages. The kiosks, known as Iperú, also operate a 24-hour phone line and email service for visitors seeking information on popular restaurants and attractions (PromPeru, 2017).
- In addition to individual promotion, the nation has a more coordinated effort domestically via food festivals, specifically the Mistura food festival (Bloudoff-Indelicato, 2014). The Mistura food festival began in 2008 with 30,000 attendees and now hosts more than 600,000 each September. Admissions sell for \$US8.50 and plates of food averaging US\$6 (Bloudoff-Indelicato, 2014). The festival seeks to transform the image of Peru from a poor nation with internal strife to a world culinary power. It features chefs from all regions of the country to underscore the diversity of food in the region.

**Functional upgrading into new ventures beyond restaurants:** The private sector is spurring growth by moving into new offerings, including tours and classes for visitors around food. Visitors can now experience the nation through the lens of food learning about regional variations in dishes at each stop during trips.

- Firms in Peru have established tours around food with visits to production regions and hosting cooking classes for visitors. For example, tourists can visit award-winning restaurants in Lima, take shopping trips in local markets, as well as cooking classes with master chefs, visit ruins and then sample traditional indigenous cuisines and stay in hotels located in vineyards. International firms often operate the tours and partner with local actors to deliver experiences to visitors (Taste Vacations, 2017). Smaller experiences are also offered with classes on ceviche and pisco preparations or walking tours of major food spots in Lima (Lima Gourmet Company, 2017). These are often operated by local firms who do not have partnerships with international tourism companies.

### **5.2.1 Lessons for Jamaican Participation in the Tourism GVC**

Several key lessons can be derived from these cases to help drive the development of Jamaica's tourism industry.

First, both cases provide examples of the development of new tourism products that have been leveraged to become leading attractions. In Costa Rica, ecotourism emerged as a national tourism product in the late 1980s/early 1990s, while in Peru, gastronomy tourism is more recent, emerging over the past decade. In the case of Costa Rica, ecotourism has become as important as the country's previous beach holiday package options. Importantly, these products were proactively developed into national brands from a small base of entrepreneurial activity, leveraging growing expertise.

Second, quality improvement was an essential early driver of these new products from niche offerings to mainstream. In Costa Rica, the government launched numerous certifications and standards to help to standardize the understanding of "eco-branding". In Peru, CENFOTUR launched numerous training programs at the chef, kitchen assistant and server level to ensure a supply of consistent, high quality staff.

Third, highly effective marketing campaigns supported by coordinated groups of stakeholders were key to ensuring a broader audience for these products. Costa Rica's entry into ecotourism products began as early as the 1960s, however, its branding as an ecotourism destination only began in the 1990s when it was taken up as a broader national program. This followed the country being named as the number one ecotourism location in the world by an international group in 1992. In Peru, while the country has long been home to internationally recognized talented chefs with a varied cuisine, it took PROMPeru's 2006 campaign to create international demand for Peruvian gastronomy tourism.

Finally, in both countries, these product segments provided ample opportunities for local SMEs to engage. Costa Rica's ecotourism industry was, in fact, built on a base of small enterprises that began by offering tailored trips for environmental and research groups primarily from the US. Large foreign investors, on the other hand, have typically focused on the coastal beach segment. In Peru, gastronomy tourism's success has been facilitated by the clustering of local restaurants in Lima. Indeed, this has even driven the internationalization of these firms with the better known opening up locations in both neighboring countries such as Chile as well as in the US. Gaston Acunio, the leading Peruvian (and Latin American) celebrity chef has over 30 restaurants in 9 countries.

## 6 Upgrading Trajectory Recommendations

Jamaica has a tremendous potential to upgrade in the tourism global value chain. The country can follow multiple paths at the same time, since upgrading in tourism is not linear as it is in other value chains such as manufacturing or agriculture. The main strategy is to lure more tourists and offering a wider range of alternatives to enjoy Jamaica. Diversification of the tourism products is one of the main pending tasks for the country. This will bring not only economic benefits to the nation as a whole, but also will allow small businesses to participate more actively in the tourism sector that are limited by the dominance of the all-inclusive resort system. The upgrading trajectories include:

- I. **Product Upgrading to Diversify the Tourism Options:** Currently, Jamaica has only capitalized on the sun, sea and sand tourism and the majority of this tourism takes place in all-inclusive resorts. Jamaica has to take advantage of its global cultural reputation in addition to its beautiful beaches, drawing on national symbols such as reggae, sports and Blue mountain coffee. Below a number of potential tourism products are listed in which Jamaica has high opportunities to participate.
  - a. **Sports Tourism.** Jamaica has established a strong sport brand, especially over the last decade, with the success of Olympic medalists Usain Bolt, Asafa Powell and Shelly-Ann Fraser-Pryce. These elite athletes are trained from an early age in the country's unique sporting culture. Jamaica has built a robust environment for high performance sports; the island has developed a good infrastructure for track and field disciplines, reputable coaches and has a growing sports medicine discipline to support the athletes (Field Research, 2017). However, the country has not yet been able to capitalize on the sport brand outside participating in global athletics events. Due to the momentum gained from Jamaica's recent global athletic victories, and a growing global sports tourism industry, one of the areas recommended in this study is thus to diversify the tourism products into sports tourism (see Box 5).
  - b. **Ecotourism.** In 2015, UNESCO named the Blue and John Crow Mountains as a World Heritage Site. These two ranges covers approximately 20% of the island and are home to important cultural and natural traditions. Their forests contain unique flora and fauna, including many endangered species. The mountains have hidden trails, archaeological remains and lookout points across the island. In addition, they have a strong historical and spiritual importance for the island, as they provided refuge for the Maroon community when they escaped from enslavement (UNESCO, 2018). These mountains are a perfect location to attract tourists that are looking for a deep connection with nature. Locally-owned tour operators, such as Sun Venture Tours, offer overnight hiking trips into these mountains, and have begun to develop a global reputation, highlighted in well-known international adventure magazines such as Outside Magazine.



## Box 5. Sports Tourism Potential in Jamaica

Sport tourism refers to “the experience of travel to engage in or view sport-related activities. It is generally recognized that there are three types of sport tourism: Sport Event Tourism, Active Sport Tourism, and Nostalgia Sport Tourism.” (Ross, 2001). It is broad in its offering; ranging from attending Olympic Games to practicing sports abroad or high performance athletes travelling to train in another country. It is also defined as Active or Passive Sport, with active sports including activities in which the tourist themselves engage, while passive sports cover those in which the tourist is a spectator. Some observers attribute international sports tourism as being a key driver of global tourism growth in recent years, estimating the industry to be worth over US\$800 billion, or more than 10% of international travel and tourism receipts. Over half of US tourists engage in sporting or adventure activities while on holiday.

Jamaica has already become an attractive destination for elite athletes to train. The country offers both world-class facilities and human capital to support these athletes. Jamaican University of Technology is host to a High Performance Training Centre (HPTC) with a world-class training program and GC Foster College has emerged as one of the most important educational institutions to train coaches, not only in Jamaica, but also in the English Speaking Caribbean. The college, founded in 1980, offers Masters degree in Physical Education (PE) and Sports, Bachelors degrees of PE, Diplomas in coaching, sports massage therapy and sports fitness instruction. At the same time it offers short courses in personal trainer, entertainment coordinator and sport administration among others.

However, there has been little attention paid to converting this interest into broader tourism opportunities, or tapping into the growing global market. For example, anecdotal information states that in 2015-2016, 19 track and field country delegations including Austria, India, Namibia, South Africa and Uruguay traveled to Jamaica to train. Since there are no packages or organized programs available for these athletes they had to arrange their own accommodation, which was typically not close to their training sites, find places to prepare their food, arrange other details such as transportation, laundry and sports medicine (Field Research, 2017)

In addition to training foreign athletes, there are also disparate efforts around Sport Event Tourism and Active Sport Tourism. The country’s annual Inter-Secondary Schools Boys and Girls Championships (better known as the Champs) draws recruiters from around the world anxious to see who will emerge as the next super-star athletes. At the same time, the Reggae Marathon held annually attracts some 2,300 participants, including a wide range of nationalities and a substantial contingent from the US. While small compared to other global marathons, this event is amongst the best organized of the current sports tourism opportunities in the country, with the organizers working with 11 domestic and international travel agents and tour operators to offer travel packages for the week.

There is an important opportunity for the country to promote its assets in this sport tourism segments, such as the Jamaican sports brand, world class training facilities and coaching staff and a practical location with good weather, proximity to the US and beach time. Efforts need to be made to overcome constraints including lack of expertise in this type of tourism and ensuring there is political will to both develop - and implement - a cohesive strategy.

Source: (Field Research, 2017; G.C. Foster College, 2018)

- 2. Market upgrading to diversify range of visitors for the sun, sand and sea all-inclusive tourism segment.** To date, Jamaica has been highly dependent on the North American market. This is consistent with regional travel patterns for short vacations, and the country's occupancy rates for all-inclusive hotels has been solid comparable to global averages. With the planned investments in new all-inclusive resorts, the country will need to continue to diversify its markets to ensure this high occupancy rate is sustained. In particular, Jamaica has the opportunity to tap into the growing Asian and South American markets. Chinese emergent and affluent middle-class, in particular, are increasingly looking to all-inclusive resorts. Currently, Chinese tourists account for less than 0.5% of Jamaican visitors. While there are no direct flights from China to Jamaica, there are numerous connections options through Europe, Canada and the US. The growing connectivity of South American markets with Jamaica has already begun to boost tourist arrivals. In the past five years, Chile and Peru have been amongst the fastest growing markets. In addition, the country needs to attract the millennial travelers that by 2020 will represent more than 50% of all travelers.

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