

# Assessment of job creating potential of ESP tourism and food service activities

STTA report By Marina Krivoslykova

## Background

### STTA Objective:

Review all tourism sector activities to ensure that they have high probability of contributing to the ESP job creation goal either directly or indirectly. Conduct a rapid assessment of job creating potential of tourism and food service activities to:

- determine how this work is supporting the project's goal of job creation
- recommend adjustments that would optimize their contribution

### STTA Implementation:

- Reviewed the ESP Year III workplan and other relevant project documents, including the *Geographical and Activity-Based Market Research for Croatia* report prepared by ESP in March 2005;
- Met with the ESP tourism team, ESP regional coordinators, and key tourism development partners in each of the four regions;
- Accessed activities from programmatic perspective to determine a "big picture" framework;
- Relied on previous studies and ESP tourism team assessment in evaluating the market and demand potential of specific tourism products and regions. Time did not allow for an independent evaluation of the market potential of specific tourism products and a value-chain analysis of the tourism sector in each of the regions.

## Overall comments and recommendations

ESP planned activities in the tourism and food services sectors are ambitious and demand-driven by regional partners. Each activity is well thought out and developed with job creation as a target. However, in view of the limited project timeframe and high job creation targets, **prioritization of activities is recommended** based on the following criteria:

- ESP should focus on activities that will create maximum number of jobs in the immediate timeframe (to achieve short-term impact and demonstration effects);
- At the same time, to support the long-term sustainability of job creation, ESP should ensure that all tourism activities fit within one integrated framework, have maximum multiplier effect in terms of job creation (for example, create jobs not only for direct beneficiaries, but also their suppliers), are commercially viable, and build the capacity of local institutions (such as regional development agencies, associations, and business service providers). (With such ambitious job targets there is always a risk of a "piecemeal" approach to job creation. An integrated framework should help prevent that and provide a common direction to all activities.);
- With regard to the planned support for creation of regional Destination Management Organizations, it is recommended that ESP focus on one pilot initiative in a selected

region that will create a demonstration effect and later can be replicated in other regions after ESP is over, or during ESP, if time permits.

**Additionally, it is recommended that:**

- Tourism activities implemented by ESP regional offices are guided by the same framework to ensure a common direction;
- ESP works through those regional partners that have demonstrated capacity and readiness, and expressed commitment to tourism development. (ESP appears to be doing that and this practice should be continued);
- Given the limited time left in the project, ESP focuses on fostering cooperation within the industry, working with leading champions and focusing on regions where such champions exist and cooperation can be achieved faster.

Based on discussions with the ESP tourism team, review of the ESP Year III workplan and understanding of the planned activities after visiting each of the ESP regional offices, **the following framework is suggested for integrating tourism sector activities:**

<b>Programmatic areas of focus</b>	<b>Key ESP technical assistance tools: nationwide and region-specific</b> (balance of activities in each region is determined by regional needs and demand from regional partners)
<p><i>Quality improvement of tourism services and building new service capacity</i></p> <p><i>(job creation mostly in the short term)</i></p>	<p>Capacity-building for:</p> <ul style="list-style-type: none"> <li>• Small Hotels (all regions involved)</li> <li>• Restaurants (all regions involved)</li> <li>• Chefs, sommeliers and waiters (Istria and Dalmatia)</li> </ul> <ul style="list-style-type: none"> <li>• Rural tourism training activities (selected regions)</li> <li>• Adventure tourism training activities (selected regions)</li> </ul>
<p><i>New product development</i></p> <p><i>(job creation mostly in the medium to long term)</i></p>	<ul style="list-style-type: none"> <li>• Training in inbound tour operator business (all regions involved)</li> <li>• Support for the creation of a regional Destination Management Organization (selected region/s)</li> <li>• Introduction of a web portal for centralized booking (selected region/s)</li> </ul>
<p><i>Sales, marketing and new distribution channels</i></p> <p><i>(job creation mostly in the long term)</i></p>	<ul style="list-style-type: none"> <li>• Sales and marketing training for inbound tour operators (all regions involved)</li> <li>• Sales and marketing training for a regional Destination Management Organization (selected region/s)</li> <li>• Support to tourism fair in Split</li> <li>• Marketing support to the Association of Small Hotels (web portal)</li> </ul>

Activities below are believed to have the highest impact on job creation and are recommended in order of priority. Most of the below activities will involve all regions, but will affect individual regions to a various degree.

**Highest potential for job creation:**

1. **Activities related to the Association of Small Hotels:** conversion of private accommodations into small hotels and quality improvement training for hotels' restaurants.
  - a. These activities will help build the capacity of the Association of Small Hotels – a USAID legacy institution – which is one of ESP's contract requirements.
  - b. Activities to support the conversion private accommodations into small hotels have immediate job creation potential. (It is estimated that each converted hotel will employ 5-10 people). Based on conservative estimates this activity should create around 500 new jobs. However the ESP tourism team expects approximately 700-800 jobs to be created in the immediate term.
  - c. Activities related to quality improvement of restaurants in association's member-hotels (such as training for chefs conducted by Gastronomadi and linking restaurants with local producers of specialty foods) are expected to involve 40-50 restaurants initially with on average 5 new jobs to be created per restaurant in the immediate timeframe. The ESP tourism team expects at least 250 new jobs to be created as a result of this activity.
  - d. Due to the labor intensive nature of hotel and restaurant business it can be expected that more jobs will be created in the medium to long-term.
  - e. These activities will help build linkages between restaurants and specialty food suppliers creating potential for multiplier effects leading to more jobs in the medium to long-term and helping improve quality standards and build capacity of local food suppliers.
  - f. As a result of these activities, other restaurants (not members of the Association) will see a need for quality improvement, creating the need for business services in this area.
  - g. This activity will also help build the capacity of Gastronomadi – a business service provider in food services.
  - h. Recommendations to optimize impact of this activity:
    - i. Require each assisted restaurant to train their food suppliers in quality improvements needed, as a condition for assistance, which will help create more business and jobs for these suppliers.
    - ii. Provide capacity-building assistance to the Association of Small Hotels. Areas for possible assistance include association management capacity, sales and marketing strategy, and web portal development for centralized bookings and marketing.
    - iii. Provide training to newly converted hotels in developing new services. For example, help build linkages between small hotels and newly trained inbound tour operators (activity 2 below) to maximize impact of the two activities and help create new tourism products.
2. **Inbound tour operator training** for travel agencies in running an inbound tour operator business and in sales, marketing and distribution channels.
  - a. ESP is currently collecting data from regional partners to determine the potential impact of the training, but it is estimated that on average about 2 jobs will be

created per travel agency trained. With at least 100 agencies to be trained the ESP team anticipates approximately 200 direct new jobs to be created in the short to medium term. A significant indirect impact on job creation is also expected in the medium to long term.

- b. It is a nationwide activity and will help create inbound tour operator businesses throughout the country (a key missing link), providing them with skills to develop new tourism products and to market and sell them after project's end, creating new jobs in the longer term.
- c. This activity will help create jobs not only for tour operators, but also their suppliers – other tourism service providers.
- d. This activity will help determine the readiness and market potential of various tourism products in different regions, guiding ESP regional tourism activities.
- e. This activity builds upon the FAM trip activity conducted by ESP last year, leveraging the project investment already made.
- f. Recommendations to optimize impact of this activity:
  - i. Explore opportunities to provide assistance to tour operator suppliers based on tour operator product development needs.
  - ii. With the help of regional partners identify travel agencies that are ready to develop their own products and are interested to participate in the training and willing to pay training fees.
  - iii. Inbound tour operator training should be conducted by an international STTA (preferably former tour operator) and should cover such topics as: best practices of inbound tour operator business; pricing; packaging tourism products and contracting with tourism service suppliers; analyzing the market and determining the potential of specific tourism products; modifying products based on the feedback from customers; developing products for niche markets, such as a adventure tourism and rural tourism; distribution channels in key tourism markets; marketing and selling to travel agencies, international tour operators, and independent travelers (internationally and domestically).

### 3. **Training for chefs, sommeliers and waiters** (primarily in Istria and Dalmatia).

- a. Currently it is estimated that 60 people will be trained, and will be able to find employment based on the current demand assessment. This is a small number, but it is anticipated that the demand for such trained professionals is high and the new jobs will be created in the immediate time frame.
- b. Recommendations to optimize impact of this activity:
  - i. Explore opportunities to deliver this training through a local service provider, such as a culinary academy, to help build local capacity.
  - ii. Require the trained professionals to train several more as a condition for assistance.

### 4. **Support to the creation of a regional Destination Management Organization (DMO) and implementation of a web portal for centralized bookings** (possibly a Tourism Trade Service Tool developed by the Enterprise Center in Samobor).

- a. This activity has potentially the highest impact on job creation, but in the longer term. A DMO-led marketing strategy for the region will help attract more tourists and an increase in sales through centralized web bookings will lead to new jobs.
- b. A Destination Management Organization can help enforce a common quality standard increasing the value of tourism services offered.
- c. Recommendations to optimize impact of this activity:
  - i. It is recommended to pilot this activity in one region preferably after the inbound tour operator training is completed, since it will help determine the strength of product offerings in different regions and the level of industry readiness to work together and develop a joint strategy. Focusing on one pilot initiative is recommended due to limited project resources and time available. However, this pilot should be replicable in other regions, either with ESP assistance, if time permits, or through an independent industry effort after the project's end.
  - ii. Focus on a region that has the highest buy-in from local stakeholders and readiness for cooperation to maximize the impact and ensure fast results. A rapid feasibility assessment is recommended in the regions to understand the demand potential of the region's tourism product and level of industry cooperation. Istria is the most advanced region in terms of the product offering and the level of industry cooperation. However, it already has a similar initiative underway. Therefore, only marketing support to the ongoing initiative is recommended in this region. The ESP tourism team believes there is readiness and potential for the tool to be piloted in Northern/Eastern Croatia (in Varazdin, Virovitica and Baranja counties). However, these are the least developed areas in terms of tourism and the potential for pilot's success needs to be confirmed. There was not enough time during this assignment to conduct an analysis in each of these regions to determine the product development potential within the ESP timeframe and evaluate the competitiveness of regional tourism products. Further evaluation is recommended.
  - iii. It is recommended that the pilot DMO is run as a commercial business leveraging local investment from an interested tourism enterprise (if available) or as a public-private partnership/membership-based organization to ensure long-term sustainability of the organization. With the help of an international STTA/destination management expert ESP should support the DMO in development of a business plan, sustainability strategy, destination marketing plan, and clarifying DMO role and responsibilities.
  - iv. The planned web portal for centralized bookings and industry marketing should be developed as a business tool, replicable in other regions, to leverage a one-time project investment where ESP only funds the development of the tool by a local service provider, with the DMO carrying the rest of the costs. If the Tourism Trade Service Tool proposal from the Enterprise Center in Somobor meets the project objectives, ESP should support the development of this tool to be replicated in individual

regions. However, the implementation of the tool will still depend on the ability of stakeholders to agree on a joint strategy and core principles of cooperation, therefore the feasibility assessment suggested above is needed before the pilot region is selected.

- v. If the pilot is successful, it will be important for ESP to facilitate sharing of ideas and lessons learned with other regions, possibly working with the National Tourism Board.

### **Lower potential for job creation:**

1. **Rural tourism support activities:** training in rural tourism business and distribution of the agro-tourism manual.
  - a. This activity is not expected to create many jobs in the immediate timeframe. However, providing guidelines to potential new rural tourism businesses can help support the creation of new tourism products in the longer term. According to ESP estimates, there are approximately 100 potential new rural tourism businesses in each of the regions. However, it is expected that only about a half of them will have the capacity to register a rural tourism business converting to legal tourism operations and employing on average 2-3 people each. 100-150 new jobs could potentially be created within the next two years. However, the outcome of this process is harder to predict and the impact might only be visible in the longer term.
  - b. Recommendations to optimize impact of this activity:
    - i. It is recommended to focus rural tourism activities in less developed areas in need of assistance, such as Vukovar, where rural tourism can potentially become the key tourism product offering due to the low level of capacity.
2. **Adventure tourism support activities:** training for adventure trip leaders.
  - a. Estimated impact of this activity is currently lower than the rest of the project activities, due to the lack of cooperation within the adventure tourism industry and lack of an organization/local partner to support the delivery of project assistance and ensure its sustainability. The Rafting Association does not appear to have the industry support and capacity to become such a local partner.
  - b. Recommendations to optimize impact of this activity:
    - i. The planned trip leaders' training can create a small number of jobs. However, to ensure the demand for such trained workforce (and jobs) a certain level of industry cooperation and agreement on a common quality standard of service needs to be in place. Therefore, it is recommended that such training takes place only in conjunction with a larger activity, where a need for adventure tourism product is clear, for example the inbound tour operator training in niche market products.

### **Regional activities**

Regional offices and partners are the key drivers of the above activities. Although, many of the activities affect all regions, they should be packaged for each individual region based on region's capacity, product offerings, level of readiness and initiative from regional partners. **Focus activities in order of priority are recommended for each of the regions below:**

### **Istria**

Most job creation will be seasonal. It is recommended that the key focus activities in this region are:

- inbound tour operator training: there is high potential for inbound tour operator growth due to the available product offerings and the level of tourism development in the region
- conversion of private accommodations into small hotels and training for restaurants (highest number of conversions is anticipated in Istria and Dalmatia)
- training of chefs, sommeliers and waiters (Istria has the highest demand for these skills)
- it is not recommended that Istria is the candidate for a DMO pilot, since a similar initiative is already being implemented by the Istrian Regional Development Agency. However, it is recommended that ESP supports the ongoing initiatives with marketing training.

### **Dalmatia**

Most job creation will be seasonal. It is recommended that the key focus activities in this region, in order of priority are:

- conversion of private accommodations into small hotels and training for restaurants (highest number of conversions is anticipated in Istria and Dalmatia)
- training of chefs, sommeliers and waiters
- support to the tourism fair in Split. This fair, planned for March 2007, is being organized independently by a local company as a commercial initiative. ESP should use this opportunity to provide support and direction, assisting with the training component and the business-to-business linkage initiative.
- rural tourism guidebook and training presented as part of the tourism fair

### **Eastern Croatia**

This is the least developed area in terms of tourism, however:

- focus on "continental" tourism can help create year-round jobs
- according to the ESP tourism team, there is demand for products offered and potential for job creation
- strong local leadership exists in the Baranja county from the business sector to move the industry forward
- project's target is to create at least 30% of new employment in economically distressed areas
- **In Baranja county**, it is recommended that the key focus activities, in order of priority are:
  - o Inbound tour operator training to develop new products
  - o Rural tourism training in conjunction with inbound tour operator training
  - o Conversion of private accommodations. It is anticipated that the highest number of conversions will take place in Istria and Dalmatia, however it will be important to leverage the impact of this initiative in Eastern Croatia as well
- **In Vukovar**, it is recommended that the activities are limited to rural tourism training. A local initiative exists to create a wine producers' information/visitor's center in Ilok and ESP

support is being requested. However, the feasibility of such a center needs to be further evaluated before decisions are made.

### **Central Croatia**

Until this moment few tourism activities have been implemented in this region. The regional development agency in Varazdin is currently planning a variety of activities and local initiative seems to be strong. However, this region attracts few visitors and all activities will need long-term support before results are visible. Potential for job creation within the project timeframe should be evaluated before new initiatives are introduced in this region.

### **Recommendations for measuring results**

Based on project estimates, planned activities in the tourism and food services sector will create 1,000-1,500 new jobs in Year III and potentially additional 1,000 jobs by the project's end. Upon the review of activities and the calculation of estimates these numbers appear reasonable. The following tools are recommended for tracking jobs created as a result of project assistance:

- Work with regional partners to collect job creation information directly from beneficiaries. Willingness to complete a questionnaire should be a condition for receiving project assistance. This will also allow the project to monitor impact and adjust activities as needed.
- Track data on jobs created as a result of project assistance by regional partners and business service providers, such as, for example, the Association of Small Hotels, Gastronomadi, and other organizations.
- Track jobs created by suppliers to project beneficiaries. For example, food suppliers to restaurants and tourism service suppliers to inbound tour operators.