



USAID
FROM THE AMERICAN PEOPLE

Aqaba Promotion Company Business Model Options

AQABA COMMUNITY and ECONOMIC DEVELOPMENT (ACED)
PROGRAM

June 2010

This publication was produced for review by the United States Agency for International Development. It was prepared by Marwan Khoury and Ra'ed Bilbessi under the Aqaba Community and Economic Development (ACED) Program.

Aqaba Promotion Company Business Model Options

AQABA COMMUNITY and ECONOMIC DEVELOPMENT (ACED)
PROGRAM

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development, AECOM International Development or the ACED Program.

ACED Program Frequently-Used Acronyms and Abbreviations

(Not all of the following will appear in every ACED Program document)

ACED Program	Aqaba Community and Economic Development Program (USAID)
ACT	Aqaba Container Terminal
ADC	Aqaba Development Corporation
ADS	Automated Directive Systems
AIDAR	USAID Acquisition Regulation
AIIE	Aqaba International Industrial Estate
APC	Aqaba Ports Corporation
ASEZ	Aqaba Special Economic Zone
ASEZA	Aqaba Special Economic Zone Authority
ASRI	Aqaba Skills Readiness Index
ASYCUDA	Automated System for Customs Data
ATASP	Aqaba Technical Assistance Support Program (USAID)
AUC	Aqaba University College
AZEM	Aqaba Zone Economic Mobilization Project (USAID)
AGDTF	Aqaba Garment Development Task Force
BAFO	Best and Final Offer
BDC	Business Development Center
BDS	Business Development Services
CBO	Community-Based Organization
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CMT	Cut-Make-Trim
CO	Contracting/Contracts Officer
COB	Close of Business
COP	Chief of Party
CP	Cost Proposal
CRM	Customer Relationship Management
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
CTO	Cognizant Technical Officer
D&G	Democracy and Governance
DCA	Development Credit Authority
EG	Economic Growth
EGRA	Early Grade Reading Assessment
EO	Economic Opportunities
EOI	Expression of Interest
EPC	Executive Privatization Commission
ERfKE	Education Reform for a Knowledge Economy (USAID)
EU	European Union
ETF	European Training Foundation
FAR	Federal Acquisition Regulation
FDI	Foreign Direct Investment
FDR	Fixed Daily Rate
FHR	Fixed Hourly Rate
FTA	Free Trade Agreement

FZC	Free Zones Corporation
GDA	Global Development Alliance
GDP	Gross Domestic Product
GEM	Gender Entrepreneurship Markets
GIS	Geographic Information System
GOJ	Government of Jordan (the central governing entity of Jordan)
GPS	Global Positioning System
HR	Human Resources
ICDL	International Computer Driving License
ICT	Information and Communications Technology
INJAZ	Economic Opportunities for Jordanian Youth Program
IPR	Intellectual Property Rights
IQC	Indefinite Quantity Contract
ISP	Internet Service Provider
IS-ASEZA	Institutional Support to ASEZA (EU funded project)
IT	Information Technology
JD	Jordanian Dinar
JITOA	Jordan Inbound Tour Operators Association
JIB	Jordan Investment Board
JNA	Jordan National Agenda
JNCW	Jordanian National Commission for Women
JSCED	Jordan Standard Classifications of Education
JUSBP	Jordan-United States Business Partnership
JUSFTA	Jordan-United States Free Trade Agreement
KOJ	Kingdom of Jordan (the country within its physical boundaries)
LCDD	Local Community Development Directorate (ASEZA)
LECP	Local Employee Compensation Plan
LOE	Level of Effort
LTТА	Long-Term Technical Assistance
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MFI	Microfinance Institution
MIS	Management Information System
MOF	Ministry of Finance
MOL	Ministry of Labor
MOPIC	Ministry of Planning and International Cooperation
MOTA	Ministry of Tourism and Antiquities
MOU	Memorandum of Understanding
MSME	Micro, Small & Medium Enterprises
NCHRD	National Center for Human Resources Development
NDA	Neighborhood Development Activity
NDC	Neighborhood Development Committee
NET	Neighborhood Enhancement Team
NICRA	Negotiable Indirect Cost Rate
NGO	Non-Governmental Organization
NTS	National Tourism Strategy
PACE	Participatory Action for Community Enhancement
PMP	Performance Management Plan
PPP	Public Private Partnership

PR	Public Relations
PSD	Private Sector Development
R&D	Research and Development
QA	Quality Assurance
QC	Quality Control
RFP	Request for Proposal
RFQ	Request for Quotation
SABEQ	Sustainable Achievement of Business Expansion and Quality (USAID)
SIYAHA	The Tourism Project (USAID)
SFU	Satellite Factory Unit
SME	Small and Medium Enterprises
SOW	Scope of Work
STTA	Short-Term Technical Assistance
SWOT	Strength, Weakness, Opportunities and Threads
TA	Technical Assistance
TBD	To Be Determined
TO	Task Order
TOT	Training of Trainers
TP	Technical Proposal
TRIDE	Trilateral Industrial Development
TVET	Technical and Vocational Education and Training
USAID	United States Agency for International Development
VTC	Vocational Training Center
WAEDAT	Women's Access to Entrepreneurial Development and Training
WEPIA	Water Education and Public Information for Action
WTO	World Trade Organization
WTTP	Workforce Technical Transformation Program

I. PREFACE

In order to develop a successful tourism marketing board in a location, one has to comprehend other winning examples across the globe and take into account the specific location under consideration.

The greatest challenge for each country, region or city is how to build its tourism sector. This challenge is the same for all countries yet no two countries have planned and addressed this challenge in the same fashion. The most widely used method is to have the National Tourism Board be the responsible agent for international marketing. The weakness in this is that it covers only a part of the tasks causing other tasks to be carried out by other players, which leads to less desirable effects.

Typically, the overall tasks to be performed are regulation, planning, international marketing, domestic marketing, regional tourism, product development, investment, licensing, quality control, and education and training for tourism.

How does each country manage increasing numbers of tourists? In global terms, the European model has proved to be the most effective, although it is constantly evolving. In many European models, the tourist board involves a public private sector partnership but the Minister is never on the board as that is left to the private sector. Moreover, the board is always independent. European tourist boards are also funded to do the job with generous budgets with some greater than or equal to \$100 million (for example Spain and Greece).

The following examples illustrate various tourism management experiences in various countries:

- [Australia](#) is a destination that is always performing well as it excelled in the distribution of marketing activities from the national level to the city level. On the regional level, Queensland tourist board and Tasmania are usually the best boards.
- [Switzerland](#) was the base model to follow as it was very traditional yet successful. Tourists continue to flock to Switzerland because of a strong brand.
- [Canada](#) was a superior global model specifically the Visit Montreal model. Canada, however, like Switzerland is the owner of a strong brand that is still attracting tourists to enjoy its natural attributes.
- [Holland](#) in the 1970's was the exemplary model and is still enjoying benefits of its success. The Destination Marketing Organization (DMO), which is called the Netherland Board for Tourism and Conventions is a private sector shareholding company.

- [Austria](#) had a great model in the 1980's. The model subsequently failed due to internal mismanagement. The development team who developed an impressive plan did not communicate with the marketing team who did not possess an equally impressive and effective plan.
- In [Ireland](#), the old Irish Tourist Board model was very strong as it had responsibility for all tourism activities except regulation, which was handled by the Ministry. Since then, it has launched "Tourism Ireland" focusing only on the international marketing for the island of Ireland including the UK bit of Northern Ireland. This left Ireland responsible for the domestic market and the other functions but also product marketing, and sports and events marketing.
- [France](#) is the number one destination in the world yet it has never developed a top model to emulate. The same holds true for [Germany](#) which also relies heavily on the state tourist boards.
- [Spain](#) is strong because of its effective branding. TURESPAÑA is the administrative unit of the Central Government in charge of promoting Spain abroad as a tourist destination and it is strictly the public sector. [Greece](#) also is doing well in terms of its brand but its National Tourism Authority is not typically replicated elsewhere.
- The [Scandinavian](#) tourist boards are quite effective and business like. [Denmark](#) usually leads the other countries in terms of innovation.
- Many [Caribbean](#) tourist boards reflect weak replicas of the European model and are either inadequate or underpowered.
- [Turkey](#) is noticeably succeeding and is on the rise however there are concerns with its ability to successfully handle the influx of tourists.
- [India](#) did an excellent job with the "Incredible India" advertising campaign. It relies on each region (states) to do the work under the campaign.
- [Singapore](#) is labeled as one of the best by international experts, but it is identical to [Dubai](#) in that it is not replicable elsewhere.
- [Malaysia](#) has marketing itself well internationally but the internal organization of its tourism is disorganized and does not represent a single or unified approach. The same holds true for [Indonesia](#).

- [Cuba](#) has a communist model and there are signs that it could emerge strongly as it has great potentials.
- [Malta](#) and [Cyprus](#) have models with good initiatives but are not currently the leading models in Europe.
- [Morocco](#) and [Tunisia](#) do solid work – both are strong in traditions and crafts and Tunisia is shifting quickly towards mass tourism. In both cases, it is the public sector that is responsible for marketing.
- [Egypt](#) is a puzzling destination when it relates to marketing.. The responsible Ministry of Tourism is given excellent opportunities but it is challenged by inefficient management which does not allow for maximum potential.
- [Oman](#) tourism is driven by the Ministry but does not partner often with private sector.
- The [Gulf Region](#) did not build strong models to allow the private sector to lead the marketing activity. Instead, the public sector allocates and distributes marketing responsibilities.
- [Kenya](#) has the leading model in Africa but due to budget limitations, assistance from the EU has been a major factor.

II. INTRODUCTION

With better access to information, today's tourists are becoming increasingly sophisticated with their travel needs. Before embarking on a trip, they invest considerable time researching the historical and cultural venues, the nearby attractions, lodging options, transportation, conference or convention space, and the general economic condition of multiple locations. As travelers and event planners become more particular in selecting where they spend their time, destinations are changing the way that they relate to these customers.

Today's more forward-looking resorts, cities, states, and even countries are striving to make themselves more attractive to travelers. They want to be more than just a 'place'; they want to be a 'destination'. In a highly competitive environment, meeting travelers' expectations is the best way to create direct economic value in the tourism sector of the economy as well as generate significant spillover effects in the wider economy.

Aqaba is currently emerging as a significant destination on the Red Sea with colossal mega projects that will change the image of once an unexciting port city with few scattered hotels and insignificant destination marketing. Nowadays, the structure is changing and the private sector is taking the initiative to start a destination marketing organization (DMO).

In this respect, and after gaining insight of the current situation in Aqaba and the outlook of different industry stakeholders, the following two models are suggested for a marketing entity, taking into account the need to engage most of the parties in the proposed marketing activities:

a. Model 1

This is simply a private shareholding company with government participation through ASEZA and/or ADC. The parties capable of contributing large sums annually to the proposed entity will become the founding members and will be the majority on the Board of Directors. All other stakeholders in Aqaba can vote and be elected to the Board if they purchase a minimum number of shares and can be represented on the Board by one member. The by-laws in this case should indicate the annual amounts to be paid by the founding shareholders who will benefit from six seats on the Board and also the Chairmanship.

b. Model 2

This is also a shareholding company where all stakeholders can become members by paying annual membership dues; however, a partnership is introduced in this case whereby members can become premier, platinum, gold partners or "A" and "B" partners with the proposed DMO by paying agreed upon (through the by-laws) annual amounts. As a result, partners enjoy promotional benefits, seats on the Board and the Chairmanship. All other stakeholders in Aqaba can be involved in this model through the establishment of three working committees, led by the private sector, that will assist in the fields of marketing, product development, quality control, and human resources and will report to the Board of Directors. A higher performance assessment committee will also be formed in order to act as a Board of Trustees and will meet quarterly to assess and advise.

Both models are based on a not-for-profit principle, however, the proposed entity can operate on a commercial basis.

III. Reasons for Choosing a Private Shareholding Company

1. It is becoming a successful trend internationally with many tourist boards in that domain, i.e. the Netherlands, the City of London, the City of Montreal, and several regional boards in England and Wales.
2. There now exists a need for accountability, transparency, and a result driven company that stands to be liable for a set of key performance indicators.
3. The private sector is more qualified to lead such an undertaking and will introduce best practices in terms of governance and internal structure.
4. The private sector will perform to produce a valid ROI.
5. The chairman of such a company must be a veteran private sector member.
6. There will be no government interference in budget allocations and executive recruitment.
7. Continuity and stability and no unexpected changes as a result of a government shuffle or change.

IV. MODEL # 1

a. Structure

Model #1 calls for a real partnership based on the shareholding principle. A founding committee, which could be the current tourism technical committee, or part of it, would take the initiative and set up a private shareholding company with an announced share capital; and where shareholders would buy amounts of shares that are proportional to their declared capital or their investment value or as decided by the committee.

One Jordan Dinar = One Share of the proposed company = One Vote

The proposed company will not work for profit, but for the common interest of marketing Aqaba as a tourism destination. Any profit that might be made through various marketing and event activities will be used in the company's budget and will not be distributed.

b. Proposed Shareholders

1. Aqaba Special Economic Zone Authority
2. Aqaba Development Corporation
3. Mega Projects of more than U\$ 1 billion in investments and mixed use
4. Royal Jordanian and/or other airlines serving Aqaba on a regular basis
5. The Jordan Tourism Board
6. Classified hotels
7. Inbound tour operators from Aqaba or Amman
8. Restaurants
9. Diving clubs
10. Sea transport companies

11. Land transport companies
12. Air and sea sports
13. Aqaba Chamber of Commerce

c.. *Proposed Capital* (paid annually)

1. ASEZA: JD 1.0 Million
2. ADC: JD 1.5 Million
3. Mega Projects: (Basis the following formula):
 - a. Project under construction – 4 years until start up JD 100,000
 - b. Project under construction – 3 years until start up JD 250,000
 - c. Project under construction – 2 years until start up JD 500,000
 - d. Existing Project or one year until start up JD 1,000,000
4. Hotels: 5, 4, 3 stars per number of rooms, JD 100, 75, 50 respectively

The above would be the founding members; in order for them to be called as such and enjoy the number of seats that are determined to them, then they should pay annually the amount of money as assigned. The remaining proposed shareholders would buy shares as they see fit, but a minimum of 1,000 shares each is needed for voting rights.

d. *Board of Directors*

1. ASEZA: 1 seat
2. ADC: 1 seat
3. Mega projects: 3 seats
4. Classified Hotels: 1 seat for 5 stars
5. Classified Hotels: 1 seat for 4 and 3 stars
6. Jordan Tourism Board: 1 seat
7. Other shareholders: 1 seat.

Seats are allocated as indicated above in order to give most stakeholders the opportunity to serve on the board. However, and in order to safeguard big investments in the budget of the proposed marketing company, voting power inside the board is directly proportional to the number of shares held.

Only shareholders who have paid their annual contribution are allowed to run for elections and to vote.

Only shareholders who are contributing more than JD 5,000 annually can run for election in number 7 above.

The members of the Board of Directors will be elected by direct voting according to the proposed by-laws.

The Chairman will be elected by the members of the Board of Directors and shall be from the private sector.

The Board of Directors will serve for two years, and as such members will commit their proposed payments for two years; otherwise, the member will be removed from the Board.

The Jordan Tourism Board will only be selected to the Board against a financial contribution similar to what ASEZA is currently paying to the JTB.

V. MODEL # 2

Similar to Model #1, Model #2 is based on establishing a shareholding company; however, the proposed company would be based on "Shareholders" and "Partnerships". All entities interested in becoming part of Aqaba marketing will become shareholders by paying an annual fee of JD 1,000.

Shareholders who are interested in becoming active working members of the proposed company may be elected to the Board of Directors and benefit from its future marketing activities can become partners basis the following principles:

Category 1

- | | |
|-----------------------|--|
| 1. Premier Partners: | Annual Contribution of JD 1,000,000 Each |
| 2. Platinum Partners: | Annual Contribution of JD 500,000 Each |
| 3. Gold Partners: | Annual Contribution of JD 250,000 Each |

Category 2

- | | |
|------------------|---------------------------------------|
| 4. "A" Partners: | Annual Contribution of JD 25,000 Each |
| 5. "B" Partners: | Annual Contribution of JD 5,000 Each |

a. Benefits From Partnerships

1. Premier Partners

- Two seats on the Board of Directors including the Chairmanship.
- Exposure at the front cover of all promotional publications.
- Exposure at the home page of the Aqaba website and the "Partners" page, similar to "Partners' Brochure".
- Six pages each company with pictures and text in the proposed "Partners' Brochure".

- First priority to participate in trade fairs, workshops and other activities such as advertising campaigns.
- First priority to participate in the promotion of special offers on the Aqaba website.
- Automatic sponsorship of all events totally organized by the proposed Aqaba marketing company.

2. Platinum Partners

- Two seats on the Board of Directors.
- Exposure at the back cover of all promotional publications.
- Exposure at the "General Information" page of the Aqaba website and the "Partners" page, similar to the "Partners' Brochure".
- Four pages each company with pictures and text in the proposed "Partners' Brochure".
- Second priority to participate in trade fairs, workshops and other activities.
- Second priority to participate in the promotion of special offers on Aqaba website.
- Automatic sponsorship of all events totally organized by the proposed Aqaba marketing company.

3. Gold Partners

- One seat at the Board of Directors
- Exposure at the back cover of all promotional publications.
- Two pages each company with pictures and text in the proposed "Partners' Brochure".
- Exposure at the "General Information" page of the Aqaba website and the "Partners" page, similar to the Partners' Brochure".
- Third priority to participate in trade fairs, workshops and other activities.
- Third priority to participate in the promotion of special offers on Aqaba website.
- Automatic sponsorship of all events totally organized by the proposed Aqaba marketing company.

4. "A" Partners

- Exposure at the inside front cover of all promotional publications.
- ½ page each company with pictures and text in the "Partners' Brochure".
- Exposure at the "Partners" page of the Aqaba website similar to the "Partners' Brochure".
- Fourth priority to participate in trade fairs, workshops and promotional offers.

5. "B" Partners

- Exposure at the inside back cover of all promotional publications.
- 1/3 page each company with two or three lines with picture or logo in the "Partners' Brochure".
- Exposure at the "Partners" page of the Aqaba website similar to the Partners' Brochure.
- Fifth priority to participate in trade fairs, workshops and promotional offers.

b. The Board of Directors

The work of the proposed Aqaba Tourism Marketing Partnership is governed, guided and supported by Board of Directors. The Board directs the Corporation's overall strategies and operations by providing leadership, maintaining accountability for its programs and facilitating government and private stakeholder marketing efforts. The Board relies on input from industry-led working committees reporting through Committee Chairs.

- | | |
|---|---------|
| 1. ASEZA | 1 seat |
| 2. ADC | 1 seat |
| 3. Category 1 | 5 seats |
| a. Chairmanship + one seat for Premier Partners | |
| b. Two seats for Platinum Partners | |
| c. One seat for Gold Partners | |
| 4. Category 2 | |
| a. "A" + "B" Partners | 1 seat |
| 5. Jordan Tourism Board | 1 seat |

Each category will elect its members as shown above with voting power directly proportional with the partnership amounts. However, if there are more candidates than the allocated seats then the category, including Premier, Platinum and Gold members, will elect their own candidates for the five allocated seats. In case of "A" and "B" Partners, all will elect one member if there is more than one candidate. In this case "B" partners will each have one vote, while "A" Partners will each have five votes. These votes are determined by their contribution to partnership.

The presence of Jordan Tourism Board (JTB) is of major importance and can be done against an agreed upon annual financial contribution.

The above proposed Board membership will be relevant when the proposed Aqaba Marketing Company is legally structured and progressing. If during the first term (two years), partners are still not fully participating, then the Board will consist of ADC and

ASEZA and a proportional number of the participating partners. ASEZA in this case will look after the interests of the missing members.

The Board directs overall strategies and operations by providing leadership, maintaining accountability for its programs and facilitating government and private stakeholder marketing efforts. The Board relies on input from industry-led working committees reporting through Committee Chairs.

c. The Committees

The working committees will be set up according to the by-laws of the proposed marketing company and will be supporting the activities of the Board of Directors by collaborating and developing marketing and product development strategies, tactics and partnership programs. These committees are created to allow for a more participatory role for a bigger number of stakeholders in Aqaba.

Whenever there is a recommendation to the Board of Directors from one of the committees, the Board will invite the Chairman of the committee to be at Board's discussions.

Each committee will be formed from seven members as follows:

- The CEO of the proposed Aqaba marketing company
- A high official in ASEZA or ADC to be nominated by the Chief Commissioner of ASEZA.
- Five private sector members who will be elected from the shareholders and partners of the Aqaba marketing company. Any licensed stakeholder in Aqaba or the rest of Jordan can run for election, but only shareholders of the proposed company can vote on the basis of one vote each.
- After elections, the elected members plus the CEO of the Aqaba company plus the representative of ASEZA and/or ADC will elect a Chairman from the private sector.

The proposed committees are:

- Product Development Committee
 - Identify and co-ordinate product development programs.
 - Research, initiate and recommend products to be developed and managed by the proposed company (i.e. Visitor Centers).
- Promotion Committee
 - Direct and oversee annual marketing plans and programs,
 - Assist the Company in developing packaged programs all throughout the year.

- Although it is called a promotion committee, it will be more involved in sales and will assist the proposed Aqaba marketing company in identifying and developing sales opportunities.
- Quality Control and Human Resources Committee,
 - Assess the needs for skilled workers
 - Recommend measures to be taken to increase the level of Qualifications.
 - Identify and initiate quality control procedures all over the destination.
 - Although the Aqaba marketing company is not involved in human resources, but being the forum where everybody is, can make recommendations to ASEZA/ADC or even to the Higher Performance Assessment Committee.

And, the most important is the

- Marketing Performance Assessment Higher Committee that will ensure appropriate performance measures are in place and reviewed on a regular basis. This committee will be formed from: the Chief Commissioner of the Aqaba Special Economic Zone, the CEO of the Aqaba Development Corporation, the Chairman of the Board of Directors of the proposed Corporation, the three elected heads of the three working committees, and the GM of the Jordan Tourism Board.

The role of this Higher Committee:

- This Committee will act as a Board of Trustee and will meet once every three months
- The Chairman of this committee is the Chief Commissioner of ASEZA
- The Committee will be responsible to specify the key performance indicators of the Aqaba marketing company.
- During each meeting, the Committee will receive a performance report from the Chairman and will advise appropriately according to the set indicators.
- The Committee will also review the marketing strategy and will issue necessary strategic guidelines.

The Board directs the overall strategies and operations by providing leadership, maintaining accountability for its programs and facilitating government and private stakeholder marketing efforts. The Board relies on input from its executive staff and from the industry-led working committees.

VI. The Aqaba Destination Marketing Company

This company, potentially called Visit Aqaba, Tourism Aqaba, or Destination Aqaba will collaborate with tourism partners and colleagues at home and internationally to develop and deliver integrated, research-driven marketing programs that establish Aqaba as a premier, year round destination. This partnership should bring together the expertise and resources of the marketing team and work with tourism operators in a unique and stimulating private/public sector partnership. The proposed operations will encompass a full range of services and resources, from strategic planning, marketing research and product development to media advertising, consumer information services and publications, travel trade and media relations. By working with the new Aqaba venture and taking advantage of these assets, Aqaba's tourism businesses can achieve expanded and new marketing objectives.

a. The Mandate

The proposed Aqaba Tourism Marketing Partnership will be a unique public-private partnership established by ASEZA and/or the ADC to provide a vehicle to support the tourism industry by marketing and promoting Aqaba as a tourism destination in a highly competitive market. The mandate of the Corporation is to:

- Market Aqaba as a business and leisure destination in cooperation with the Jordan Tourism Board, ASEZA, and ADC.
- Undertake joint marketing initiatives with the tourism industry and create business opportunities for members and partners, and economic benefits for the entire region.
- Provide a leadership role in supporting and assisting the marketing efforts of the tourism industry.
- Provide a leadership role in initiating, preparing, and sustaining short, medium, and long term tourism strategies.
- Through its Higher Committee, the Board of Directors and the working committee, the proposed company will assume an advisory role in terms of product development and quality control and human resources.

b. ORGANIZATIONAL STRUCTURE



