



## STRATEGIC TOURISM MARKET PLAN FOR ECUADOR

Prepared for:

USAID/Quito

under

Private Sector Initiatives Project  
(Contract No. LAC-0619-C-00-6057-00)

Private Sector Office  
Bureau for Latin America and Caribbean  
Agency for International Development  
Washington, D.C. 20523

December, 1986

# STRATEGIC TOURISM MARKET PLAN FOR ECUADOR

Prepared for:

USAID/Quito

under

Private Sector Initiatives Project  
(Contract No. LAC-0619-C-00-6057-00)

Private Sector Office  
Bureau for Latin America and Caribbean  
Agency for International Development  
Washington, D.C. 20523

By:

Principal authors:

Chuck Y. Gee

Edward M. Coe

with the assistance of Richard H. Henry

International Science and Technology Institute, Inc.  
2033 M Street, N.W., Suite 300  
Washington, D.C. 20036

December, 1986

### ACKNOWLEDGMENTS

Without the generous assistance of many firms and individuals in the tourism sector of Ecuador, this report would not have been possible. We also wish to acknowledge the invaluable guidance of the Subcommittee on Tourism under the Executive Committee for Investment Promotion chaired by Vice President Penaherrera, composed of the following members:

#### SUBCOMMITTEE ON TOURISM

Jose Luis ALVAREZ,	President of the 4th National Convention on Tourism
Joseph GARZOZI,	Advisor on Tourism to the Ministry of Commerce
Eduardo EMANUEL,	Executive President, Ecuatoriana Airline
Andres PEREZ,	President of the Association of Travel Agencies (ASECUT)
Eduardo PROAÑO,	Travel and Tourism Executive
Roberto RAMIA,	President of the National Hotel Association (AHOTEC)
Alfredo SUAREZ,	Director of DITURIS, the National Tourist Board.

We also would like to express our appreciation for the assistance provided by the Ecuadorean Ministry of Foreign Relations, the Ministry of Industries, Commerce and Integration, and the U.S.A.I.D. Mission in Ecuador (particularly James Finucane and Mary Beth Allen).

## EXECUTIVE SUMMARY

Ecuador is perhaps the world's best kept secret as a tourist destination. We have assessed the diverse individual tourism attractions and have found most of them to be of excellent quality, and adequately supported by existing infrastructure and receptive facilities. In some instances we have recommended specific improvements requiring modest investments and have pointed out the needs for the Government to immediately address certain control problems to preserve the long-term tourism potential of Ecuador.

As a result of the new Civil Air Agreement between the U.S. and Ecuador, an estimated 52,000 additional tourists must be attracted to Ecuador, in part by lowering air fares. These additional tourists will spend about US\$27 million, generating about 15,000 new jobs and producing directly about US\$10 million in Government revenues.

However, for Ecuador to achieve its potential as a tourism destination, it must unlock its secret and expose to the world the tourism treasures it contains. Ecuador unquestionably has the products; now they must be effectively sold. Since the Galápagos Islands has a strong, positive image in the marketplace and excess demand, it can be used to attract tourists to Ecuador as a whole by packaging trips to the Galápagos that also include the mainland. These programs must be effectively marketed using the resources of both the public and private sector. A strategic marketing plan detailing specific actions with special focus on the U.S. market, but not excluding other countries, is contained in this document.

The Government's share of this new marketing effort is proposed to be 1.5 to 4.5% of the direct additional tourism expenditures. Consequently, an incremental promotional budget of US\$410,000 to US\$1,230,000 is recommended, above and beyond a base budget to support the public sector effort. In addition, world events such as the 1987 Pan American Games and the 1992 Quintcentennial Celebration of the Discovery of America offer an opportunity to enhance Ecuador's image as a new and vibrant tourism destination.

## TABLE OF CONTENTS

1.0 SCOPE OF STUDY.....	1
2.0 TOURISM DEVELOPMENT OBJECTIVES.....	1
3.0 MARKET STRATEGY.....	2
3.1 CHARACTERIZATION OF INDIVIDUAL TOURISM PRODUCTS.....	2
3.1.1 Visitor destinations.....	2
3.1.1.1 Quito and Sierra Region.....	2
3.1.1.1.1 Evaluation of existing conditions.....	2
3.1.1.1.1.1 Attractions Facilities and services.....	2
3.1.1.1.1.2 Market characteristics.....	4
3.1.1.1.1.3 Marketing programs and distribution structure..	5
3.1.1.1.1.4 Development constraints.....	5
3.1.1.1.2 Potential development/recommendations.....	6
3.1.1.1.2.1 Improvement in attractions/facilities/services	6
3.1.1.1.2.2 Improvement in marketing programs/structures...	6
3.1.1.2 Cuenca and surroundings.....	6
3.1.1.3 Galápagos Islands.....	10
3.1.1.4 Oriente/Amazonas.....	15
3.1.1.5 Guayaquil and surroundings.....	18
3.1.1.6 Pacific Beach Resorts.....	21
3.1.2 Special interests/activities.....	24
3.1.3 Other product segments.....	24
3.1.3.1 Incentives markets.....	24
3.1.3.2 Meetings and conventions.....	25
3.2 AIR TRANSPORT.....	25
3.2.1 International Air Transportation.....	25
3.2.2 Domestic Air Transportation.....	26
3.3 EXISTING and POTENTIAL INTERNATIONAL MARKETS FOR ECUADOR.....	26
3.3.1 The USA Market.....	26
3.3.2 Other potential Markets.....	30
-Europe.....	30
-Japan.....	30
-Australia.....	31

3.4	INTERNATIONAL COOPERATION FOR PROMOTING ECUADOR.....	31
3.4.1	Technical assistance from WTO.....	31
3.4.2	Regional efforts with South American Travel Association.....	32
3.4.3	Conjoint destination marketing.....	33
	- Airlines -- Pan Am, Eastern, Ecuatoriana.....	33
	- American Express.....	34
	- Hotel chains.....	35
3.4.4	Bilateral Agreements.....	35
3.5	ORGANIZATION OF TOURISM MARKETING EFFORTS.....	35
3.5.1	Role of DITURIS in coordinating efforts of government and private sector.....	35
3.5.2	Public awareness of the importance and value of tourism.....	38
3.5.3	Travel Industry Workshops.....	39
	- Airlines.....	39
	- Tour operators.....	40
	- Hotels.....	41
	- Restaurants.....	41
	- Attractions.....	42
	- Other Components.....	43
3.5.4	Development of Promotional Campaign.....	43
	- Destination advertising.....	43
	- Logo and creative slogan.....	44
	- FAM trips (travel writers and agents).....	45
	- Special Events.....	46
3.5.5	Development of promotional material.....	47
	- Brochures, posters.....	47
	- Sales guides.....	47
	- Promotional films.....	47
	- Distribution materials used in museums, etc.....	48
3.5.6	Development of statistical base for marketing.....	48
	- Visitor profiles.....	48
	- Visitor spending patterns.....	48
	- Visitor satisfaction studies.....	49
4.0	ECONOMIC IMPACT.....	49
5.0	ACTION PLAN.....	56
	5.1 Implementation Tasks.....	56
	5.2 Implementation Budget.....	58
	5.3 Implementation Schedule.....	60

ANNEX

Air Arrival Statistics

# STRATEGIC TOURISM MARKETING PLAN FOR ECUADOR

## 1.0 Scope of Study

The strategic tourism marketing plan for Ecuador focuses on short to medium term strategies for increasing the flow of international tourists, principally from the United States but also from Europe, Australia and Japan. This study excludes consideration of other tourism markets emanating from South America as well as internal domestic tourism within Ecuador. As such, it has concentrated on the utilization of the existing infrastructure and receptive facilities and has only looked at longer term development potential insofar as it influences those short to medium term strategies. Identification of public or private sector investments are identified only where they are required to overcome current constraints or bottlenecks, or where projects which require several years of implementation would require the initiation of planning and investment within the timeframe of the current study.

The report begins by enunciating the specific objectives which can be attained through tourism development. The bulk of the study is devoted to a detailed analysis of Ecuador's tourism products and potential markets, and recommends specific strategies for attracting tourism to Ecuador. The study concludes by demonstrating the impact of tourism on the economy of Ecuador and by proposing an immediate action plan for implementing the study's recommendations.

## 2.0 Tourism Development Objectives

The primary objectives to be attained through tourism development are:

- To increase overall revenue and employment, and particularly to create foreign exchange earnings.
- To strengthen the private sector and particularly small and medium size enterprises.

- To preserve and enhance the environmental and cultural resources of Ecuador.
- To distribute the benefits of tourism broadly and equitably throughout the country.
- To increase the visibility of Ecuador internationally, projecting a positive image to attract tourists and investors.

### 3.0 Market Strategy

#### 3.1 Characterization of Individual Tourism Products

Ecuador is endowed by an extraordinary diversity of high quality tourism products which can be categorized by their geographic location within the country or by the specific activities or special interests associated with them. For clarity, each of these tourism products will be given separate consideration, touching on: an evaluation of the existing attractions, facilities and services; the characteristics of current and potential markets; and the existing and recommended marketing programs and distribution structure. Any constraints to the development of these potential tourism products will also be identified.

##### 3.1.1 Visitor Destinations

###### 3.1.1.1 Quito and surrounding Sierra Regions

For the purpose of this study, this region is defined as including the capital of Quito and the Andean highlands extending north to Ecuador's border with Colombia and south as far as Riobamba. It also includes those areas on the eastern and western slopes of the Central mountain range.

###### 3.1.1.1.1 Evaluation of Existing Conditions

###### 3.1.1.1.1.1 Attractions, Facilities and Services.

###### Attractions

Quito can unquestionably boast to be among one of the world's most attractive cities. Located in a valley surrounded by high mountain peaks, the city is laced with broad tree-lined boulevards and many parks, fountains and other monuments. The historic center of

the city preserves its Spanish colonial architecture, with many buildings dating back to the XVI Century. This historic center, built upon the foundations of the earlier Indian culture, would be sufficient reason in itself to visit Quito. However, Quito also enjoys other attributes such as a year-round springlike climate, peace and tranquility, and a wealth of artistic and cultural attractions. These include its renowned archeological museum, classical and contemporary art galleries and an important collection of musical instruments, among other cultural attractions. Although facilities exist, performing arts are not well developed, in spite of a strong cultural basis for them. In the regions surrounding Quito, most notably Ibarra, there are numerous picturesque villages, national parks--rich in flora and fauna, opportunities for trekking and mountain climbing, beautiful lakes and rivers for fishing and boating, as well as a wealth of other attractions, all worth mentioning. However, in the interest of brevity, it is sufficient to say that Quito and the surrounding region have more than enough attractions to distinguish them as a primary tourism destination.

#### Air Access and Ground Transportation

International air access to Quito will be discussed in a later section.

Quito is a hub for domestic air travel and appears to be well served, connecting it with other tourism destinations around the country. International airport terminal facilities are modest but adequate; however, domestic airport terminal facilities are clearly inadequate. Good roads connect Quito with all of the surrounding cities and attractions. However, modern, collective ground transportation is not available and tour operators rely on barely adequate vans and buses. Rented cars are available but they are expensive and frequent road blocks discourage individual travel. A very interesting railroad trip can be made from Quito to Riobamba; but service is not reliable and facilities are not up to the desired standard. Hopefully, service from Riobamba to Guayaquil will also be reestablished in the near future.

#### Accommodations

Quito has approximately 700 rooms in three hotels of the international four-star category. However, one of these

hotels, which is operated by an international chain and partially owned by the Government, is badly in need of refurbishing. Many smaller hotels in the two and three-star categories, totalling approximately 600 rooms, provide facilities and services of a standard adequate for international markets. In the surrounding provinces there are numerous hotels, country-inns, converted "haciendas" and lodges which are also suitable for international visitors. All of these accommodations have relatively low occupancy rates and excess capacity, except during certain peak seasons and weekends.

#### Food and Beverages

Quito has innumerable restaurants providing good quality and inexpensive meals, and a diversity of international and Ecuadorean cuisine. However, these are not well promoted through published and circularized Dining-Out directives. Hotels in the surrounding regions also provide good quality food, although independent restaurants are practically non-existent.

#### Shopping

This region provides excellent opportunities for the purchase of traditional handicrafts as well as certain contemporary hand-made objects such as leather goods, gold jewelry and other items of interest to international tourism. Otavalo is especially renowned for its Indian handicraft fair.

#### Entertainment

In Quito and its surroundings, there are numerous casinos patronized mainly by Ecuadoreans. Although folklorical shows are sometimes presented, night life and entertainment in general is not well developed. This is not seen as a serious constraint to the region's tourism potential at the present time.

#### 3.1.1.1.1.2 Market Characteristics

Statistical information regarding Quito as a specific destination is not available; however, on the basis of interviews with hotels and tour operators, it is surmised that as elsewhere in Ecuador the breakdown of international visitors outside of the South American region itself is approximately 50% Americans, 40% Europeans and 10%

other nationalities. A very heavy percentage of these visitors is in the over 55 years old category. Yet, the region is also very popular with the younger travellers making prolonged visits to South America. The current average length of stay in the Quito region is about two days. Most of these visitors travel as individuals; but, many small groups of 30 or less persons also stop in Quito on their South American itinerary. Quito has also been developing recently as an international meeting center, having hosted such organizations as OPEC and FELABAN (the Latin American Federation of Private Banks).

#### 3.1.1.1.1.3 Marketing Programs and Distribution Structure.

The great preponderance of tourist staying in first-class accommodations come to the Quito region as part of pre-planned itineraries booked by tour operators from their respective points of origin. Throughout Ecuador, as many as 75% of these are handled by two major receptive tour operators. The remainder of these visitors are handled by perhaps no more than five other receptive tour operators in the country. These two major receptive tour operators have been responsible for developing and marketing most of the tourism services available in Ecuador since they initiated operation approximately thirty years ago. This has now resulted in perhaps less diversity and competitiveness with respect to the development of new and creative itineraries as well as in their pricing and packaging. However, they have established good reputations for reliability among travel agents and tour operators throughout the world, and they have been responsible for the preparation and publication of much of the tourism literature and information regarding Ecuador which is presently available. Some of this literature is below the desired standards and most is available only in Spanish or English.

#### 3.1.1.1.1.4 Development Constraints

The principal development constraint for the Quito region appears to be the need to find an adequate site for a five-star hotel and convention center complex. At least one major hotel chain has expressed interest in the past for developing such a hotel at a site owned by the Government known as the "Circulo Militar." However, investigation of the appropriateness of this site or the availability of any other such sites

is beyond the scope of this study. Clearly failure to implement such a project will constrain the development of Quito as a major international convention and meeting destination.

### 3.1.1.1.2 Potential Development and Recommendations

#### 3.1.1.1.2.1 Improvement of Facilities and Services

Most of the required improvements in the facilities and services are implicit in the foregoing evaluation of existing conditions. Additional improvements required include preparation of multilingual written guides to museums, the training and professionalization of tour guides, and the general upgrading of facilities and services.

#### 3.1.1.1.2.2 Improvement in Marketing Programs and Structures.

More imaginative marketing programs are required for Quito and the region, depicting it as the cosmopolitan city that it is, and making visitors more aware of the diversity of attractions in the surrounding areas. These programs should be geared to prolonging the length of stay in the Quito region and attracting more visitors in the 30-55 year old age bracket. There is also a need for a greater number of responsible and properly equipped, receptive tour operators.

### 3.1.1.2 Cuenca and Surroundings

Cuenca and Surroundings for the purpose of the study is defined as the region from Riobamba in the north to the Peruvian border in the south and extending to the Pacific Coast to include the Province of El Oro.

#### 3.1.1.2.1 Evaluation of Existing Conditions

##### 3.1.1.2.1.1 Attractions, Facilities and Services

###### Attractions

Cuenca is the hidden treasure of Ecuador. This Spanish colonial town is built on the foundations of the capital of the Cañari city state. The Canaris occupied the valley in which Cuenca is located as well as the neighboring valley where the ruins of Ingapirca are found. It is very likely that when proper historical investigation is undertaken, the Cañaris could be

recognized as the most culturally advanced of the Andean civilizations. The Canari city state is located at the point on the "Cordillera" closest to the Pacific Coast. Ingapirca sits at the head of a valley which descends directly to the mouth of the Guayas River and as such would be the logical crossroads for trade and communication among the coastal and sierra civilizations. Hence, it would not be surprising if the Cañaris had established one of the most dynamic and richest of the South American city states in terms of commercial trade and the arts. Important ruins on the periphery of Cuenca have only barely been excavated, as is the case of the extensive ruins at Ingapirca. We believe that these archeological sites could some day rival Cuzco and Macchu Picchu in their importance in South American archeology. While these latter ruins will continue to be important tourism destinations equivalent to the Forum in Rome as examples of monumental architecture, the ruins at Cuenca and Ingapirca may possibly assume the stature of the Roman ruins at Pompeii providing insights into the daily lives of the Cañari civilization. Given the general thrust of anthropological and archeological research, it is conceivable that this region will assume preeminence among both visitors and scholars.

Almost stretching credibility, Cuenca during the colonial period appears to have imported architects from both France and Italy to build many of its churches and residences. As a consequence, Cuenca in both its setting and architecture, appears to be remarkably like Florence. The bronze doors from the Cathedral of Cuenca notably resemble the famed doors of the Florentine Baptistery, citing only one example. Walking through the squares and side-streets of Cuenca, one cannot help but be impressed by the extraordinary beauty of this city.

In the region surrounding Cuenca one finds the National Park of Cajas which contains over 1,000 lagoons appropriate for site-seeing, bird-watching and fishing. A few hours to the south is Vilcabamba, reputed to have a remarkably large population of people over 100 years old. This could be promoted as a destination for senior citizens. Cuenca would also be the logical departure point for overnight excursions to the Province of El Oro where good beaches are apparently located (due to time constraints we were unable to visit this Province) as well as Portovelo, a rich gold-mining town.

It is more than apparent from the foregoing remarks that we were greatly impressed by the extraordinary tourism potential of this region.

### Air Access and Ground Transportation

Cuenca is served by a domestic airport, capable of receiving intermediate size jet aircraft such as Boeing 727's, carrying approximately 125 passengers. We were unable to confirm reported unsafe conditions at this airport. The air terminal is an attractive marble building. Ground transportation is similar to Quito; however, Cuenca itself is essentially a "walking" city.

### Accommodations

Cuenca offers a good variety of one thru four-star hotel facilities, offering appropriate accommodations for the types of international visitors likely to be attracted to it. There is considerable excess capacity at most of these establishments. In the areas surrounding Cuenca, several country-inns are located including the exceptional "Hostería Uzhupud". Those operations suffer from a lack of tourist business, particularly during the five weekdays (as is the case elsewhere in the country).

### Food and Beverages

The hotels in the region offer the highest quality food and beverage which we experienced during our visit to Ecuador. There are only a few independent restaurants in Cuenca of international caliber, most recently established, but this shortage would undoubtedly be self-remedying with the growth of tourist flows to the city.

### Shopping

Cuenca is reputed to be the richest city in Ecuador in terms of handicrafts, available both in Cuenca and in the surrounding region. Cuenca is also the site of CIDAP, the "Interamerican Center for Handicrafts" funded by the O.A.S. and responsible for developing handicrafts throughout South America. Scarce funding has limited the potential of this institution in developing Cuenca as a major destination for tourists with a special interest in handicrafts.

### Entertainment

Entertainment is scarce, but not a constraint at the present time, given the other attractions. However, except for dining, there is little for the visitor to do in the evening.

#### 3.1.1.2.1.2 Market Characteristics

Given the absence of data, we must rely largely on certain logical deductions based on the attractions offered. The mix of international visitors to Cuenca would appear to be similar to Quito. The age profile for Cuenca would appear to be younger since Cuenca is the base camp for many hiking and trekking expeditions as well as sport-fishing activities. Since many tourists visiting Cuenca are making an overnight excursion from Quito to visit the ruins at Ingapirca, the average length of stay is currently probably only about two days. However, it is also likely that many visitors engaged in special interest activities are spending several days in the region.

#### 3.1.1.2.1.3 Marketing Programs and Distribution Structure

The major Ecuadorean tour operators offer Cuenca basically as an excursion destination. No marketing of Cuenca appropriate with its stature as a tourism destination is presently in existence.

#### 3.1.1.2.1.4 Development Constraints

We did not detect any short to medium term development constraints for the Cuenca region. In the long-term, it is likely that the lack of an international airport with long-haul landing capability may pose certain limitations on Cuenca's development. This however, could be partially overcome by direct flights between Cuenca and Cuzco on Perú.

#### 3.1.1.2.2 Potential Development and Recommendations

##### 3.1.1.2.2.1 Improvement in Facilities and Services

The ruins at Ingapirca should immediately be protected by the necessary legislation and surveillance. Major archeological research institutions around the world should be invited to bid on the privilege of undertaking excavation work there and in Cuenca. The "Banco Central" should be encouraged to proceed with its

plans to develop a major archeological museum in Cuenca and to complete the museum at Ingapirca. Development of the artesan centers and handicrafts museums in Cuenca and Gualaceo region should be encouraged. Better litter and signage control to avoid visual pollution in Cuenca should be undertaken. The performing arts should be stimulated.

#### 3.1.1.2.2 Improvement in Marketing Programs and Structures

Since there is practically nothing in place to improve aside from imposing signage control to prevent visual pollution and also litter control, an entirely new marketing program and structure must be created. Specific recommendations in this regard are covered later in this section.

#### 3.1.1.3 The Galápagos Islands

The Galápagos Islands extend over an area of approximately 200 miles by 250 miles, and consist of approximately 11 main islands and innumerable other smaller islands and islets.

##### 3.1.1.3.1 Evaluation of Existing Conditions

###### 3.1.1.3.1.1 Attractions, Facilities and Services

###### Attractions

The importance of the Galápagos Islands as a tourism attraction hardly requires justification in this report. Suffice it to say that they are recognized as one of the world's most important destinations for visitors and a veritable mecca for naturalists and environmentalists around the world. Currently, there are approximately 14 sites which have been open for visication by tourists. They are not disappointed by the opportunity to experience the thrill of mingling with the tame wildlife present. The rugged beauty of the landscape of the Galápagos Islands is also quite remarkable in its own right. The Darwin Research Center includes a surprisingly modest museum and small zoological park. The Isles also contain numerous pristine, white sand beaches and an excellent environment for cruising and yatching.

###### Air Access and Ground Transportation

Air access is provided by the military-owned airline TAME from the continent to Baltra and by SAN, a private airline, from the continent to San Cristobal. This latter island will be used as the staging point for the

new cruiseship entering service soon. TAME operates a daily 727 flight with a capacity of approximately 125 passengers. This flight is expensive (approximately \$370 from Quito round-trip) and on-board service is lacking at present. The airport at Baltra is rudimentary but adequate. The two 90-passenger ships presently operating stagger their arrival and departure dates in order to avoid creating excessive peak demand on air service.

Ground transportation at Baltra is unsatisfactory and tour operators have not been allowed to import vehicles for use in transporting passengers between the airport and their boats or to the hotels in Puerto Ayora. The road connecting the airport with Puerto Ayora is uncomfortably dusty during the dry season and apparently treacherous during the wet season. Since the airport on the Island of Baltra is separated by a channel from the Island of Santa Cruz where Puerto Ayora is located, it is presently necessary to make this crossing in a small passenger ferry. This imposes considerable inconvenience and creates other operational problems associated with arrangements for separate transportation on both sides of the channel besides the transboarding of passengers and their baggage. Tour operators have suggested that a ferry capable of carrying a bus be provided as well as the necessary embarkation facilities.

### Accommodations

Traditionally, most of the tourists visiting the Galápagos Islands have stayed aboard boats and cruiseships. Three 90-passenger cruiseships are authorized to operate in the Galápagos presently. One of these went out of service three years ago as a result of a fire, but its replacement is expected within the next few months. In addition there may be as many as 50 smaller vessels ranging in capacity from 4 to 16 passengers for on-board accommodations. There is considerable disparity in the extent of comfort that they offer, especially on the small, independently owned boats. There are also several small hotels located near Puerto Ayora. All are simple, and several appear to offer just minimal levels of facilities and services for relatively undemanding visitors to the Galápagos Islands. Occupancy rates at the hotels are low. The two large ships currently operating have over 80% occupancies. Space on them is tightly controlled by their operators. Many of the smaller Ecuadorean tour operators must therefore rely on

the smaller boats in order to sell packages to the Galápagos and ultimately the mainland.

### Food and Beverage

Most visitors eat aboard their own ships. The few restaurants which exist would appear to be adequate for the type of tourist attracted to the Galápagos at the present time. There should, however, be greater sanitation control over public eating places.

### Shopping

Shopping facilities are neither available nor appropriate to the Galápagos Islands. However, creation of Galápagos Islands postcards, stamps and posters would be an excellent source of both income and promotion. A small branch post office to cancel mail with a Galápagos Islands stamp would increase the popularity of postcard sales.

### Entertainment

Although the local population of less than 10,000 inhabitants is anxious to see the development of entertainment facilities, the demand for such generated by tourists to the Galápagos Islands would be minimal.

#### 3.1.1.3.2 Market Characteristics

The demographics of visitors to the Galápagos would appear to be similar to Quito, although the younger middle-age "yuppie" market would appear to be increasing. There are also considerable young adventurers availing themselves of the relatively inexpensive accommodations offered by the hotels at Puerto Ayora and many of the smaller boats. It is estimated that about 19,000 international visitors presently go to the Galápagos Islands annually, staying on boats. In addition, some foreign visitors stay at hotels and many Ecuadoreans also visit the Galápagos annually, staying both in hotels and on boats. This brings the total visitors to 49,000, well above the theoretical limit of 25,000 annual visitors established in the interest of controlling the impact of visitors on the Galápagos environment. Approximately 90% of the international visitors using the larger cruise ships avail themselves of the three or four-day itinerary, the remainder staying a full week. It is presumed, but not documented, that visitors staying at hotel

accommodations are probably staying approximately one week or less. A few private yachts sailing the Pacific call at the Galápagos Islands and frequently make stays of over a week. Accurate data about them were not available and their importance seems to be minimal. Incentive groups have recently become a new market to the region.

#### 3.1.1.3.3 Marketing Programs and Distribution Structure

The Galápagos Islands effectively market themselves. Brochures and information regarding cruises on the larger ships are readily available to a broad network of tour operators world-wide, most channelling back to the two main receptive operators in Ecuador. Since space on these cruise ships is at a premium, the other tour operators frequently find themselves at a disadvantage in selling the Galápagos Islands and as a consequence Ecuador in general.

#### 3.1.1.3.4 Development Constraints

The utilization of the Galápagos as a tourism attraction is highly complex. Although all responsible opinion in both the tourism and environmentalist communities concur that development of tourism in the Galápagos must be tightly controlled, there is considerable disagreement about what that means in practice. Although it is clear that the current controls may be inadequate to both protect the Galápagos environment and to preserve it as a major tourism attraction in perpetuity, it is beyond the scope of this report to propose the nature of such controls. The current uncontrolled building occurring in Puerto Ayora is only one indicator of the consequences of the current lack of a development plan for the Galápagos Islands. A plan would need to consider the islands' infrastructure requirements, immigration policies and levels of tourism arrivals which can be sustained without endangering the Islands.

Despite the many other tourism attractions Ecuador offers, the Galápagos Islands are clearly the key to capturing tourists at the present time. Consequently, every effort must be made to approach the development of the Galápagos Islands in the most professional and responsible manner possible in order to avoid the degradation of this important tourism attraction.

#### 3.1.1.3.2 Potential Development and Recommendations

### 3.1.1.3.2.1 Improvement of Facilities and Services

Recommendations on the improvement of facilities and services can only be undertaken within the context of an overall development plan, as suggested above. However, it would appear to be desirable to establish a much more comprehensive interpretive museum and zoological park at a location to be determined within the Galápagos Islands. This museum could be devoted to conveying the importance of evolutionary research in the Galápagos to the advancement of science and technology relevant to contemporary progress in various fields, including medicine. International funding for such a museum would undoubtedly pose little problem.

Given the limited capacity of the Galápagos Islands at whatever level that is eventually established, it is clearly in Ecuador's interest to offer the highest quality facilities and service that the market would sustain in order to maximize the economic benefits of tourism to the Galápagos. Very considerable upgrading of existing accommodations in both hotels and on ships would be required if this objective is to be obtained. A scuba diving operation should be established.

### 3.1.1.3.2.2 Improvement of Marketing Programs and Structures

Given the need to control access to the Galápagos, problems with regard to the equitable distribution of space allocation are bound to arise. The present situation appears to over-favor the largest tour operators and may be ultimately detrimental to the overall development of Ecuador as a tourism destination. An alternative marketing strategy for Ecuador using the Galápagos as a mechanism for selling tourism to continental Ecuador should be considered. This implies reducing the time in the Galápagos Islands spent by the average visitor to the minimum time marketable which in some instances may be even be a single overnight stay. Serious consideration should also be given to only selling the Galápagos Islands in conjunction with a longer stay on the mainland. Priority for space in the Galápagos might even be determined according to the length of the visitor's overall itinerary in Ecuador. In some way, space allocations will have to be made available to a broader base of responsible tour operators. The major tour operators have been undeniably responsible for placing Ecuador in the tourism map, for which they should be commended. However, we now feel that the time

has come in Ecuador's tourism development to seek diversification both in the tourism products and in the tour operators packaging them. Smaller tour operators should be encouraged to more effectively market the smaller boats offering moderate priced packages.

#### 3.1.1.4 The Oriente/Amazonas Region

This region extends from the eastern foothills of the Andes to the disputed border with Perú on the east and south and to Colombia on the north.

##### 3.1.1.4.1 Existing Conditions

##### 3.1.1.4.1.1 Attractions, Facilities and Services

###### Attractions

Already the Amazon regions in Perú and Brazil are attracting considerable numbers of "adventure" tourists. The Amazon region is equally renowned for its rich flora and fauna as well as for opportunities for contact with indigerous cultures whose life styles have apparently altered little for millenia. The region also offers excellent opportunities for such pleasures as star-gazing, boating, fishing, hiking, bird-watching and just plain relaxing. Climatic variations would have little impact on tourist activities. We visited only one area of the region in what is known as a transitionary zone between the highlands and the true tropical rainforest further downstream. This area is actually much richer in vegetation than is the rainforest and as such much more interesting although less famous. But, it is also possible that Ecuador may be able to offer opportunities to visit the rainforest at more remote locations at some time in the future. The attractions which are available currently are more than sufficient to distinguish the Ecuadorean Amazonian region as an important tourism destination.

###### Air Access and Ground Transportation

Air access is theoretically available but is unreliable in practice. Air terminal facilities as well as landing strips require improvement. An astonishing array of ground and water transportation services peculiar to the region have been developed and are an attraction in themselves.

### Accommodations

Hotel accommodations in the Amazon region of Ecuador number less than 100 rooms in a floating hotel, or flotel, and several jungle lodges. Those accommodations which we visited required upgrading and it is highly probable that the same may be true of other existing accommodations. A new lodge scheduled to open soon will apparently offer a better grade of facilities. However, the present tourists visiting the Amazon think of themselves as adventurers prepared to "rough it". Better accommodations will broaden the market and may even stimulate repeat business from jungle connoisseurs.

### Food and Beverage

The food and beverage served by the jungle lodges is satisfactory. Prepared meals might be enhanced by including more regionally obtained products and by making an attempt to incorporate exotic, forest products (such as native morel mushrooms). Also, guests might be invited to participate in simple cookery on outdoor barbecue pits as an added activity during the evening.

### Shopping

Although not a constraint to tourism development, development of Indian handicrafts would be beneficial both to the tourism experience and the local economy.

### Entertainment

Conventional entertainment would, of course, be inappropriate. However, current facilities would appear to be deficient in such areas as video libraries, research libraries and other services and equipment which would allow the visitor to have a more entertaining and educational experience. In this respect, the larger establishments should also endeavor to have in addition to guides who are expert in flora and fauna, other guides who are specialized in anthropology and ethnology, and perhaps astronomy. It may be necessary for the Government to facilitate the use of foreign guides until Ecuadoreans can be trained.

#### 3.1.1.4.1.2 Market Characteristics

The demographics of visitors to the Amazon is not known. We surmise, the U.S. market may be predominant due to the shortage of guides in European and other

languages; guides are essential to visiting this region. Historically, the preponderance of visitors has also been from the over 55-year old age bracket, but this is a circumstance that is likely to change rapidly. Numerically, the great majority of visitors to the region have utilized the floating hotel itinerary of three or four days. However, longer stays are entirely feasible once diversified programs are offered.

#### 3.1.1.4.1.3 Market Program and Distribution Structure

Ecuador's largest tour operator and owner of the floating hotel has developed a good marketing and distribution network. The same cannot be said of the other facilities. No information regarding them was available in the U.S. prior to our departure to Ecuador, nor was it encountered in Ecuador, for that matter.

#### 3.1.1.4.1.4 Development Constraints

Development of the Amazon Region will undoubtedly have to be controlled in such a way as to be compatible with ecological considerations. However, given the vastness of the region, it would appear that very considerable growth could be accommodated if properly planned. Extensive tracks of land have been granted to companies for oil exploration and much of the remaining land are either national parks or Indian reservations. Therefore, development of tourism facilities in the region would require the assistance of the Government in order to designate appropriate sites for these facilities. In the absence of such government assistance, development of the tourism potential of the Amazon region will be seriously constrained.

#### 3.1.4.2 Potential Development and Recommendations

##### 3.1.4.2.1. Improvement of Facilities and Services

Most of the required improvements are implicit in the remarks regarding the existing conditions. Expansion of the existing facilities to accommodate from 60 to 80 guests should be encouraged. Further growth should take the form of new projects.

##### 3.1.1.4.2.2 Improvement in Marketing Programs and Structures

Given the desired small size of the individual establishments in the Amazon region, it is recommended that the Government, in cooperation with the private

sector, establish a central clearing house for providing information about available facilities and services and directing the travel agents and tourists to their booking agents. Joint promotional campaigns and materials should also be sought.

### 3.1.1.5 Guayaquil and Surroundings

This region is defined as the city of Guayaquil and the Guayas River Delta.

#### 3.1.1.5.1 Evaluation of Existing Conditions

##### 3.1.1.5.1.1 Attractions, Facilities and Services

###### Attractions

Guayaquil is the largest city of Ecuador and the country's largest industrial, commercial and banking center. As such, it receives the largest flow of commercial travellers. With a sea-level airport it is the preferred Ecuadorean international gateway for long-haul carriers. Its rapid growth has not favored its physical appearance and consequently, tourists have avoided it to the extent possible. Guayaquil has a long tradition as a port and rivertown. However, the city appears to have neglected the preservation of those roots. Citing Baltimore, Maryland as an example, we believe that if Guayaquil were to redevelop its riverfront area, it could both restore civic pride and attract tourists. Elaboration on how this could be accomplished is contained in a later section of this report.

Among the attractions which Guayaquil offers are a monumental cemetery, a museum of antique fire-fighting equipment, an interesting brewery, and opportunities for river excursions and visits to shrimp and banana plantations nearby. Guayaquil is also the terminal point for the breath-taking railroad trip to Riobamba. The once elegant, historic district of "Las Peñas" is in a serious state of decay. It contains the historic homes of two past presidents and the composer of the Ecuadorean national anthem. As such it is an area of exceptional historic and cultural importance.

A linear park known as the "Malecón" extends along the riverfront, bordering most of the downtown business district. Apart from a few well-kept monuments, most of

this park is in a state of abandonment. Nonetheless it is an active social and recreational gathering spot for the local population.

### Air Access and Ground Transportation

International air access will be treated in a later section. Guayaquil, like Quito, is a hub for domestic air traffic. Domestic air terminal and ground transportation services require improvement.

### Accommodations

Guayaquil has several two, three, and four-star hotels (by international standard), totalling about 700 rooms, catering to business travellers. Hotel space availability is tight during weekdays in peak seasons, but overall occupancy rates are not high at the present time. Nonetheless, demand for rooms during peak periods is generating the need for increased hotel accommodations. Despite its importance as a business center, Guayaquil has little in the way of convention and meeting facilities.

### Food and Beverage

Considering its wealth, Guayaquil has a surprising scarcity of good, independent restaurants.

### Shopping

Guayaquil prides itself as an international shopping emporium. However, neither the products nor the shopping districts where they are offered would be of much interest to tourists. A few art galleries are presently located in the "Las Peñas" district.

### Entertainment

Although presently catering only to Ecuadoreans, Guayaquil has a vibrant night-life that is fairly sophisticated. This entertainment ranges from typical cabarets to laser-equipped discotheques.

#### 3.1.1.5.1.2 Market Characteristics

Current tourist flows to Guayaquil, apart from businessmen, are negligible. Many tourists even inconvenience themselves in order to avoid over-night stays in Guayaquil. Therefore, the average length of stay for tourists is probably less than a day.

### 3.1.1.5.1.3 Marketing Programs and Distribution Structures

Guayaquil has not been marketed as a tourism destination. Several tour operators do provide transfer services and a few tours of the city and the surrounding region. All the better hotels have international hotel representatives facilitating reservations, principally by business travellers.

### 3.1.1.5.1.4 Development Constraints

The development of Guayaquil as a tourism and convention destination is constrained by its lack of a five-star hotel and major convention facilities as well as by its unattractive physical condition. Strategies to remedy this are discussed in the following section.

### 3.1.1.5.2 Potential Development and Recommendations

#### 3.1.1.5.2.1 Improvement in Facilities and Services

A major redevelopment of the Guayaquil riverfront area is strongly urged. The historical district of "Las Peñas" should be entirely restored. In many instances this would require almost total reconstruction duplicating the original structures. The restored houses would contain restaurants and cabarets, art galleries and a museum tracing the history of Guayaquil as a river port. Since there are only about 40 houses in this area, we suggest that major banks and industries each "adopt" an individual house in the area and underwrite the restoration cost as a civic contribution. The Malecón park should be restored by the city or by a public corporation that would benefit from the increased land values which would likely occur along its full extension. Since there are many warehouses and other low-value uses in this area, there is considerable opportunity for the appreciation of real-estate values. Restaurants over the water or in riverboats should be developed at intervals along the Malecón. Beautification of the Malecón should not be permitted to interfere with the important role it plays in local recreation, since this adds to its attraction for tourists: for example, improvised soccer fields should not be displaced. (Technical assistance for these redevelopment projects may be available through UNESCO, the OAS, and/or the Partners for Livable Places in Washington, D.C.).

The "Escuela Politécnica del Litoral" (Coastal Polytechnic School) occupies a privileged location at the point on the riverfront separating the Malecón from the Peñas district. As soon as this school moves to its new campus which is currently under construction, this site should be developed for a large 5-star hotel and convention facility. This site is so large that many additional uses would need to be investigated to determine their individual feasibility, and are beyond the scope of this report. Among those that should be considered are a national aquarium, a shopping mall, commercial office space and residential condominiums, to name only a few.

The 5-star hotel should be designed as an oasis within the city, with its restaurants and public facilities extending out into the river. Such a comprehensive redevelopment of the riverfront area of Guayaquil would not only attract tourists for short stays, particularly on weekends, but also establish Guayaquil as an excellent business meetings and convention center. Perhaps even more importantly, it would provide Guayaquil with the restored image it needs to attract investors for industrial development.

#### 3.1.1.5.2.2 Improvement in Marketing Programs and Structures

In conjunction with the above recommendations, Guayaquil should establish a visitor's and convention bureau. Convention delegates would not only bring revenues to Guayaquil but would logically extend their stay by post convention travel to other areas in Ecuador.

#### 3.1.1.6 Pacific Beach Resorts

This region is defined as the Pacific Coast of Ecuador extending from Colombia to Perú.

##### 3.1.1.6.1. Evaluation of Existing Conditions

##### 3.1.1.6.1.1 Attractions, Facilities and Services

###### Attractions

We visited most of the beach areas stretching along the coast from Colombia to Guayaquil. None of these were considered to be of such exceptional quality, either in terms of the beaches themselves or the general landscape

as to justify them at this time as potential destinations for international visitors coming from distant locations. We were unable to visit the beach area south of Guayaquil and therefore, unable to comment on the quality of beaches in that area. In any event, given the short to medium-term objectives of this report, determination of long-term potential of that area would be beyond its scope.

The principal attraction of the Pacific Coast for international tourists at the present time is the excellent deep-sea fishing available in the waters off Salinas and Manta. The latter city was found to be more attractive as a center for deep-sea fishing given its more interesting urban character. Good sites for scuba-diving are apparently found in the region around Salinas which also has some claim to fame as the westernmost point in the southern hemisphere.

#### Air Access and Ground Transportation

All of the coastal cities are served by adequate airports. The yacht club at Salinas would make an excellent receiving point for handling passengers of large cruiseships sailing along the Pacific Coast. From Salinas these passengers could be distributed to air/land excursions throughout Ecuador. The road system in the region appears to be adequate but was not thoroughly investigated.

#### Accommodations

Hotel accommodations of truly international caliber was not found in the region. The small hotels in Manta which receive deep-sea fishermen are only barely suitable for this market. Salinas has a large supply of good quality condominiums which could be used to house either deep-sea fishermen or scuba-diving groups as well as the occasional beach-oriented tourist.

#### Food and Beverage

There is an apparently an adequate supply of good restaurants to service the type and quantity of tourism anticipated in this region.

#### Shopping

Opportunities for tourism shopping in this region are minimal. The village of Montecristi, not far from Manta is reputed to offer excellent handicrafts.

### Entertainment

The Pacific Beach Resorts all provide entertainment during the domestic peak seasons which international tourists would probably find interesting and appropriate to the circumstances. However, at other times no entertainment is available.

#### 3.1.1.6.2 Market Characteristics

Most of the international visitors are middle-aged men who come from around the world exclusively for deep-sea fishing. Their average length of stay is 3 to 4 days. In the absence of superior hotels and other attractions, very few come accompanied by their wives.

#### 3.1.1.6.3 Market Programs and Distribution Structure

Several U.S. and European specialized tour operators work with deep-sea fishing packages for the region. Bookings by small groups or individuals are complicated by the few boats available and by their apparent entrance and withdrawal from commercial chartering, depending on the boat-owners personal needs. However, brokers are apparently able to find suitable boats upon sufficient advance request.

#### 3.1.1.6.1.4 Development Constraints

Development of beach resorts for international visitors in this region is constrained mostly by the questionable marketability of this type of tourism at such a remote location in the absence of truly exceptional beaches. Furthermore, existing beach uses and facilities in most locations would be incompatible with the development of international resorts.

#### 3.1.1.6.2 Potential Development and Recommendations

##### 3.1.1.6.2.1 Improvement in Facilities and Services

Development of a good hotel on the beach in the upper-class residential area south of Manta would be beneficial to international tourism development. However, this hotel would have to rely principally on commercial traffic to Manta; and the feasibility of such a project was not ascertained.

A scuba-diving operation should be undertaken at Manta or Salinas. A decompression chamber is not necessary for the initiation of this activity.

#### 3.1.1.6.2.2 Improvement in Marketing Programs and Structure

Better dissemination of information regarding deep-sea fishing and the proposed scuba-diving operations are required, as well as booking agents in the market place. A beach hotel at Manta would make it possible to offer acceptable programs for accompanying spouses, broadening the market and increasing the length of stay somewhat.

#### 3.1.2 Special Interests and Activities

Ecuador offers excellent opportunities for engaging in certain special interest activities throughout the various geographic regions.

Bird-watching in Ecuador is exceptional due to the diversity of species found in the various climatic regions and in very accessible locations. Ecuador has one of the highest number of rare species in the world. However, this fact has not been well communicated to bird-watchers internationally.

Excellent sport fishing is also found in Ecuador, ranging from deep-sea fishing along the coast, to fresh-water fishing mountain lakes and streams and in the rivers of the Amazon Basin.

Other special interest activities include: archeology, evolutionary science, hiking and trekking, mountain climbing and photography.

#### 3.1.3 Other Product Segments

##### 3.1.3.1 Incentive Markets

Ecuador has just begun to be recognized as an excellent location for incentive tour programs, particularly for small groups under 100 participants.

### 3.1.3.2 Meetings and Conventions

If large, five-star hotels with appropriate meeting facilities were provided in Quito and in Guayaquil, Ecuador would be a preferred location for many international conventions. Owing to time constraints, we did not make a survey of convention facilities. It should be noted that the solicitation of convention business is a long term proposition and requires trained specialists. Major international airlines often have their own convention sales department, and a government bureau such as DITURIS should approach airlines serving Ecuador to urge a greater promotion of Ecuador as a convention site.

## 3.2 Air Transport

### 3.2.1 International Air Transportation

In 1985, Ecuador received approximately 244,000 air passenger arrivals (See Annex 1) of which less than 50,000 passengers were probably vacation-motivated tourists. Since 1983 there has been steady growth from the North American and European markets.

Ecuador is served by its government-owned international flag carrier, Ecuatoriana, and by Eastern, KLM, Lufthansa, Air France, Air Panama, Aero Perú, Aerolíneas Argentinas and Varig.

Until recently, Ecuatoriana and Eastern each operated six weekly flights using narrow body equipment and most of the other airlines operated only one or two flights weekly. As a result of the new Civil Air Agreement between the U.S. and Ecuador, air transport capacity between the two countries will be increased dramatically. Ecuatoriana will soon be operating 10 weekly flights using wide body equipment. Eastern now has 6 weekly flights using wide body equipment; and PanAm is expected to begin six weekly flights using narrow body equipment.

We have estimated (see Section 4.0, Table 1) that to keep these flights at reasonable load factors, an additional 52,000 passenger arrivals by vacation motivated tourists must be generated. This can only be accomplished with much more attractive airfares. Currently, roundtrip excursion fares between the U.S. and Ecuador range from US\$520 to US\$677, subject to

seasonal adjustments, restrictions and city pairs connections. A group fare for over 15 persons of \$450 exists but is rarely used.

We believe that new fares must be established that would be competitive with the US\$399 fare between Miami and Lima, Perú via the Cayman Islands on Fawcett Airlines. These fares would undoubtedly carry restrictions including requirements to pre-purchase land arrangements in Ecuador. More than any other factor, lower air fares will stimulate the growth of tourist arrivals to Ecuador.

Since Ecuador does not anticipate re-negotiation of any other bilateral air agreements, much of the expected growth in European and Asian tourists will be accomplished by using the U.S. as a gateway, fostering the tourism development of both countries.

### 3.2.2 Domestic Air Transportation

The principal domestic air carrier is TAME, an airline operated by the Ecuadorean Armed Forces. Although it is generally well equipped it has not offered the standard of service required by international visitors travelling in Ecuador. TAME is currently in the process of computerizing its reservations systems to be linked to Ecuatoriana's and is also planning to upgrade its on-board service.

TAME uses a few of its profitable routes to subsidize many others that are not. This situation is not likely to change in the short to medium term. However, TAME has expressed agreement with the idea of offering an "Ecuador Air Pass" which would permit unlimited travel within Ecuador in conjunction with an international ticket. Priced at around US\$350, these fares may help to reduce resistance to shorter stays in the Galápagos Islands and encourage tourists to visit more regions on the mainland. A lower fare than \$350, as is the case in other countries, would offer tourists even more incentive to visit additional areas within Ecuador.

## 3.3 Existing and potential international markets for Ecuador

### 3.3.1 The USA Market

Among the several international inbound markets, the USA market perhaps holds the strongest potential for Ecuador for several reasons. First, the U.S. economic outlook

remains favorable through 1987 as inflation continues to be moderate and unemployment is expected to remain at the same or slightly lower levels. Consumer confidence is high and the relatively strong U.S. dollar is encouraging more outbound travel than ever to destinations which are effectively promoted.

There is presently a strong demand for alternative foreign destinations which have not been well travelled in the past. Of the approximately 28 million departures from the U.S. to foreign destinations, South America as a whole has received only 559,000 visitors, or just under 2% of the market. However, last year's growth rate was around 15% and according to airlines and tour operators selling this region, visitor traffic has continued to increase in 1986.

PanAm and Eastern, the two U.S. carriers serving the region have expanded their capacity in response to actual and anticipated travel demand. While PanAm has not yet begun its service to Ecuador, it is expected to do so in early 1987 as a result of the recent Civil Aviation Agreement struck between Ecuador and the U.S. This will add an additional six flights per week, or 27,144 passengers annually based on a 60% load factor, to Ecuador from the U.S.

The profile of the U.S. outbound traveler is especially meaningful for Ecuador's tourist industry. Seventy-five percent of U.S. vacation travelers have an average income exceeding \$30,000 and over 50% are drawn from business or professionally-employed households. In 1985, 56% of U.S. travelers abroad held college degrees and 23% had some college education. The correlation between education and travel is a positive one.

The average age of the American traveler is higher than the general population with males at 44.2 years and females at 42.8 years. (The average age of the U.S. traveler to the Caribbean, by the way of comparison, is slightly younger - males are 42 years and females are 37 years). Moreover, there is today a large percentage of U.S. travelers who are 65 and older.

Approximately 3/4 of all American travelers book their trip through travel agencies and 61-63% use travel agencies as a source of information in planning a vacation trip. 55% choose U.S. flag carriers while 45% will book on foreign flag carriers. The addition of

PanAm flights to Ecuador is therefore significant. Since deregulation, scheduled flights command 95% of the market. Before deregulation, chartered flights comprised 40% of the market, but have since dropped to 5% or under.

Although there are a great many statistics available on the U.S. traveler from privately commissioned studies by regional travel associations and other sources, it is sufficient to say that the few statistics selected for mention in the above are significant for Ecuador in the following sense:

- Ecuador is in part a high cost destination due to its high airfare structure. However, land prices are lower than in the vast majority of travel destinations where Americans now go. Hotel accommodations in particular are good value, rack rates ranging from \$12 to \$77 based on double occupancy in two to five stars properties (by Ecuadorean industry standards). Even lower prices are available in accommodations that offer basic amenities to the non-discriminating young adventure traveler. But given the higher average income of the American long-haul traveler, the overall cost of a vacation trip to Ecuador is in reality, only moderate. The key to possible price resistance depends on how tour packages to Ecuador are put together, presented in print media, and communicated or advertised in the U.S. Inclusive tour packaging may be a better strategy than component pricing (i.e., air, land) as is presently practiced by the majority of sellers.
- Ecuador is essentially a nature and adventure destination, but has unique cultural attractions as well. As such, it holds wide appeal for the educated traveler who is societally and environmentally aware and places high value on the learning aspects of a vacation trip. Both the educational and psychographic profile of the American long-haul traveler would seem to favor Ecuador as a preferred destination assuming that adequate efforts are directed to developing marketing themes for Ecuador which will appeal to the societally and environmentally-conscientious American.
- The older American traveler is increasingly a special interest traveler with an interest in the rich attractions that Ecuador has to offer. These attractions would include such themes, activities or areas as:

- National parks, reserves, preserves
  - Conservation and environmental themes
  - Agricultural themes such as banana plantations
  - Aquaculture themes such as shrimp farming
  - Rare flora and fauna in the rain forests
  - Archeological and anthropological themes
  - Geology and topography
  - Wildlife in the Galápagos
  - Colonial cities and towns
  - Recreational sports such as sportsfishing and skin diving
  - Outdoor adventure in the Oriente and the Sierra Andes
  - Specialized vehicle tour development ranging from trains to canoes
  - Birdwatching
  - Stargazing
  - Off-shore sailing and overland trips
  - Leisure stays in historic haciendas, (e.g., La Cifnega Estate)
  - Authentic folk art and handicrafts and revival of the arts (as in Cuenca)
  - Cultural and religious events of Ecuador
  - Churches, museums, and monuments
  - Others (including created events in non-peak seasons)
- Older American travelers have higher discretionary income per capita than the general population with fewer time constraints. In fact, they control half of the total U.S. discretionary income and 70 per cent of the total worth of U.S. households. They therefore tend to stay abroad for reasonable periods, often three weeks or longer. Moreover, a high percentage stay in first class and deluxe hotels. They represent, as a group, an exceptional target opportunity for Ecuador.
- Although special emphasis is given to attracting the older American vacation traveler, the younger vacation traveler who is interested in such outdoor activities as trekking, mountaineering, and camping should not be excluded in determining a market action plan since there are abundant natural attractions in Ecuador. Neither should the American business traveler, who is able to extend his/her trip by three or four days to enjoy a shopping excursion to Otavalo or in Cuenca, Quito, Guayaquil, etc. and/or to enjoy sportsfishing, and other activities be overlooked.

- With respect to the American market in summary, Ecuador has something to offer everyone. It is also a new destination for North America which requires only better destination marketing and promotion by both government and private sector. This implies improved accessibility with an emphasis on competitive airfares and continued emphasis on quality travel product and professionalism development throughout the tourist industry.

### 3.3.2 Other potential inbound markets for Ecuador

Europe. The West German outbound travel market is the largest in the world today with visitor expenditures expected to grow from \$21 billions in 1983 to an estimated \$40 billions in 1990 and \$62 billions in 1995. Other important European outbound countries include the United Kingdom, France, Italy Switzerland and the Netherlands. In view of its historical ties with Ecuador, the Spanish could logically be stimulated further. The travel profile of visitors from these countries (1984 Gallup Surveys) are compatible with the attributes, conditions, and amenities offered by Ecuador. The highest needs of the W. German traveler are, for instance, a sunny climate, opportunity to visit different cultures and ways of living, experiencing local customs, good food, relaxing, and the ability to arrange for travel independently. For the French, among the most important travel needs are the opportunity to visit new cultures, ways of living, experiencing local customs, adventure and escaping from the ordinary. Other European travelers also value good climate (80 to 90% factor), the opportunity to look for adventure and an opportunity to escape from the ordinary (65 to 78% factor). Ecuador is blessed with both good climate and rich opportunities for a different vacation out of the ordinary.

Japan. The Japanese visitor is the most sought-after tourist today in the world. They are the best spenders and prove to be amenable guests who respect the customs and laws of a host country. Moreover, this market is large - about 5 million outbound travelers in 1985 (82% for pleasure) and their government policies encourage continued outbound travel to other countries. Average expenditures per capita exceed \$1,000 per trip.

While the largest percentage, or 60%, of all Japanese outbound travelers prefer leisurely-stay tours, some 38% would like to visit countries with historical and

ancient ruins tours, 25% for sports tours, 25% for sea and mountain tours, about 30% for shopping tours, 20% for adventure and remote places tours, and 15% would opt for folklore tours. These are the very types of tours which Ecuador is presently well-positioned to offer the Japanese. It is, therefore, paradoxical to find that less than 1% of Ecuador's international tourists are Japanese when Brazil is able to attract a significant percentage of Japanese visitors approximately 27,000 in 1985, to its shores, in part owing to a resident population of Japanese in Brazil. The answer lies in developing Ecuador's ability to apply specialized marketing techniques which apply to the Japan travel trade along with increased funding for marketing and promoting Ecuador in Japan as in other important outbound countries.

Australia. The Australian market is also another promising target for Ecuador. The Australian psychographic profile is in some respect similar to the European ones. They like destinations where they can mix with local people (84%), visiting new cultures and ways of living (83%), good food (81%), good climate (76%), places where new things are learned (70%) and a chance to look for adventure and escape from everyday life (68%). Moreover, the Australian worker has a generous vacation pay loading built into his/her salary compensation, generous vacation leaves for long-haul travel. The Australian civil service worker also gets long sabbatical leaves after a vested period, ranging from three to six months at full or half pay. These travel preferences and ability to consume would make Ecuador a desirable vacation destination. The young Australians that we interviewed in the Galápagos Islands expressed complete satisfaction with their ten days visit in the Islands and thought that they received good travel value in Ecuador. Similar to the market share of Japanese travelers, Ecuador receives only a negligible number of Australian visitors at present. However, targeted marketing could achieve excellent results.

### 3.4 International cooperation for promoting Ecuador

#### 3.4.1 Technical assistance from WTO

Dynamic changes are taking place in the World Tourism Organization under the leadership of its new Secretary General Dr. Willibald Pahr. From an organization once heavily engaged in the politics of tourism and theoretical concepts, it is rapidly moving into more

practical matters, including marketing research, marketing missions, and technical education in various elements of tourism to meet the changing needs of the WTO membership. Outside of the Master Plan for Tourism Development in Ecuador, Ecuador has not really benefited from its membership in WTO, at least not in a practical sense. However, under the new WTO leadership, Ecuador may and should request technical assistance in tourism statistics, market research techniques, marketing and promotional techniques, and in developing education and training programs to serve Ecuador's travel industry. It is suggested that an official visitation from the WTO Secretariat to Ecuador be arranged to discuss Ecuador's needs. Besides the WTO, there are other sources of technical assistance for tourism, such as the OAS, UNESCO, EEC and others.

#### 3.4.2 Regional efforts with the South American Travel Association (SATA)

Acting on a recommendation by the United States Tour Operators Association (USTOA), the public and private sectors of the South American countries re-established SATA in August, 1986, patterned after the highly successful Pacific Asia Travel Association, and comprised of government members, tour operators, hotels and airlines in the S.A. market. With its main office located in Miami, mainly to better reach the outbound U.S.A. travel market, SATA intends to double U.S. travel to South America from its present 559,000 count to over 1,000,000 visitors. As a founding member of SATA, Ecuador stands to benefit from this new organization if it is aggressive in its participation.

An obstacle to travel that Ecuador could not alone overcome as a member in the region is South America's lack of presence in the U.S. market, which includes a poor image of the region or no image at all, ignorance about South American geography and countries, meager promotional efforts and sparse destination advertising and slow development of viable travel products. Under the umbrella of the newly-formed SATA, Ecuador's U.S. Tourist Office represented by Ecuatoriana Airlines, may contribute to the resolution of many of these problems and at the same time gain a positive measure of visibility within the U.S. travel trade that promotes and sends visitors to SATA countries.

3.4.3 Development of conjoint destination marketing programs.

- Airlines.

Pan American Airlines. Pan Am's presence in Ecuador should contribute greatly to the marketing of Ecuador in the United States following the typical strategy of this carrier to fill seats. In cooperation with the Brazilian Tourism Authority (Embratur), for example, Pan Am along with Varig Brazilian Airlines and the American Express Card is contributing to a \$2 million advertising campaign in the U.S. If DITURIS spearheads a similar effort to EMBRATUR's, it is likely that Pan Am might also contribute to an Ecuador campaign, especially as there will be increased competition among the southbound carriers from the U.S.

Eastern Airlines. Eastern Airlines basically limits its promotion to Ecuador through trade selling and travel agents familiarization trips, since 80% of Eastern's sales are generated by travel agencies. However, Eastern is working with wholesalers to develop more tours to the Galápagos. Eastern is also planning to introduce a Brazilian/Ecuador Excursion fare of \$690 round trip, down from its fare of \$1,136 last year. This greatly reduced fare should help to stimulate stopover travel through Ecuador.

Ecuatoriana de Aviación. Ecuatoriana Airlines, the government-owned international carrier, is planning to increase its weekly flights from 7 to 10 to and from the U.S. on January 1, 1987, increasing seat capacity on the American/Ecuador route substantially. This means increased competition requiring new marketing strategies. For its north/south passengers en route to/from Lima, Santiago, Buenos Aires, Rio de Janeiro, Cali, Caracas, and Mexico City, Ecuatoriana is planning to offer three complimentary hotel nights in either Quito or Guayaquil. The complimentary stopover will also be made available to European interline passengers going through Ecuador to connect with Ecuatoriana.

Two other Ecuatoriana promotional programs will be introduced: a frequent flyer campaign and an in-house credit card which permits customers to pay in sucres with 60 days credit.

The major impact on tourism to Ecuador, rather than for the airline, however, will be the tripling of Ecuatoriana's advertising budget from \$1 million in 1985 and \$1.7 million in 1986 to \$3 million in 1987 plus \$1.5 million for special promotions. Approximately 40% of the airline's ad contents will be dedicated to Ecuador as a destination, far more than has ever been expended by the government or the private sector for tourism promotion previously. With regard to the increased promotional budget, some \$30,000 of Ecuatoriana funds matched by \$30,000 from the U.S. Chamber of Commerce will be used to air 30 second commercial spots over a period of six weeks, once a day in each of the U.S. markets reached by ESPN, a U.S. sports and, more recently, news channel.

Finally, Ecuatoriana will be making a series of workshop presentations to promote Ecuador destinations in North America. All of these combined activities should significantly promote and increase tourist traffic to Ecuador in 1987.

American Express. American Express T/E Credit Card Division is a significant force in the global travel market and the American Express Foundation has in recent years been interested in cultural and historic preservation of travel destinations. It would be opportune for DITURIS to meet with American Express representatives to discuss conjoint tourism promotion efforts for Ecuador in 1987. One possible area for their assistance could be in the production of informative travel films about Ecuador's attractions and tourist services, similar to what they have done for other countries.

Hotel Chains. With the exception of the Quito InterContinental, Ecuador does not have any other multinational hotel chain in the country. This fact is regrettable since international hotel chains not only help to promote and market a destination, but also create an international image for the primary cities of the country where both government and business/industry travel occur. While several hotels, mostly in Quito and Guayaquil, have affiliated with such international hotel marketing and reservation systems as "Leading Hotels of the World" and SRS Hotels/Steigenberger Reservation Service, the impact for the country is not significant since these systems promote properties rather than destinations. As the travel industry economic sector grows in Ecuador, a

national tourism plan should be developed with one of its objectives directed to the encouragement of such American chains as Sheraton, Hilton International, Holiday, etc. which have international experience and reservation linkages to consider sites in Ecuador. Also, the presence of such hotel chains as the Meridien and New Otani would greatly help to increase French and Japanese Visitors respectively to destinations where such chains are located.

#### 3.4.4 Bilateral Agreements

Ecuador does not have at present any bilateral agreements with other countries in the area of tourism. While membership in such organizations as COTAL may help form multilateral country travel policies, such policies have no binding force on the various governments. It is suggested that tourism bilateral agreements between Ecuador and appropriate countries be considered in the future as a means to encourage two way tourism traffic between countries with the support of the consenting governments. Bilateral tourism agreements may also include technical assistance provisions to facilitate marketing and technology transfer, statistical and other information exchange and training in various aspects of tourism.

### 3.5 Organization of tourism marketing efforts

#### 3.5.1 Role of DITURIS in coordinating efforts of government and private sector

Under the administration of the Ministry of Industry, Commerce, and Integration, the role of the Dirección Nacional de Turismo, DITURIS, in practice has mainly been one of a coordinating and regulatory agency over the private sector. Basic functions executed through its three main departments for Promotion, Technical Operations, and Administration include:

- Regulating prices of restaurants and hotels
- Approving the licensing of tourism enterprises and the duty-free importation of capital equipment for tourism businesses
- Evaluating tourism projects and providing technical assistance
- Statistic gathering and information dissemination

- Preparing and disseminating distributive promotional material
- Working with international and domestic airlines and the travel trade to promote tourism within and to Ecuador
- Training
- In the past, DITURIS also helped to organize and operate tourism projects in areas where private sector investment was inadequate or lacking. At present, it assists in encouraging and developing investment incentives and tourism investment projects.

At present, the Ecuadorean government has attempted to redirect the efforts of DITURIS into two policy thrusts (1) promotion and, (2) assisting the private sector to take the lead in tourism development rather than by the public sector. These are forward-thinking policies, but ones which will require a restructuring of DITURIS if it is to be able to implement the new directives effectively. There are major problems confronting DITURIS, which are:

- Lack of an adequate budget to do destination advertising and effective promotions. For example, DITURIS has had to rely on the Central Bank for its tapes on the Galápagos Islands and other visitor destinations in Ecuador because it did not have funds to undertake the development of such viewer tapes which are vital for promoting tourism through public media channels.
- Training of technical personnel employed within DITURIS is also hampered by lack of funds.
- There is little, if any, coordination between DITURIS and other government bodies. DITURIS essentially functions alone without support from other government agencies. For instance, when the decision to raise the airport departure tax from US\$5 to US\$20 was implemented - a decision which has serious negative implications for tourism - neither DITURIS nor the affected private sector bodies such as the Ecuador Hotel Association (AHOTEC) and the Travel Agents Association (ASECUT) were consulted for their concerns.
- Another example is that given the limited resources of DITURIS, interagency cooperation with the Foreign

Ministry might have made possible the use of the commercial attachés in Ecuadorean embassies and consulates to satisfy tourism information functions and requirements of foreign nationals around the world - a service function which is not being met at present.

- No political importance was attached to tourism previously nor was tourism viewed as a significant economic activity for the country. There are no separate national accounts established for tourism. The Central Bank makes estimates of the revenues derived from tourism activity, but these may be largely underestimated as income from day trippers or excursionists from nearby countries for shopping is not included.
- The private sector has had little, if any, input into DITURIS decisions and policies, and is therefore not meaningfully involved in government tourism promotional efforts.

To resolve these and other problems, the Ministry of Industry, Commerce and Integration has considered the reestablishment of DITURIS as an independent agency to carry out the new tourism directives. Such a move concurs with the world trend in giving tourism a higher profile and authority within government jurisdiction. We would go one step further in recommending the consideration of restructuring DITURIS into a quasi-governmental, quasi private body, i.e., the Ecuador Tourist Development Corporation patterned after successful tourism administrative models in other leading tourism countries or states. Implicit in this recommendation is the creation of a Tourism Advisory Board or a National Tourism Council composed of members representing the private tourist sector and government, with the private sector holding a majority number of seats. It should also be understood that the private sector must cover all major segments to include transport companies, tour operators, travel agencies, hotels, restaurants, retailers, recreation and entertainment, culture and the arts, marketing organizations, banking, the press, etc.

To resolve the problem of limited seats on the advisory board, small and large enterprises and various tourism sectors might be represented alternately if not concurrently. Governmental representation from the various cities and communities involved in tourism would

also serve on the board. Financial contributions to the ETDC would come from both government and the private sector with government providing the bulk of the operating income, perhaps derived from an existing tax source on travel and tourism.

### 3.5.2 Public awareness of the importance and value of tourism

Until the downturn in crude oil prices particularly this year, little importance has been attached to tourism by government. This fact is reflected not only in the size of the budget allocated to DITURIS through the Corporacion Financiera Nacional, but in the small number of annual visitor arrivals to Ecuador, especially when compared to neighboring countries. Since the peak year of 1980, arrival figures to Ecuador have in fact shown a steady decline from a high of 245,000 arrivals to 226,000 in 1981; 217,000 in 1982; 193,000 in 1983, recovering slightly in 1984 to 219,000 arrivals and 238,000 arrivals in 1985. Along with a low market share, tourism receipts when compared to travel expenditures have shown a consistent negative balance each year since 1980.

Besides lack of funding to promote tourism, part of the problem may be attributed to a lack of public and the government's own awareness of the economic importance and social value of tourism. Few citizens in Ecuador are aware that tourism, like the petroleum industry, is an export industry which not only generates revenues through direct visitor spending, but is also an efficient engine of direct and indirect employment. Tourism is classified as a service-based industry and the service sector is now looming as a major economic force in many post-industrial nations. In Ecuador direct spending by visitors provide employment not only for residents engaged in such services as transportation, hostelry, restaurants, retail shops, tour operations, etc., but also for those engaged in the production of handicrafts and art goods, agriculture, textiles and garments, publications, etc. down to the subsistence level of the street corner vendor. At its very best, tourism can and does help a community to preserve its cultural heritage and to conserve its natural and environmental assets; for when these things disappear, there is little reason for visitors to come.

What we recommend is the commission of a tourism impact study which will measure the economic, social, and environmental values of tourism in Ecuador. This study,

which need not be expensive, may be performed by any number of expert firms or institutions in Europe or the U.S., and may be used as the basis for designing a "Public Awareness Program" to support tourism throughout the country. A public awareness program is one which provides basic information about tourism and its benefits and opportunities through the media to the general public, the public education system, the government and the business community. Without widespread public support, tourism as a viable industry in Ecuador is tenuous at best, the reason being that tourism is an activity which permeates virtually every walk of life and thus depends on the goodwill and the positive attitudes of residents. Friendly and hospitable people is an attribute of primary importance to visitors and most surveys have shown it to be the number one factor in measuring visitor satisfaction.

### 3.5.3 Travel Industry Workshops

As there has been little concerted efforts to pull together the major components of tourism in Ecuador, DITURIS has an opportunity to plan and implement a series of workshops for the express purpose of (1) determining objectives, (2) reviewing structural, financial and other problems, (3) understanding each sector's basic responsibilities and contributions, and (4) developing an action plan for increasing visitor arrivals to the country in the near and strategic terms. Outside experts are often helpful in organizing workshops and stimulating the exchange of practical ideas.

Airlines. High airfare costs are seen as the primary obstacle to increasing visitor traffic from the U.S. and other countries to Ecuador at present. Most carriers, including Ecuatoriana, have been advertising their own inflight services and schedules, but have little internal allocation for destination advertising (Ecuatoriana is planning to change this situation in the future with its increased advertising budget). Competitive IT packages such as those offered by Viasa - 4 days/3 nights stays including hotel accommodations and round trip airfare from New York or Miami to Caracas for \$299 or \$319 (depending upon the quality of hotel), or the IT packages offered by Fawcett Airlines for US\$399 round trip Miami to Lima via the Cayman Islands - do not exist for Ecuador at this time. A DITURIS workshop for the airlines sector would focus on the need for airlines to consider creative ways to lower international fares to attract bonafide non-resident visitors to Ecuador.

Tour operators. Besides the specific problem of equitable distribution of space allocation to the Galápagos for small operators, there are also problems regarding creative packaging, quality of tour vehicles, the ban on importation of certain types of tour buses, space allocation on water carriers to the Oriente and the Galápagos, high airfares, inadequate reservation systems, linkage with U.S. retailers, etc. which have been mentioned by the ASECUT, the Ecuador Travel Agents Association.

Both tour operators and tour guides have cited problems of inadequate passenger pickup areas at the domestic gate at the Quito airport and receiving gates at other airports as well. For tour guides, the temporary stopping of tour buses to load and unload passengers, for instance in the colonial part of Quito, is a critical problem. There should be five to ten minutes tour bus zones for loading/unloading passengers at popular tourist sites.

Tour guides who are the critical service link between visitors and attractions/facility operators are not licensed, with the notable exception of guides in the Galápagos or the Oriente who conduct nature tours requiring scientific knowledge. As a result, the professionalism of the former is not recognized, and there is a shortage of the latter which necessitates the hiring of foreign nationals to conduct nature tours in controlled park areas. There is also a shortage of guides fluent in German, French and Italian.

Guide training while not seen as a critical problem, except in the Galápagos, is conducted mostly by major companies such as Metropolitan Touring and Ecuadorian Tours for periods of one to two months, or for a period of two years at the Catholic University for Technical Education. Given the limitations, many guides have been self-taught for the most part and do not always match the standards of their counterparts in Europe.

SOGUIATUR, the Society of Tour Guides committed to professionalizing the occupation has commented on the seasonality of tour guide work, necessitating many to work on a free lance basis for minimal wages and finding part time employment elsewhere to supplement income. The foregoing are some of the problems which might be covered in a DITURIS workshop for tour operators.

Hotels. As might be expected, operating standards and facilities of hotels vary widely between the properties located in cities and smaller towns. Visitors are accommodated largely at the discretion of tour operators and have no way of ascertaining the quality of hotels booked.

To assist and facilitate national marketing efforts, a new hotel classification and rating scheme should be devised by the Ecuador Hotel Association with input from other appropriate agencies. The new scheme should conform to international hotel standards consistent with the quality standards of hotels in North America, Europe and Asia, Asia now being the leader in this field.

By other regional standards, the size of hotels in Ecuador would be considered either very small, small or medium. However, in order to describe the hotels which are suitable for attracting group meetings and conference business as well as for supporting investment objectives, the definition of small, medium and large hotels in Ecuador may be arbitrarily set as follows:

- Small - under 99 rooms
- Medium - 100 to 299 rooms
- Large - 300 rooms and over

Small operators appear to have the most problems in managing properties profitably and at standards sufficiently high to suit international visitors. Professional training seminars addressed to the special topics of small (and medium as well) hotels are needed to assist both managers and owners of these properties.

The hotel sector may profitably discuss at a workshop such matters as hotel standards, classification systems, legal definitions of terms such as hotel, hacienda, country inn, lodge, resort, parador, etc.; the need for professional hotel training, and the need for increased representation from the hotel sector at trade shows to assist the national marketing effort.

Restaurants. Restaurants whether located in hotels or operated independently are a key ingredient in attracting visitors. For many inbound groups, e.g., Germans, U.K., and Japanese, good food is a highly rated factor in choosing vacation destination. For the most part, the needs of such international visitors are not being met by the availability of specialty restaurants offering ethnic cuisine nor do most menus take into

account the food consumption behavior , menu preferences, of visitors from markets outside of the region.

Food quality for the most part is quite good throughout Ecuador and many visitors appear to be satisfied. On the other hand, there are only a handful of restaurants which truly meet the highest international standards in terms of either classic preparation or innovative contemporary adaptations. More three star restaurants (by Michelin Guide standards) would help to enhance the international destination imagery of Ecuador.

Cleanliness and kitchen sanitation standards appear to be a serious problem, especially in restaurants located in remote areas. The problem is one of having adequate refrigeration and modern equipment designed for commercial kitchens. Mild and often not so mild cases of food-caused illnesses are reported periodically by tourists. Besides food safety, potable water for drinking is another problem in remote areas.

The restaurant sector, which includes hotel food and beverage personnel, may meet to discuss their respective roles in the national marketing effort.

Attractions. Despite the very high quality of Ecuador's many attractions, these are not well known among North American travel professionals or consumers. As such there is no "critical mass" of visitors to help spread the message by word of mouth - the ultimate form of testimonial for the country.

More efficient systems, often referred to as production line techniques, should be devised by attraction managers and tour operators selling the Galápagos or other popular attractions to move greater number of visitors through without jeopardizing either protected areas or the quality of the visit. In this vein the problem of the carrying capacity of the Galápagos is often a bone of contention. The earliest standard of visitor capacity limitation set at 25,000 was established according to the number of spaces available on the cruise ships, boats, and on the islands. In reality, almost double that number or around 49,000 visitors are reported to be moved through the Galápagos for an average stay of six days.

We feel that a scientifically organized study should be conducted to determine the ideal carrying capacity of

the Islands and to consider the number of tourists in terms of visitor days in the three points - Plaza Sur, Bartolomé, and Seymour Norte - where 80% of the visitors go. Visitor days is a measurement which allows for better distribution and allocation. Some operators such as the Buccaneer Cruiseline are planning to introduce fly/cruise packages which will shorten the length of visit to Galápagos to 3/4 days cycles, thus increasing the actual visitor count but not affecting the carrying capacity of the Islands. The reason for stressing this point is that restrictions on visits to the Galápagos is also in effect a loss of tourists to Ecuador. The Galápagos is the powerful magnet which attracts visitors from abroad.

The most important discussion question, however, for the Attractions sector is the distribution of visitors to other viable destinations - the Sierra Andes, the Oriente and the jungle area, Ibarra, Manta, Cuenca, Quito and surrounds, Guayaquil and surrounds, etc. - and luring them away from the Galápagos or at least combining a visit to the Islands with other attractions. The term "attractions" implies more than the destination and includes relics, monuments, museums, fairs, events, and the like.

#### Other Components.

There are other components which should be considered for workshop topics, including the culture/arts and handicrafts sector. Important work is being done through such organizations as the Quiteño School of Art and CIDAP (mentioned earlier in this report); and the quality of saleable art and handicrafts are an important draw for the destination. How such works or crafts are displayed and merchandised to show their best features is important. While the exhibition at the Guayasamin Foundation Museum is of high caliber, this was often not the case in other museums displaying art, handicrafts or artifacts.

#### 3.5.4 Development of a Promotional Campaign

Destination advertising. In general, there has been an over-reliance on airlines and tour operators to bring in tourists and virtually no destination advertising done by the government through DITURIS, basically for lack of a budget for advertising. Because of the lack of advertising promoting the desirability of Ecuador as a visitor destination, there has been an erroneous, but

nonetheless common perception in the North American market that the country was unstable, unfriendly and unsafe - three very great obstacles to tourism.

Destination marketing by government, is not an option but an absolute necessity if tourism is desired. Mexico's aggressive advertising and promotional vehicles, for example, have proven that these do help to capture market shares. It has been demonstrated (based on analysis for 1976-1981) that for such countries as Canada, France, Singapore, Spain and W. Germany that each added \$1 of governmental spending for advertising produced an additional \$493 in foreign tourist expenditures and approximately \$74 in new tax revenues. The added \$1 refers to an incremental dollar for promotions above and beyond a base amount allocated for destination advertising and marketing.

Based on earlier assumptions elsewhere in the report that the increased airline capacity can help to induce \$27,300,000 of new tourism revenues, the government should provide adequate funding for a generic advertising and promotion program in order to reap this anticipated economic benefit.

To establish an advertising campaign, a professional marketing firm should be engaged. Major firms have branches which are able to target and reach specific country residents effectively and many are willing to undertake an NTO (National Tourism Organization) account such as Ecuador's on a reduced fee basis because an NTO account is not only prestigious, but also serves as an anchor account to secure advertising/promotional business from the private sector engaged on tourism products or services.

Logo and creative slogan. Ecuador does not have a distinctive tourism logo that will evoke or stimulate instant recognition by either the travel trade or the consuming public. Countries have often successfully adopted a unique national feature, characteristic, flower, fauna, etc. to use on tourist promotional material. For example, in the case of Ecuador the blue-footed boobie is a unique bird to be found nowhere else in the world. A graphic representation of this bird might serve as a distinctive logo emblem for promotional literature and other media. Perhaps the best way to select a logo is to initiate a national contest among the art schools, design firms, publication companies, etc., which would also serve to spotlight the importance of tourism to the country.

A slogan might similarly be developed to get travelers thinking about Ecuador. Hence, such short but telling phrases might help to create an image of Ecuador in the potential English-speaking visitor's mind:

<u>Stress factor:</u>	<u>Slogan</u>
Activity:	"Everything for everyone in Ecuador"
Geography:	"Ecuador is four regions, two hemispheres, one country" or "Ecuador - where the hemispheres meet"
Cost:	"Ecuador - an incredible value"
Nature:	"Ecuador is nature's wonderland" or "Ecuador is 1,000 rare species" or "Ecuador - where man and nature meet"
Seasonality	"Ecuador - the land of eternal spring"
History:	"Ecuador - Land of the CaBaris" or "Ecuador - Land of Civilizations Past and Present"
Safety:	"Ecuador - a friendly haven away from home"
Superlative:	"Ecuador is the World's Paradise Found"

Fam Trips. While the airlines have organized fam trips for travel agents from the U.S., less effort has been given to organizing fam trips for travel writers and travel news editors, otherwise referred to as Media Orientation Trips. Some of the best media exposure is the result of personal press visitation to a tourism site.

Travel stories in major U.S. newspapers or features in top market magazines for travel consumers such as the New Yorker, Travel and Leisure, Sunset, Travel/Holiday, Signature, Gourmet, Time, and Sunday travel sections in leading U.S. newspapers generate interest and quick results. Often it is also the least expensive way to promote a destination.

With regard to magazines and special interest journals, there is a specific publication in the U.S. to reach each target market segment appropriate to Ecuador. Examples of top magazines to reach bird watchers include Birding, American Birds, Audubon, Bird Watchers Digest, and the Smithsonian; for sportsmen, Field and Stream, Skin Diver, etc.; for archeological and nature buffs, National Geographic and many others.

A basic press visit plan should include effort from participating airlines, hotels, tour operators, attraction organizations to provide accommodation with meals, pre-arranged interviews, sightseeing arrangements, and press escorts. Follow-up by DITURIS after the visits is important to ensure that stories will be written on Ecuador.

An important point regarding media publicity is the need to achieve saturation by having frequent coverage. This requires a month-by-month plan targeted at a different theme each time and inviting the appropriate writers and editors according to the theme selected. As an aside, there are public relations firms in the U.S. which undertake the assignment of selecting travel writers and arranging for detailed site visits on a commission basis; one firm, for example, charges \$250 per participant, which is considered quite reasonable.

Special Events. Two important international events are looming that will warrant support from the tourism industry and which may in turn be used to promote tourism to Ecuador:

- The Pan American Games in 1987 to be held in Indianapolis. The President of the United States has declared 1987 to be the "Year of the Americas". As part of the Games, the Latin American countries will be extensively featured on U.S. and world television. The Ecuador tourism sector should take advantage of this opportunity to devise a publicity program that will generate more exposure for the cities and attractions of Ecuador during the Games.
- The Quintcentennial Celebration of the Discovery of America in 1992. The OAS has established a coordinating office under the title of the "Five-Hundredth Anniversary of the Discovery of America: The Meeting of Two Worlds" to promote this quintcentenary event. Several Latin American countries and Spain are actively engaged in planning

for the celebration through their respective ministries of tourism and culture. The World Tourism Organization will undoubtedly be involved. The Ecuador tourism sector should also consider ways to tie in with the Quintcentennial Celebration to attract visitors during the years preceding and following this event and to enhance Ecuador's image as a new and vibrant destination.

### 3.5.5. Development of promotional material

Brochures and posters. Colorful brochures and posters help to create strong visual images in the consumer's mind. Posters are especially effective when distributed to travel agencies and air terminals located at U.S. gateway cities serving Ecuador, i.e. Miami, New York, Los Angeles, Chicago, Orlando, Washington, D.C. etc. They are also useful at trade shows and travel markets.

Sales Guides. There are numerous sales guidebooks used by the general trade in the U.S. and worldwide that offer free listings and would be of value to the Ecuador travel trade, especially hotels. These include the following:

<u>Guide</u>	<u>Circulation</u>
AAA Tour Books and Travel Guides	25 million
A-Z Worldwide Hotel Guides	25,000
Gavel International Directory	78,000
Hotel and Travel Index	50,000
OAG Travel Planner and H/M Guide	
European Edition	19,000
North American Edition	58,000
Official Hotel and Resort Guide	21,000

There are also others which are not free but designed to reach sellers of travel that would be of value to Ecuador's travel industry, for example, Travel Agent: Latin America, Travel Weekly: Latin America, Travel Age National: Latin America targeted to Central and South American destinations. Foreign travel trade press such as L'Echo Touristique, France; Tagungs Wirtshaft, Germany, are useful for reaching key European markets.

Promotional films. A key point to be made here is that today's consumers are greatly influenced by visual images created by the media, especially television. Promotional films on travel are especially popular in the U.K. and television commercials have significant impact on U.S. viewers. The recent "Hogan series",

promoting Australia for example, shown on U.S. television has resulted in high conversion rates, i.e., that is converting a viewer into a traveler to Australia.

The budget at DITURIS does not now permit the production of promotional films, but those that are available such as the one commissioned by the Banco Central may be edited and distributed to airlines to be shown as short clips onboard the airlines and as features on educational television channels (ETV) in the U.S. and elsewhere. The recent showing of the Galápagos Islands on U.S. ETV has stimulated increased interest in this area of Ecuador. However, films of Ecuador's other main attractions and regions are necessary to increase visitor awareness that Ecuador is more than just the Galápagos.

Distribution materials used in museums, etc. Earlier comments have already been made with regard to the desirability of introducing printed material in several languages so that foreign visitors can essentially find their own way around museums in the absence of a tour guide. At such museums as the Archeological Museum of the Central Bank, the Anthropological display at the Equator Museum, visitors have complained about the unavailability of printed material in their own native language. Most of these materials, if made available, may be sold at modest prices to cover production costs or to produce revenue for improving displays and facilities.

### 3.5.6 Development of statistical base for marketing

Visitor profiles. Although visitor arrival statistics are routinely collected, there is no available demographic, geographic or psychographic information about international visitors to Ecuador. Without such information, it is difficult to target specific market segments for special promotion or specific zones or areas of countries for advertising. Tourist arrival statistics are unquestionably useful and maximize limited promotional funds for marketing purposes.

Visitor spending patterns. As in the case of visitor profile data, there is no available information on the post-arrival spending behavior of different groups to Ecuador. Without this data, it is impossible to measure the economic contribution of different groups of

tourists. If certain attractions are limited, i.e. the Galápagos, then the highest quality visitors to Ecuador should be identified and targeted when designing special promotional campaigns. Using estimated figures derived through invalid or unreliable sampling techniques to make economic projections can and do result in serious distortions.

Visitor satisfaction studies. Again, this area of concern has not yet been addressed. Visitor satisfaction studies provide the basis for making product changes and improving services at attraction sites, accommodations, meals, shopping, tours, reception at the airport, etc. The more affluent repeat travel market is not only desired by destinations, but has become essential in periods of economic downturn or to fill seasonal lulls. To attract repeaters, there must be complete satisfaction with the destination and its services; and the only way to know how satisfied visitors are is to measure it, then make use of the information in marketing campaigns.

One method to ascertain visitors' reaction to their visits is for the airlines to conduct a survey on departing flights from Ecuador. Such surveys could also indicate nationality of passengers, length of stays, and other statistical information of value to the airlines as well as to DITURIS and the private sector.

#### 4.0 ECONOMIC IMPACT

An economic impact model has been developed in order to provide a quantitative dimension of the economic benefits which tourism development can stimulate in the short to medium-terms. Table 1 demonstrates that 52,000 new tourist arrival would be required to efficiently utilize the anticipated additional airline capacity. Table 2 has estimated the foreign exchange earnings and overall economic impact of these additional tourist arrivals at approximately US\$27 million and US\$65 million, respectively. Tables 3 and 4 provide alternative estimates of employment generated, namely 15,000 jobs. Finally, Table 5 calculates some of the possible benefits to the Ecuadorean treasury of these additional arrivals.

HOWEVER, IT IS VITAL THAT SOME OF THESE ADDITIONAL REVENUES SHOULD BE EARMARKED FOR SPECIFIC TOURISM PROMOTION AND NATIONAL PARK DEVELOPMENT AND NOT BE PLACED IN GENERAL REVENUE FUNDS.

It should be noted that these estimates exclude the existing tourists arrivals and their economic impact. They also exclude the considerable revenues and jobs created by international airline operations (including those of Ecuatoriana) in Ecuador.

ECONOMIC IMPACT MODEL FOR MARGINAL INCREASE  
IN INTERNATIONAL TOURISM

TABLE 1

Implications of Increased Airline Capacity Between U.S.A and Ecuador

CARRIER	WEEKLY FLIGHTS	INCREASED CAPACITY (Passengers)	LOAD FACTOR	PERCENT INTERNAT. TOURISTS	ANNUAL CONVER- SION	INCREASED ANNUAL ARRIVALS
Ecuatoriana	6	120	.6	40%	x 52	8,986
	4	260	.6	40%	x 52	12,979
Eastern	6	(260)	+.1	100%	x 52	8,112
Pan Am	6	145	.6	80%	x 52	<u>21,715</u>
					TOTAL	51,792
					ROUNDED TO	<u>52,000</u>

TABLE 2

Marginal Economic Impact of Increased Arrivals

ARRIVALS	LENGTH OF STAY <sup>1</sup> (Days)	AVERAGE DAILY EXPEND- ITURE <sup>2</sup>	TOTAL DIRECT EXPEND. <sup>3</sup> (US\$)	MULTIPLIER	TOTAL ECONOMIC IMPACT (US\$)
52,000	7	\$75	27,300,000	2.4	65,520,000

---

1 Length of stay: 25% - 3 days; 45% - 7 days; 20% - 10 days; 10% - 14 days; equivalent to 7.3 days average length of stay.

2 Average daily expenditure estimates:

Domestic Air Transport	US\$ 25
Accommodations	20
F and B / Entertainment	10
Ground Transport./tours	5
Shopping	5
Fees	10
	<u>US\$ 75</u>

3 Foreign Exchange Earnings

TABLE 3

Increased Employment Generated

(Income Model)

TOTAL ECONOMIC IMPACT (US\$)		LABOR CONTENT		INCREASED PAYROLL (US\$)		AVERAGE SALARY (US\$)		JOBS CREATED
65,000,000	X	15%	=	9,750,000	/	650	=	15,000

TABLE 4

Increased Employment Generated

(Hotel Employment Model)

ARRIVALS	LENGTH OF STAY	BED NIGHTS	ROOM NIGHTS CONVERSION	ROOM NIGHTS	OCCUPANCY (%)-365=	ADDITIONAL ROOMS DEMANDED
52,000	X 7	= 364,000	/ 1.7	214,118	/50%/365=	1,173

ADDITIONAL ROOMS DEMANDED	EMPLOYEES PER ROOM	INCREASED HOTEL EMPLOYEES	DIRECT AND INDIRECT TOURISM EMPLOYMENT	TOTAL EMPLOYMENT GENERATED
			(Multiplier) (Employees)	(Mult)(Employees)
1173	X 1.7	X 1994	X 3 = 5982	2.4 14,357

TABLE 5

Increased Government Revenues Generated by Incremental Tourism Growth

	US\$
<u>Airport Tax</u> 52,000 arrivals x US\$20.00	1,040,000
<u>Galapagos Islands Visitor Fee</u> 52,000 arrivals x 65% x \$40.00	1,352,000
<u>Alternative Galapagos Islands Visitor Fee</u> 52,000 arrivals x 65% x 3 days x \$20.00	(2,028,000)
<u>Sales Taxes</u> \$65,000,000 x 10%	6,500,000
<u>Galapagos Islands Licensing Fees<sup>1</sup></u>	500,000
<u>Other National Parks Visitation Fees</u> 52,000 x 2 x 40% x \$5.00	210,000
<u>Ingapirca Visitation Fee</u> 52,000 x 2 x 30% x \$7.00	220,000
<b>TOTAL</b>	<b>US\$9,882,000</b>

---

<u>1/ Galapagos Islands Licensing Fees</u>	
300 luxury berths x US\$ 1,000	= 300,000
100 economy berths x 500	= 50,000
100 luxury beds x 1,000	= 100,000
1000 economy beds x 500	= 500,000
	500,000

## 5.0 Action Plan to achieve immediate and strategic impact

### 5.1 Implementation Tasks

#### (1) Call to action

- Government should take the lead. 1987 should be designated as "El Año de Turismo Internacional para un Ecuador Mejor" by Presidential decree.
- Initiate a cooperative effort. DITURIS, making use of the suggested workshop format, should harness together all concerned parties within private sector, interested institutions, the press, and citizens to solicit input for tourism development and marketing.
- Organize a media event. Invite all members of the press, both public and trade, to announce the new activities taking place in the tourism industry of Ecuador.
- Launch a public awareness program. Using the media event, establish a public awareness program throughout the country - in communities, schools, business, and other industry sectors on the values of tourism.
- Promote a national contest to develop a tourism slogan and a logo.

#### (2) Educate the trade and consumers

- Get the message out to the trade and the travel public that Ecuador offers an exceptional value as a destination. A vacation in Ecuador is one of the best buys for Americans in South America.
- Organize fam trips for travel agents who are not familiar with the exceptional tourism products of Ecuador.
- Plan and organize fam trips for travel writers, using outside expertise if necessary.
- Take advantage of Ecuador's membership in SATA and other travel organizations; participate in educational workshops for travel agents and General Sales Agents.

(3) Approach Incentive Travel Houses (IT)

- Ecuador meets the criterion of an IT destination. Incentive travel organizations such as the Carlson Marketing Group (EF McDonald), Maritz and SiH Motivation and Travel and other smaller highly productive IT organizers should be contacted.
- Organize a trade mission, a sales blitz, or a travel advisory group to interest IT organizers in considering a visit to Ecuador, also companies which use travel as a motivator.

(4) Target specific markets

- Target the four U.S. states which have a higher percentage of passport applications than the norm: California (10.8%), New York (7.5%), Florida (4.6%), and New Jersey (3.2%).
- Emphasize Ecuador as an exciting "new discovery" since Americans are always interested in new and different vacation destinations.
- Promote in all gateway cities serving two way travel between the U.S. and Ecuador.

(5) Capture special interest segments

- Access special interest travelers through specialty publications, organized societies, associations, and educational invitations.
- Stress the non-commercialization of environmentally-related attractions.
- Invite leading experts in natural science fields to meet in Ecuador with their counterparts for conferences, symposia, and study tours.

(6) Organize travel missions

- Plan and organize travel missions in groups of 10-15 to call on travel distributors in important sending countries.
- Prepare dramatic audio-visual presentations and informative material complete with prices for distribution.

- Publicize the missions in advance.
- Make use of SATA chapters in Miami, California, and New York.
- Solicit the support of Ecuador's embassies and consulates in target countries for assistance with appointments and other arrangements.

(7) Engage professionals

- Invite proposals from leading advertising and marketing firms or public relations companies.
- Request specific activities to be provided by the proposer that will be relevant to Ecuador's specific interest areas.
- Organize a committee of public and private sectors to hear presentations of proposers and to review bids.
- Select and appoint the winning firm.

(8) Establish a DITURIS Newsletter

- Create an informative newsletter for distribution to the trade.
- Focus newsletter on existing and new tourism products, changes in the market, new developments including information about new meeting facilities in Ecuador, and suggestions for selling Ecuador tourism products.
- Publish newsletter monthly or quarterly, but on a permanent basis.
- Gather mailing list of overseas travel sellers from major producers in Ecuador to establish initial mailing list (which should be eventually computerized).

5.2 Implementation Budget

The following suggested budget is based on a marketing budget of around 1.5% to 4.5% of the projected revenues of \$27.3 millions in new foreign exchange earnings:

Action

Range

Low

High

1. Government action	5,000	10,000
2. Trade and consumer education	75,000	135,000
3. Incentive travel markets	5,000	10,000
4. Specific market targets	100,000	200,000
5. Special interest segment targets	125,000	500,000
6. Overseas mission	10,000	15,000
7. Professional marketing services	50,000	250,000
8. Newsletter and mailing	20,000	60,000
9. Contingency funds for trade shows	<u>20,000</u>	<u>50,000</u>
	410,000	1,230,000
	<hr/>	<hr/>
Percent of Expect New Revenues	1.5%	4.5%

5.3 IMPLEMENTATION SCHEDULE

	1987											1988		
	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN

EVENT

U.S. Undersecretary of State X  
 for Travel and Tourism, the  
 Hon. Donna Tuttle presents Plan  
 to the Government of Ecuador.

- 60 -

TASKS

Government Action	X Presidential Decree and Budget Approval																											
	! <u>Workshops</u> !																											
Educate Trade and Consumers															! Plan !	Implement												
Approach Incentive Houses															! Plan !	! Imp. !												
Target Specific Markets															! Plan !	Implement												
Target Special Interest Segments															! Plan !	Implement												
Organize Travel Missions															! Plan !	Implement												
Engage Professionals															! Req. ! Hire !	Implement												
															Proposals													
Newsletter and Mailing															! - - - -	Prod. X	- - - -	Prod. X	- - - -	Prod. X	- - - -	Prod. X						
																Mail												

PASSENGER ARRIVALS TO ECUADOR

YEARS 1981-1985

ROUTES	1981	1982	1983	1984	1985
<u>TOTALS</u>	<u>271,171</u>	<u>231,909</u>	<u>197,200</u>	<u>203,644</u>	<u>223,652</u>
AMSTERDAM	2,573	2,507	1,943	2,443	2,977
ARICA	0	0	0	9	0
ARUBA	643	398	385	348	397
ASUNCION	142	169	367	593	573
BOGOTA	32,124	31,914	26,864	23,753	26,909
BUENOS AIRES	5,307	4,608	5,012	5,150	5,850
CALI	2,443	2,156	1,763	1,680	1,690
CARACAS	11,502	12,984	8,872	5,452	5,702
CURACAO	500	369	195	6	0
FRANKFURT	3,909	4,744	4,749	5,898	5,768
HOUSTON	0	0	254	188	188
JUJUY	0	0	0	44	72
KINGSTON	0	0	0	183	0
LA PAZ	628	335	606	758	1,479
LIMA	29,534	26,276	24,061	19,695	20,925
LISBON	343	330	188	353	16
LONDON	754	959	0	0	0
LOS ANGELES	10,661	7,762	7,118	7,248	5,771
MADRID	5,340	5,282	5,168	6,737	7,226
MEXICO	7,636	6,109	3,850	3,624	4,788
MIAMI	71,709	59,621	53,512	57,260	66,144
NASSAU	432	0	0	0	0
NEW ORLEANS	0	0	268	190	130
NEW YORK	44,331	36,364	28,200	34,500	34,460
PANAMA	23,642	14,799	11,604	12,520	13,272
PARIS	2,929	2,556	2,273	2,560	3,058
POINT A PITRE	48	145	131	167	0
RIO DE JANEIRO	3,382	2,711	2,904	3,011	4,314
SAN FRANCISCO	146	392	103	45	0
SAN JOSE	0	0	0	1,310	1,903
SAN JUAN	1,533	1,003	813	1,135	1,696
SANTIAGO	1,082	5,632	5,154	5,588	6,966
SAO PAULO	6,748	694	529	855	953
ZURICH	344	420	203	227	0
OTHERS	806	670	111	100	0

Source: General Directorate of Civil Aviation  
Air Transportation Division