ARMENIAN TOURISM CLUSTER STRATEGIC ACTION PLAN

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Executive Summary

Overview

Tourism in Armenia has grown strongly in the past five years, in terms of income and arrivals, and represents roughly 15% of Armenia's export earnings (World Travel & Tourism Council (WTTC), 2007). As the country progresses on its path of transition, tourism will increasingly become more important to the national economy.

However, the challenges Armenia faces to become a dominant tourism player in the region and increase its economic gains through higher tourism employment and income in absolute terms, are significant:

- Armenia's tourism sector comprises a large number of small and medium sized enterprises that have a limited ability to invest in tourism development
- The global tourism market is very competitive and Armenia's share in Europe alone is less than 0.08%
- The appreciation of the Armenian Dram is making Armenia's tourism products and services less price competitive on foreign markets and encourages Armenians to vacation overseas rather than domestically
- Travelers are becoming more demanding when selecting destinations that provide unique experiences and yet Armenia is still to distinguish itself as offering such an experience
- Many of Armenia's tourism facilities, services and infrastructure, particularly in the rural areas, are below international standards
- The country is relatively unknown as a tourism destination and resources have thus far been scarce in the development and promotion of a unique Armenian country brand

Despite these challenges, there are also opportunities. Firstly, Armenia has unique wealth in its historical, cultural and natural resources with which it can develop competitive tourism products. Secondly, with a small industry it is easier to improve levels of satisfaction and service quality, train a qualified workforce and invest in necessary basic tourism infrastructure. Thirdly, as a relatively unknown destination, it has the potential to attract visitors looking for something new and uniquely different.

A simple, clear and concise strategy is required to guide and further develop Armenia's tourism sector, aiming at:

- continuing the increasing arrivals and income trends, while ensuring per visitor expenditures increase
- ensuring Armenia provides unique, high quality, high-value tourism experiences that are regionally and globally competitive
- specializing and improving the range of tourism services available for visitors
- focusing on providing core products to key markets and communicating tourism opportunities through carefully considered and targeted promotional efforts
- ensuring the industry is supported by a well-trained, capable and skilled workforce
- providing a sound and nurturing regulatory, business and investment environment
- facilitating a profitable and effective working relationship between and within the public and private sectors

Whereas a country could once rely on its comparative advantages (its landscapes, climate, history, culture, customs, architecture, etc) to grow its tourism industry, recent decades have seen the emergence of greater competition to attract visitors. More and more countries are opening their borders, attempting to gain a higher share of the global market. Additionally, the well-established destinations are becoming more aggressive in improving their products and their marketing approaches to retain their market share.

Being successful relies on a country's ability to compete – its competitiveness – its ability to make use of the natural and heritage resources that it is endowed with to:

- Provide a unique experience for the visitor that is unrivaled amongst other destinations offering similar products and services
- Promote the country as the 'must visit' destination in preference to other destinations offering similar products and services

Many transition countries stall in making significant progress because they focus so heavily on and continue to wait for the serious investment required to bring attractions, facilities and services to international standards, or they develop strategies that are too comprehensive and ambitious and fail to be able to get underway from the beginning. An appreciation of Armenia's current level of tourism development, combined with an acknowledgement of the limitations, will enable the cluster to focus on the achievable rather than the problematic. Even without multi-million dollar investments, there are still many cost effective and beneficial activities that can be undertaken to develop the industry – simply by focusing on doing things better and differently from competitors.

Inherent to the process of doing things better than competing destinations involves not only improving product offerings, but also better communicating these products to tourists likely to want them. For this reason, it is imperative to use scarce resources in a targeted manner and to focus in on those country markets and activity markets that are most likely to enjoy Armenia's tourism opportunities. This plan specifies several target markets, based on primary and secondary market research, and offers ideas of activities best suited to them.

Key Quantitative Objectives

Whilst the main goal for developing tourism at a destination is primarily economic, a number of countries also give significant focus to social, political or cultural/environmental benefits. The basic indicator of success tends to be the number of annual arrivals each country receives, since this gives a general reflection of the value of tourism to the economy, although there are many others that can give a more detailed analysis and picture of the industry. For Armenia to benefit from tourism development, the cluster must aim to meet the following quantitative objectives for the period 2007-2010:

1) Continue the increase of tourism arrivals above 12% per year
2) Increase Armenia's market share within Europe from 0.08% to more than 0.1%
3) Increase the proportion of first time Diaspora visitors from 8% to 20%
4) Increase the proportion of leisure/holiday visitors from 12% to 15%
5) Increase hotel room occupancy rates from 29% to 40%
6) Increase per capita daily expenditure from $35 to $50
7) Increase employment in the tourism industry from 1.7% to more than 2%
8) Increase Armenia's ranking (currently 74 out of 124 countries) by five places and its score (3.9) in the World Economic Forum's (WEF) Travel & Tourism Competitiveness Index
9) Increase in the overall membership numbers of individuals and firms in the 5 major tourism-related associations from the collective figure of 71 to 150[1]

These objectives have been conservatively estimated to make them realistic for a 3 to 5 year period. Given the lack of available accommodation in the high season, such quantitative objectives implicitly recognize the need for more investment in facilities for lodging and a longer, more evenly distributed tourism season with activities year around.

Approach

One-hundred and eighty four countries and regions exhibited at the ITB travel fair in Berlin in March 2007, each trying to increase their number of tourism arrivals and the amount that their country receives in tourism revenue. Some are relatively new entrants into the global tourism market; others have been exhibiting at ITB for more than 40 years. Many of these

[1] Armenian Guides Guild (AGG), Armenian Hotel Association (AHA), Union of Incoming Tour Operators (UITO), Board of Airline Representatives of Armenia (BARA), and Armenian Restaurants Association (ARA)

countries have websites and promotional videos, have had articles written about them, have produced brochures and have a strategy or plan for developing their tourism industry. Some countries are successful in increasing arrivals well beyond the global average annual increase of 4.5% (UNWTO, 2005/6) and many of these are developing or transitional economies. Given its transition status, geographical location, its current level of stability with its neighbors, the non-year round tourism season, level and quality of infrastructure and superstructure, and level of funding for promotion, Armenia should not attempt to compete with the major destinations like France (that receive 76 million visitors a year) or the United States (that has an income of US$81 billion) even in the long term. However there are many other countries with a similar level of tourism maturity, each trying to obtain and maintain higher market shares, with which Armenia can and must compete.

A recent study conducted by the USAID-funded Competitive Armenian Private Sector (CAPS) project identified Estonia, Hungary and Israel as best practice examples within a group of twelve competitor and comparator countries for Armenia to learn from. These three countries consistently ranked well according to tourism measures: tourists as a percentage of population, tourists per square kilometer of territory and within the Travel & Tourism Competitiveness Index. They also scored well in the Global Competitiveness Report, Corruption Perceptions Index, Index of Economic Freedom and others.

	Armenia	Objective 2010	Estonia	Hungary	Israel
Annual Increase in Tourist Arrivals	19.8% (2005/6)	> 12% per annum	7.5% 2007-2016 annual growth (WTTC forecast)	4.7% 2007-2016 annual growth (WTTC forecast)	4.7% 2007-2016 annual growth (WTTC forecast)
Annual Number of Tourist Arrivals	381,136 (2006)	600,000	1,900,000 (2005)	10,048,000 (2005)	1,903,000 (2005)
Tourist Arrivals as a % of Population	13 (2006)	20	142 (2005)	100 (2005)	27 (2005)
Tourist Arrivals per Square Kilometer of Territory	13 (2006)	20	42 (2005)	108 (2005)	86 (2005)
Market Share within Europe	0.08% (2006)	>0.1%	0.4% (2005)	2.3% (2005)	0.4% (2005)
Proportion of Leisure/Holiday Visitors	11.6% (2007 survey data)	15%	85% (2001)	30% (2005)	25%
Hotel Room Occupancy Rates	29% (2006)	40%	47% (2005)	42% (2005)	50 % (2005)
International Tourist Receipts per International Tourist Arrival	442 USD (2005)	550 USD	500 USD (2005)	425 USD (2005)	1,499 USD (2005)
Employment in the tourism industry	18,989	22,000	17,000	199,000	83,000
Percentage of Workforce Employed in Tourism Industry	1.7%	2%	2.7%	5%	2.3%
Ranking and Score in the WEF's Travel & Tourism Competitiveness Index	74 (ranking) 3.9 (score)	Within top 70	28 (ranking) 4.9 (score)	40 (ranking) 4.6 (score)	32 (ranking) 4.8 (score)

Figure 1. Tourism Benchmark Indicators for Armenia, Estonia, Hungary & Israel and Quantitative Objectives for Armenia

Sources: WEF Travel & Tourism Competitiveness Report (2007). UNWTO Website (2007), WTTC Website (2007), Armenian International Visitor Survey – Interim Results (2007)

The figure above benchmarks Armenia's performance according to a sample of tourism indicators (relating to the strategy objectives) for Armenia, Estonia, Hungary and Israel, and indicates the quantitative targets that Armenia will aim for by 2010. Clearly, Armenia has some way to catch up with these best practice countries in terms of overall competitiveness, employment in the tourism industry, income, occupancy rates, the proportion of leisure visitors and market share.

Tourism is a competitive global industry and Armenia must actively strive to:

> *provide a high quality tourism experience, equal or superior to alternative destinations, through the supply of a value-for-money combination of facilities and services to potential visitors.*

Armenia's efforts toward competitiveness will be enhanced with a cluster-based approach. A tourism cluster includes all important players in the performance of the industry, such as: tour operators, hotels, airlines, guides, restaurants and souvenir shops, but also suppliers, customers, labor, government, professional associations and academic, research and training institutes. CAPS serves as a catalyst for bringing these partners together to benefit individual entrepreneurs and the Armenian economy as a whole. Bringing together the wide cross-section of stakeholders in partnership will:

1) Increase levels of expertise and promote entrepreneurship
2) Create new ideas and innovation
3) Improve access to finance
4) Develop and enhance networking – internal and external linkages
5) Share and improve information and knowledge flows
6) Establish economies of scale
7) Encourage inward investment
8) Develop professional, legal, financial and other specialist support services

CAPS will assist the tourism cluster to meet the aims and objectives in the strategy through this cluster approach.

Key Interventions

This Tourism Cluster Strategic Action Plan has seven key interventions:

1) **Adopt a Tourism Industry Vision** – that is accepted by the majority of the industry and that provides direction on how the country's tourism industry should be developed in future years.

2) **Strengthen the Tourism Cluster** – enhancing the ability of the industry to implement this strategy in order to increase revenues in current markets and in new targeted markets. This intervention includes the development of cluster leadership and an increase in the diversity of cluster stakeholders which will result in greater momentum for progress within the industry. Also critical is the frequent dissemination of information and constant dialogue through cluster steering committee meetings and cluster conferences. Trust will be built through the organization of cluster networking events.

3) **Engage in Product & Market Development** – building competitive tourism products based on the cultural heritage and adventure opportunities and selling them primarily to the key markets of USA, Russia, France, Italy, the UK and the Diaspora. Additionally, prioritizing important attractions, museums, sites and infrastructure in support of the core products and key markets, including a focus on the domestic market and Dilijan and other regions. The improved design and organization of events and festivals is also proposed to encourage visitation during off-peak periods.

4) **Employ Targeted Promotion Techniques** – communicating information and selling the core products to the key markets through carefully considered promotional activities. Promotional efforts will be based around the development of a destination brand and an industry branding/promotional strategy. Connected with this, and in parallel, will be efforts to increase foreign investment in infrastructure, particularly accommodation. As one of the most promising tools for country promotion, emphasis

is given to enhancing and improving internet promotion through the Armenian Tourism Development Agency (ATDA) website.

5) **Improve Education Capacity & Workforce Skills** - through focusing on developing the skills and knowledge of lecturing staff, the redesign of tourism curricula based on private sector skills needs, creating linkages between Armenian and foreign universities and improving job matching between employers and potential employees.

6) **Improve Access, Facilities, Services & Safety** – by relaxing the current visa regime, reducing barriers to air access and encouraging low cost carriers to Armenia. Additionally, improving tourism facilities, services, navigation and information at key tourist sites and attractions. Government implementation of the long discussed regional tourist information centers and rest stops is one key step.

7) **Enhance the Business Environment, Business Institutions and Business Practices** – through direct training and support to individual enterprises and by raising the profile and professionalism of Business Service Providers (BSPs). Additionally, working to improve the policy, regulatory and investment environment for tourism and advocating for the implementation of existing legislation. Also, the implementation of tourism certification standards, support to Associations in the implementation of their strategic plans and redesigning and adopting a new mandate for ATDA. A critical part of this intervention will also concentrate on improving the collection of basic tourism statistics.

I. Strategic Action Plan Purpose

The purpose of this cluster strategic action plan is to provide actionable guidance and direction in the development of tourism in Armenia for the next three to five years. It has been designed in partnership and consultation with numerous stakeholders from government, educational institutions, associations and industry. It has also taken into account earlier tourism reports from IESC (International Executive Service Corps) and Armenia 2020. Rather than being a master plan, which would outline tasks for implementation in great detail and over a long timeframe, this document serves as an industry guide with a focus on generally agreed objectives and priority actions. Unlike the Armenia 2020 Report, it focuses on a short timeframe, knowing that many factors can affect long term goals and ambitions. Short timeframes and few activities enable the industry to keep focused. Indeed there are one or two activities outlined in this report that were initially mentioned by IESC back in December 2000. They are just as relevant now as they were then. This strategic action plan addresses “what” is needed to develop the industry and “how” it will be implemented indicating, where appropriate, the assistance the CAPS project can provide.

This strategy will:

- Provide direction for tourism stakeholders in future tourism development
- Identify priorities for the industry to tackle
- Highlight opportunities for government and the private sector to work cooperatively together
- Provide the Armenian public with an understanding of the value of tourism to the country’s economy
- Identify areas in which CAPS can provide technical assistance in the development process

The Plan is not designed to be a static document. Tourism operates as a dynamic industry and new research is constantly being undertaken providing new insights into the actions that need to be undertaken. Therefore, it is anticipated that the Plan will be updated on a periodic basis, as required, to take account of new information and trends.

A. Strategy Principles

There are a number of key principles that are crucial in the implementation of the Plan:

COMPETITIVENESS – Realizing that the success of Armenia as a tourism destination relies on the awareness and appreciation that it must compete, not internally, but internationally, providing products and services that are demanded in preference to other regional and international destinations

ADAPTATION & LEARNING – Appreciation that current policy and business practices are not conducive to sustainable industry growth, and that a willingness to adapt and adopt international best practice and a willingness to learn new approaches and methodologies for competing on an international level is required

FOCUS & SPECIALIZATION – Understanding that Armenia's 'one product fits all', 'Classic Tours', low-cost approach will not enable it to compete with other destinations and that being competitive relies upon an industry offering specialized, unique demand-driven products and services to targeted groups of potential tourists.

COMMITMENT & PARTICIPATION – Acknowledgement that success lies in the ability of businesses, government, associations, academia and workforce to work cooperatively; that a cluster approach requires commitment and personal involvement of each individual rather than relying on someone else.

SUSTAINABILITY – Consensus that long-term economic, social and environmental gains are preferable to short term quick wins that may negatively impact in the long term. Awareness that Armenia's tourism industry is indelibly linked to its natural, cultural, historical and social heritage and that negative impacts to this heritage will negatively impact the tourism industry.

B. Environmental & Gender Concerns

Armenia's tourism industry is based to a large extent on the quality of its natural environment; many visitors have a perception that the country has a pristine natural landscape. It is therefore essential that this image and the environment itself be preserved and maintained. A number of environmental initiatives take place every year, such as the Sun Child Environmental Festival that promotes conservation and the cleaning up of waste. CAPS will support the festival in October 2007 and will encourage the involvement of tourism stakeholders to do the same.

There are no initiatives within this Strategic Action Plan that are likely to negatively impact Armenia's environment. However, CAPS will consider environmental issues and awareness wherever they are deemed appropriate and will encourage other stakeholders to do the same.

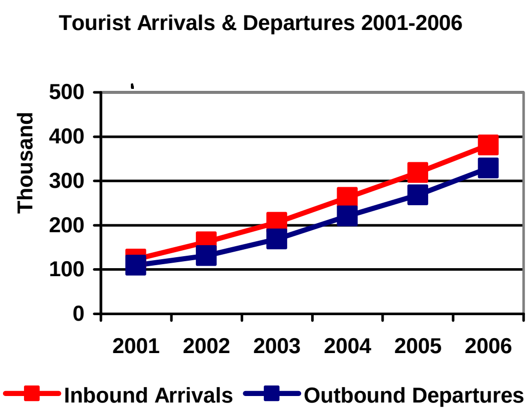
Armenia's tourism industry does not suffer from a gender imbalance. There in fact appears to be a greater level of involvement of women in the industry than men in all areas of the tourism industry; hotels, tour operators, restaurants, guides, etc. There also appears to be equal proportioning in the roles within the industry from owner/managers through to service level staff. In-depth research has not been undertaken thus far although CAPS monitors gender involvement in its activities and will continue to do so, ensuring that there is gender equity within the industry.

II. State of Armenia's Tourism Industry

Industry Snapshot
International Visitor Arrivals (2006): 381,136
Annual Arrivals Growth Rate (2005/6):19.8%
Average Annual Arrivals Growth Rate (2001/6): 25%
International Visitor Receipts (2005): US$ 141 million
International Visitor Receipts per capita per day (2006): US$35
Average Length of Stay (2006): 20 days (Leisure Visitors: 11.5 days)
Employment in Travel & Tourism Industry (2006): 18989 jobs (1.7% of total employment)
Capital Investment in Tourism (2006): US$ 284.9 million (12.1% of total investment)
National Tourism Organization Marketing Spending (2006): US$700,000
Travel & Tourism Competitiveness Index Ranking (2007): 74
Travel & Tourism Competitiveness Index Score (2007): 3.9
Hotel Room Occupancy Rate (2005): 29%
Tourism Contribution to GDP (2007): 2.1%

A. Where we are

In 2006, Armenia welcomed a total of 381,136 foreign tourists. This is an annual average increase of 25% since 2001. According to the Republic of Armenia (RoA) government statistics, the country received US$155 mn of revenue in 2005 (estimated to be US$141 mn by UNWTO), an average annual increase of 18% since 2001. Whilst there may be some concern over the methodology used to produce these statistics, it is clear that there is an impressive increase in both income and arrivals; although, the fact that expenditure is not increasing at the same rate as arrivals suggests that each tourist is spending less each year. Additionally, while growth rates are positive, the average annual increase in tourist arrivals is decreasing and the absolute number of visitors still remains relatively low, representing less than 0.08% of all European arrivals. According to WTTC (2007), Armenia' tourism industry is set to contribute 2.1% to GDP in 2007 (3.2% in 2005 according to Armenian government statistics) or $144.7 mn.



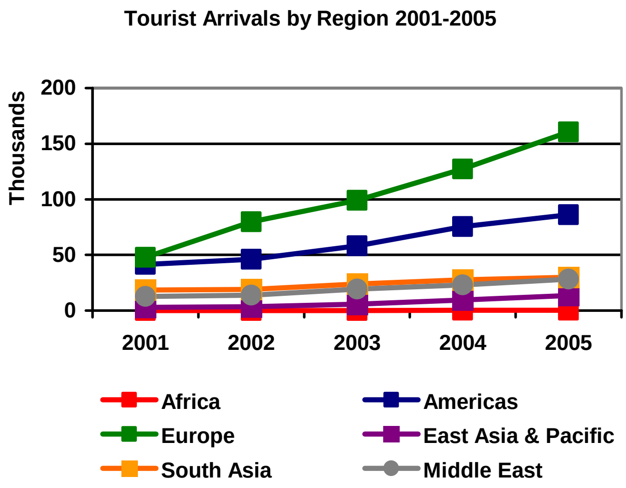


Figure 2. Tourist Arrivals & Departures (2001-2006) Figure 3. Tourist Arrivals by Region (2001-2005)

Source: NSS (2006)

In terms of arrivals growth rates, East Asia as a source market has provided the most dramatic growth (on average 50% per year) although from a virtually negligible base. In absolute terms, the highest increase in actual numbers is seen from Europe (increase of 112,000 tourists from 2001 to 2005) and the Americas (increase of 45,000 tourists from 2001 to 2005). The major markets in 2005 continued to be the CIS (89,968), United States (43,869), Iran (27,458), Argentina (17,560), Canada (15,795), France (14,294), Syria (13,941), Lebanon (13,411) and Germany (12,966).

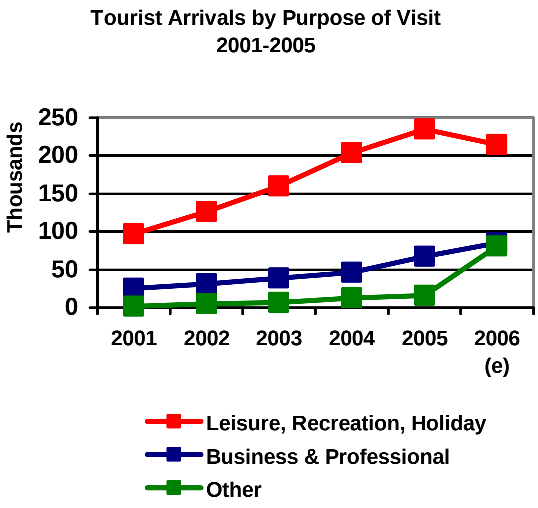
According to recent visitor survey data for the period September 2006 to August 2007, the geographic distribution of foreign tourists, was as follows:

	All Tourists	Diaspora (62.23% of total)	For Business (22.4 % of total)	For Leisure (11.6% of total)
Russia	34.9%	46.1%	22.3%	11.4%
Georgia	28.1%	31.0%	24.6%	18.6%
Iran	7.8%	3.7%	10.7%	4.5%
USA	4.5%	3.9%	5.9%	9.5%
France	3.5%	3.0%	3.6%	11.0%
Germany	2.9%	1.2%	4.6%	7.8%
Ukraine	2.0%	2.0%	*	*
Turkey	1.2%	0.4%	*	*
UK	1.9%	0.8%	4.6%	3.6%
Austria	1.2%	0.5%	*	*
Syria	1.2%	1.3%	0.9%	2.0%
Canada	0.7%	0.8%	0.9%	2.3%
Greece	0.8%	0.8%	0.5%	2.3%
Italy	0.9%	0.2%	1.2%	2.3%

Figure 4. Arrivals Data to Armenia for the Period September 2006 to August 2007 – Total Arrivals, Proportion of Diaspora and Purpose of Visit

Source: International Visitor Survey (2007)
* disaggregation to this level was not possible

This survey data (outlined immediately above and referenced in the following paragraphs) has been collated as the result of an international visitor survey conducted by CAPS, NSS and ATDA. Arriving and departing tourists were interviewed to highlight; demographic profiles, source markets, purposes of visit, travel preferences and behavior, travel arrangements and purchasing patterns, sources of information used, satisfaction, and expenditure. The data highlighted was collected through a year long effort from September 2006 to August 2007.



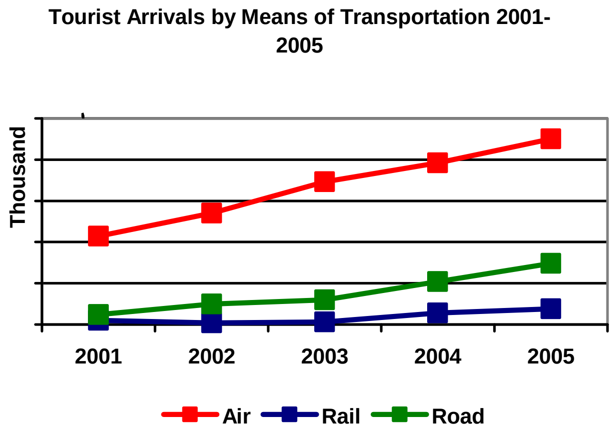


Figure 5. Tourist Arrivals by Purpose of Visit (2001-2006e) Figure 6. Tourist Arrivals by Means of Transport (2001-2005)

Source: NSS (2006)

According to the National Statistical Service (NSS), the majority of tourists to Armenia in 2005 came for Leisure, Recreation or Vacation (which in the chart above includes visiting friends and relatives), the category that has also seen the highest increase in absolute terms (an increase of 138,000 visitors from 2001 to 2005). Survey data for September 2006 to August 2007, suggests that 44.8% came to visit friends and relatives, 22.4% for business and 11.6% for leisure.

Tourists arriving by road and rail have seen marked increases although in absolute terms, most tourists arrive by air (an increase of 118,000 tourists between 2001 and 2005). Most visitors stay in Yerevan during their visit (around 62% of all nights) although other important areas of the country include Lake Sevan, Echmiadzin, Garni, Geghard and Tsakhadzor.

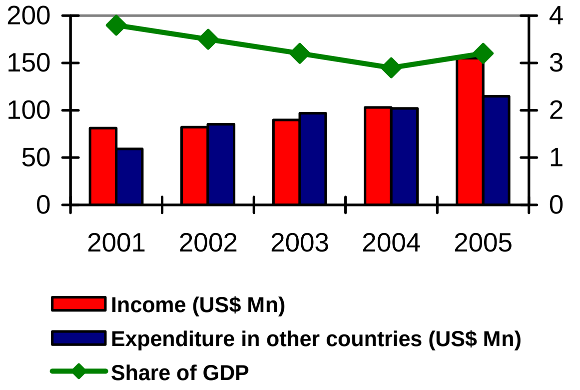


Figure 7. Economic Impact of Tourism to Armenia's Economy – Tourism Income, Tourism Expenditure by Armenian Residents Overseas and Contribution to GDP

Source: NSS (2006)

Unfortunately, the impact of significant arrivals increases on the national economy has been minimal. The country's share of tourism expenditure in the GDP has dropped from 3.8% in 2001 to 3.2% in 2005 according to NSS (Estimated by WTTC to be 2.1% in 2007). Also, due to the similarly high rate of growth in outbound departures (Armenians traveling overseas) there is a possibility of slipping into a tourism balance of payments deficit.

According to WTTC (2007), Armenia's tourism industry employs 18,989 jobs or 1.7% of total employment[2] and contributes around US$284.9 mn in Capital Investment (12.1% of total investment)

Estimates suggest that 70% of tourist arrivals are from the Diaspora, although survey data collected between September 2006 and August 2007 gives a figure of nearer 62%. However, what is clear is that many of these current visitors are repeat visitors and therefore less likely to stay in tourist accommodation. The same survey data suggests that only 55% of all tourist nights are spent in hotels or similar accommodation establishments. Research undertaken on the Armenian-American Diaspora community emphasized that although hotel use by the Diaspora was low for frequent visitors, those that had yet to visit the country (first time Diaspora visitors) were very likely to stay in a hotel.

Average inbound tourist expenditures are currently around $705 per trip and approximately $35 per day per tourist, according to visitor survey data. Armenia has a high number of repeat visitors. Survey data suggests that 53% of all tourists have visited four or more times and only 20% were making their first visit. Only 8% of Diaspora citizens were visiting for the first time, compared to 66% that had visited on four or more prior occasions. The average length of stay in Armenia for all visitors is 20 nights. For the Diaspora it is 25 nights and for leisure tourists, 11.5 nights.

The majority of visitors, unsurprisingly given the high level of repeat visitation, rely on friends and relatives (52%) and previous visits (36%) as a source of information about the country. The Internet, tour operators or travel agents, or guidebooks were used by less than 5% of visitors. Leisure tourists are more likely to use the Internet to make online travel purchases. The small number of visitors using typical leisure sources of information is related to the high level of Diaspora visitation, the small number of overall leisure visitors and the lack of information currently available online and in guidebooks.

[2] Includes airlines, hotels, car rental companies and other direct establishments

B. SWOT Analysis of Industry

	Strengths	Weaknesses	Opportunities	Threats
Core Resources & Attractions – (Topography, Climate, Culture, History, Mix of Activities, Special Events, Entertainment, Superstructure, Market Ties)	• Small country – easy to see a lot in a short space of time • Unique history (ancient & modern) • Warm, friendly and diverse street café culture • Large Diaspora	• Short peak season • Limited product development and differentiation – over-reliance on 'classic tours' • Tourist attractions undeveloped, difficult to access, poorly signed and maintained, and repetitive • Lack of service facilities for tourists – restaurants in regions, public toilets • Events poorly organized, promoted and attended • Little tourism infrastructure in the regions • Products largely competing solely on price	• Diaspora market – largely untapped • Development of niche products for new tourist segment development o Historical, cultural, discovery o Soft adventure, outdoor sports o Special Interest – religious, scientific, geological, bird watching o Activities for Diaspora Citizens • Increased diversity of events, better organized and promoted	• Quality of core attractions in competitor countries • Over-reliance on Diaspora Market
Supporting Factors and Resources – (Infrastructure, Accessibility, Facilitating Resources, Hospitality, Enterprise, Political Will)	• Very hospitable people • E-visa scheme	• Strict visa regime • Limited Air Access to Middle East & Asia • Limited accommodation capacity (particularly 3*, in summer months and in regions) • Lack of tourism entrepreneurship • Road quality varies • Closed borders with neighbors affecting access • Political Will not in evidence • Limited linkages (especially outside of Yerevan) to restaurants, handicraft vendors, etc	• Appeal to the discovery tourist niche – those who appreciate authentic tourism and are able to overlook limited infrastructure	• Danger of developing a reputation for indifferent service
Destination Management – (Organization, Marketing, Quality of Service/Experience, Information/Research, HR Development, Finance and Venture Capital, Visitor Management, Resource Stewardship, Crisis Management)	• Well functioning ATDA • High level of literacy	• Poor quality training in vocational sphere • Over-emphasis on academic rather than vocational training • Limited training opportunities • Educational sector distanced from	• New, vocationally based trainings offered in partnership between several key tourism university programs and tourism associations • Targeting core products to key markets	

		private sector • Limited professionalism of tour operators • Lack of market research • Poor quality of tourism statistics • Limited knowledge of marketing principles and limited impact of efforts • Limited access to finance • Poor/lack of service standards	• Improvement in destination perception through branding effort • Training for front-line service providers	
Destination Policy, Planning & Development – (System Definition, Philosophy/Values, Vision, Positioning/Branding, Development, Competitive Analysis, Monitoring & Evaluation, Audit)	• Positive attitude of country towards tourism development • Lack of over-regulation of industry	• Lack of industry vision, positioning and branding efforts • Lack of public private strategy implementation (UNWTO strategy completed in 2001 but never implemented) • Lack of involvement of private sector in planning • Poor policy implementation • Lack of sufficient budget for tourism development and marketing	• A more coordinated public/private cluster able to achieve consensus on industry priorities • Better government funding of targeted promotion for Armenia as a tourism destination	• Continued reliance on expensive mass market promotional methods with scarce funding resources
Qualifying & Amplifying Determinants – (Location, Safety/Security, Cost/Value, Interdependencies, Awareness/Image, Carrying Capacity)	• Very safe destination • Medium haul destination from major markets of Europe	• Relatively high cost in air transport & accommodation • Limited awareness of Armenia and tourism opportunities • Ineffective, but improving, associations • A perception that Armenia is in a poor neighborhood – stuck between Azerbaijan, Turkey and the troubled Caucuses.	• Education of target tourist segments about Armenia's safe, secure tourism possibilities.	• Higher funding for promotion of competitor destinations • Potential risk of geopolitical instability • Increase of wages exceeding the productivity growth • Damage of environment and ecosystem through deforestation and large mining projects

III. Vision and Interventions for Armenia's Tourism Industry

The competitiveness of tourism destinations, as outlined for the first time this year in the publication of the WEF's Travel & Tourism Competitiveness Index, rely on a wide variety of factors. These include safety and security, health and hygiene, air transport infrastructure, price competitiveness, human resources, national tourism perception, policy rules and regulations, environmental regulation, prioritization of tourism by government, ground transport infrastructure, tourism infrastructure, ICT infrastructure, and natural and cultural resources.

Each of these factors is important in developing a successful tourism industry, although not necessarily to the same extent. According to the Travel & Tourism Competitiveness Index, Armenia's competitive disadvantages lie in the fields of policy and regulation, health & hygiene, government prioritization, air transport infrastructure, ground transport infrastructure, tourism infrastructure, ICT infrastructure, human resources and natural and cultural resources. Its advantages lie in the areas of safety and security, price competitiveness, human resources and national tourism perception.

It will be difficult for Armenia to significantly increase its rankings in all of the areas listed above, particularly as many require significant investment. However, opportunities are there in the short term, and without large amounts of funding, to increase Armenia's competitive position by focusing on a small selection of the factors that can generate significant results for the industry.

This strategic action plan is founded on 9 inter-related quantitative objectives:

1) Continue the increase of tourism arrivals above 12% per year
2) Increase Armenia's market share within Europe from 0.08% to more than 0.1%
3) Increase the proportion of first time Diaspora visitors from 8% to 20%
4) Increase the proportion of leisure/holiday visitors from 12% to 15%
5) Increase hotel room occupancy rates from 29% to 40%
6) Increase per capita daily expenditure from $35 to $50
7) Increase employment in the tourism industry from 1.7% to more than 2%
8) Increase Armenia's ranking (currently 74 out of 124 countries) by five places and its score (3.9) in the World Economic Forum's (WEF) Travel & Tourism Competitiveness Index[3]
9) Increase in the overall membership numbers of individuals and firms in the 5 major tourism-related associations from the collective figure of 71 to 150[4]

Increasing tourist arrivals to Armenia (1) is clearly important since this creates a higher demand for employment (7) and greater income for the country, although it is fundamental to ensure at the same time that the expenditure of each tourist also increases (6). Higher arrivals numbers will increase Armenia's market share (2) and hotel occupancy rates (5). Leisure tourists tend to spend more than those visiting friends and relatives so their proportion of total arrivals should be increased (4). As we have seen above, Armenia has a high proportion of repeat Diaspora visitors. The number of first time visitors must be increased (3) since this market segment is easily identifiable and can be effortlessly

[3] An increase in five places, based on 2007 rankings, would place Armenia much closer to Russia & Georgia
[4] Armenian Guides Guild (AGG), Armenian Hotel Association (AHA), Union of Incoming Tour Operators (UITO), Board of Airline Representatives of Armenia (BARA), and Armenian Restaurants Association (ARA)

targeted. These first time visitors are like to spend more (6) and increase hotel occupancy rates (5), particularly if efforts are made to encourage off-peak visitation.

Since there is a direct correlation between the wealth of countries (as measured by GDP per capita) and the WEF's Travel & Tourism Competitiveness Index scores, it is logical to attempt to increase Armenia's overall ranking and score (8). Such improvements will likely lead to higher levels of employment (7) and income. A cluster approach to competitiveness relies on the motivation, commitment and participation of individuals and firms in a tourism industry. Associations are key stakeholders and membership numbers reflect both the strength of the business environment and participation within the industry (9).

The targets set for each objective have been conservatively estimated so as to make them achievable in a 3 to 5 year period. The arrivals growth rate is slightly higher than the average annual growth rate estimated by the World Travel & Tourism Council over a 10 year period, since higher growth is anticipated during the first few years. An arrivals growth rate of around 12% would enable Armenia to reach a target of 600,000 tourists by 2010. If Europe only increases its arrivals at a rate of 4.1% per year (a figure suggested by UNWTO) then Armenia's share of European arrivals would reach 0.1%.

The quantitative objectives outlined will be achieved through focusing on seven interventions.

1) **Adopt a Tourism Industry Vision**
2) **Strengthen the Tourism Cluster**
3) **Engage in Product & Market Development**
4) **Employ Targeted Promotion Techniques**
5) **Improve Education Capacity & Workforce Skills**
6) **Improve Access, Facilities & Safety**
7) **Enhance the Business Environment, Business Institutions and Business Practices**

Each of these interventions is essential but cannot be considered independently from the others. For example, there is little point in improving air access unless that improvement is combined with targeted promotion. Similarly a strengthened cluster is needed to support developments in skills improvements.

As mentioned above, these seven interventions are not meant to increase the competitiveness of Armenia's tourism industry overnight. They are based on critical obstacles that can be overcome in a three to five year period. Therefore, there are, understandably, many other activities that the industry will need to undertake in the longer term. The interventions have been devised based on input from a cross-section of the tourism industry, market research, real data, studies and CAPS expertise. The existence of this strategy is not designed to discourage individual entrepreneurs and firms from going in their own direction; it is a strategy for the industry as a whole.

A. Adopt a Tourism Industry Vision

Key Expected Outcomes

1. Consensus on Tourism Industry Vision

An ambitious yet achievable vision for Armenia's tourism industry must form the foundation for future tourism development. Without consensus, Armenia's tourism stakeholders will attempt to find their own direction to prosperity creating division within the industry, confusing potential visitors and investors and hindering the country's image and promotion. Successful tourism destinations have clear direction concerning who they want to be, where they want to be in the future, and how they want to get there.

The vision for Armenia's tourism industry is as follows:

Armenia's tourism industry will be characterized by
Knowledgeable enterprises providing high value, high quality, authentic experiences
Founded on the country's unique natural, cultural and historic heritage and spiritual values
To targeted geographic, ethnic and activity-based markets
Consistently supported by well-informed government, associations, academia and a well-qualified workforce
Enabling the country to sustainably benefit economically, socially and environmentally

Although fairly broad, the vision encompasses the major factors leading to the success of the industry; professional enterprises, supportive industry, focus on specific products and markets, long-term goals and involvement of all stakeholders within the cluster. The first stage in adopting the Strategic Action Plan will be to reach consensus on the vision. The preceding objectives are designed to support this vision.

B. Strengthen the Tourism Cluster

Key Expected Outcomes

1. **Strengthened Cluster Leadership and Increased Diversity of Cluster Stakeholders**
2. **Annual Cluster Meetings and Frequent Cluster Steering Committee Meetings**
3. **Organized Cluster Networking Events**
4. **Improved Dissemination of Industry Information**
5. **Promotion of Tourism Awareness Within Key Segments of Armenian Society**

Whilst competition is important in being able to survive within the global tourism industry, so is cooperation. With more than 240 countries and territories worldwide attempting to gain tourist arrivals and within these destinations, numerous tour operators, travel agents and hotels vying for an increased number of tourists, it is obvious that competition is strong and that, individually, firms can achieve only very little in challenging the global market.

Instead of tour operators each trying to obtain a larger piece of Armenia's existing market share of tourist arrivals, which as we have seen is only very small, it is more imperative for the country to steal arrivals from other destinations or better still, obtain new arrivals; working to grow the overall size of the global market. Because of the importance of destination image and perception and the high costs of promotion to an audience that live outside the boundaries of the country, the best way to tackle either of these two goals is to work collectively.

The success of collaborative efforts in a wide variety of industries worldwide, through the concept of clusters, is not disputable. Where cooperation does exist amongst enterprises and the wider tourism community of stakeholders (government, associations, academia, etc) benefits have included knowledge sharing of new concepts and ideas in marketing and product development, capacity building and the development of skills, economies of scale in marketing costs, adopting new technologies and improving the image of a destination through focusing on key selling points.

Armenian Tourism Competitiveness Conference

At the beginning of April 2007, more than 250 representatives of tourism enterprises, government, consulting firms, educational institutions and associations gathered to learn about new industry research, debate topics on marketing, education and regulation and catch up with friends. As well as providing an opportunity for increasing knowledge, it also enabled participants to realise that they shared similar problems and to talk more openly together on how they might be solved.

Because of the individualistic nature of enterprises and the people that run them, changing attitudes is not an easy task. Learning that there are opportunities and benefits for cooperation and breaking down barriers of distrust takes time and few clusters have been built overnight. But faith, commitment and perseverance amongst individual stakeholders combined with sound leadership within the cluster will ensure that the process moves forward; enabling the industry to grow.

In many industries and in many countries, the process is assisted by cluster initiatives, such as CAPS, that catalyze the process by providing technical and financial assistance to demonstrate cluster benefits at an earlier stage than might occur naturally. The extent to which this strategy will be implemented successfully will largely be dependent on the success of developing collaboration within Armenia's tourism cluster and therefore the commitment, motivation and openness of the industry stakeholders.

There is an obvious lack of trust amongst members of the cluster that is not unusual given Armenia's level of tourism maturity, its Soviet legacy and limited exposure to international best practices. The plagiarism of itineraries, reluctance for new tourism businesses and domestic competition largely based on cost are evidence of this.

The most important aspect of cluster strengthening is communication, in formal environments such as at seminars and workshops but also informally through social events and gatherings. Once cluster members get together, they begin to realize that they share similar problems and issues, that they may not directly compete against each other, and that through partnership, some of the most important industry issues can be addressed. Bringing together parties who do not normally talk will be extremely beneficial.

> Bringing in the New Year
>
> The Armenian Tourism Industry celebrated the start of 2007 in style through a party held at the AUA Business Centre in January. With the participation and support of the major tourism associations and the Ministry of Trade and Economic Development, participants forgot for a few hours the problems of the industry, played games, chatted, toasted future success and received awards for dedication to the industry – perhaps unaware that they were in fact building trust amongst one another.

With CAPS facilitation, a Tourism Cluster Steering Committee has been formed with representatives of the major associations, ATDA and the Tourism Department at the Ministry of Trade and Economic Development (MTED). To date, the committee has largely met to enable the dissemination of information on ongoing activities. Whilst the information sharing is important, the primary goal for the committee will be to debate, discuss and reach consensus on topical tourism issues, creating further direction for the industry. Each meeting must have a carefully planned agenda, a chairperson and facilitator to ensure that the time spent is productive: cluster members will lose interest if they feel they are attending meetings that have no particular outcome. After the success and positive feedback from the Armenian Tourism Competitiveness Conference in April 2007, further large-scale industry events will be held to continue the process of learning and debate and to encourage a greater level of accountability from the public and private sector institutions. Industry events such as these will also encourage a wider diversity of participation from the cluster.

Cluster development in tourism has one key advantage: the tourism industry is a 'fun' industry. Most tourism stakeholders in the industry share similar characteristics that can be nurtured; enjoyment from socialising, making others happy, being outdoors, an interest in the arts or environment, etc. This is one reason why, particularly for this industry, social events work well. Social events will be held more frequently than they are now. Picnics, team-building events, competitions and charity events, as well as parties will be held throughout the year continually bringing together individuals that may often share different and conflicting viewpoints in a fun environment.

> Pomegranate Gossip
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> The first issue of Armenia's Tourism Industry Newsletter, 'Pomegranate Gossip' was launched at the Armenian Tourism Competitiveness Conference in April 2007. Compiled through cooperation with the industry associations, the newsletter provides details of past, ongoing and future events, relevant national and international articles, job vacancies and websites to obtain useful information.

Communication and improvement in the feeling of participation in the industry will also be enhanced without physically bringing people together. The availability of relevant and timely information online or through the dissemination of regular industry newsletters will ensure that stakeholders are aware of what is going on, what they can participate in, what opportunities exist for them to take advantage of and where they can go for more information. ATDA is suitably positioned to provide such information and has commenced, with CAPS assistance, a bimonthly industry newsletter and is shortly to embark on establishing a second website aimed at assisting the industry.

B. Strengthen the Tourism Cluster – proposed actions

What	When	Who	Expected Outcome
1) Organize regular Tourism Cluster Steering Committee meetings focused on dissemination of industry information, discussion on specific topics and supervision of Action Plan implementation	Twice a year	CAPS, MTED, ATDA, UITO, AHA, AGG, BARA, ARA	• Greater awareness, prioritization and consensus on key activities relating to product development, marketing, policy, and workforce. • Strengthened leadership taking forward this strategy, guiding its implementation and monitoring performance. • Improved dialogue between cluster members
2) Organize Tourism Cluster Conference involving a large and diverse range of industry stakeholders aimed at knowledge sharing, building trust and creating consensus	Annually	Cluster with initial CAPS facilitation	• Increased number and diversity of cluster participants (including parliamentarians) • Greater understanding and awareness of industry priorities (including this Strategy) • Consensus on topical issues and improved knowledge • Improved dialogue on industry issues
3) Support organization of networking events for cluster members and associations to promote trust, dialogue and partnership	Dependent on industry initiatives	ATDA, MTED, CAPS, Academia, Associations	• Increased trust and understanding between cluster members • Improved cooperation between associations and academia • Partnerships developed between associations
4) Achieve sustainability of tourism industry newsletter, 'Pomegranate Gossip'	Six times a year	ATDA, Associations,	• Improved awareness of industry activities and availability of topical information
5) Develop ATDA Industry Portal	Q3+ Q4 2007	ATDA, CAPS	• Improved awareness of industry activities and availability of topical information
6) Train Cluster leadership and association staff in facilitation skills	Q4 2007	ATDA, MTED, Associations, CAPS	• Cluster and association leaders better able to lead targeted discussions / meetings and obtain useful results
7) Promote tourism awareness	Ongoing	ATDA. MTED,	• Greater awareness of the

within key segments of Armenian society (government, business community, education sector and general population) through printed publications and TV		Associations, CAPS	importance of tourism to Armenia's economy

C. Engage in Product & Market Development

<u>Key Expected Outcomes</u>

1. **Consensus on Armenia's Core Tourism Products**
2. **Consensus on Armenia's Key Geographical and Ethnic Markets and Detailed Research on these Markets**
3. **Identification of Attractions, Museums, Sites & Infrastructure to Support Core Products and Key Markets**
4. **Tourism Enterprises Provided Assistance in Product Development & Marketing**
5. **Analysis of IT Opportunities to Enhance Tourism Industry Operations**
6. **Further Development of ATDA Website GIS Online Map**
7. **Improved Design, Organization and Implementation of Events & Festivals**
8. **Enhanced Local Tourism Product Offering in Dilijan and Assessment of Further Priority Localities for Development**
9. **Improved Regional Tourism Product and Promotion**

For the most part, Armenia's tourism product is essentially the 'Classic Tour'; a loose amalgamation of repetitive visits to churches and monasteries, national parks and other scenic locations usually accompanied by an introduction to the history and culture of the Armenian people. There are a limited number of tour operators that offer and specialize on more specific products, such as adventure tourism and pilgrimages, but on the whole most itineraries only differ in timing and routes.

Competitive success will lie, in part, in defining Armenia's core tourism products based on the natural and heritage resources with which the country is endowed and implementing activities to ensure that high value experiences are provided for tourists based on these resources; experiences that can not be easily replicated by competitor countries.

<u>Soft Adventure Opportunities</u>

Research undertaken by CAPS suggests that soft adventure (horse riding, trekking and mountain biking) combined with culture has significant potential for growth. As a result of the research and promotion of the soft adventure opportunities, one prominent US-based outfitter has added Armenia to their list of destinations and will be bringing the inaugural group in September 2007.

The fact that Armenia has nice landscapes, hospitable people, a large lake and a unique history will not bring tourists. Many countries neighboring Armenia and further afield can offer these attributes and more. What draws tourists to visit other destinations is the fact that the unique resources can and are being utilized within itineraries to create the overall experience. A National Park will not become a tourism destination just because of its status. A visitor must be able to walk, cycle or ride through it and must be able to see and learn what makes it unique. A monastery or church rarely becomes an attraction just because of its historical significance. Visitors should be able to hear from locals or experts about its importance through well prepared guided tours or materials. There must be adequate sanitary facilities to enable the visitors to relax while they are there and litter must be cleaned regularly to prove that the site is well cared for. A visit to many of the nation's cultural monuments does not currently indicate its historical and religious significance, and tourist appeal.

The cultural and religious heritage of the country clearly demonstrates the most unique opportunity for Armenia's focus. However, the product must be packaged in such a way that demonstrates this uniqueness in the marketplace. Itineraries must combine the Christian history with an introduction to the country's legends, the architecture, the customs and beliefs, and Armenia's relationship to its neighbors so that it becomes more appealing than similar products offered by competitor countries. The package should be seen as a jigsaw puzzle the tourist puts together during their trip; the varied attributes of the itinerary making up the individual pieces that, once put together, create a fulfilling and exciting introduction to the country.

A number of small niche products will directly filter from the core products. These include pilgrimage, Christian or religious trips, academic or educational trips, architecture, painting, gastronomy, history, language study, handicrafts, music/dance, etc.

Focusing In on Core Products

CAPS is currently conducting research on the core products that are believed to hold the greatest potential for Armenia. The research will profile the types of tourists that undertake these activities, their specific needs and how best to reach them. The research results and profiles will be made available to the industry by the end of 2007.

Armenia's landscapes are not unusual enough on a regional scale to offer stand-alone nature tours or challenging enough to offer hard adventure activities, but can be combined with the cultural heritage to offer something appealing to those interested in undertaking soft adventure pursuits – backpacking, camping, trekking, mountain biking, horse riding, etc. For example, a mountain biking trip from one monastery to the next would probably sell better than just moving from one place to another

Finally, there are several stand-alone niche products that will demonstrate some potential. These include bird watching, festivals, chess, genealogy, geology and wine.

Armenia's tourism cluster must reach consensus on the core products that it wishes to pursue and prioritize them. If a destination does not carefully consider and highlight specific products it can offer to tourists, that destination will be perceived as having nothing particularly great in value to offer and will discourage visitation. Similarly, a destination that attempts to sell too wide a diversity of products will often be perceived as having individual products that on their own are not worthy of experiencing. Tour operators individually or collectively promoting a broad variety of products and country attributes will give potential tourists, tour operators and the media mixed messages on why they should consider Armenia and what is special about the country. This is not to say that tour operators should not offer niche products such as those outlined above.

Armenia's Key Geographical Markets

USA, Russia, France, Italy and the UK have the greatest potential as key source markets for Armenia, according to research undertaken by CAPS in May 2007. The report analyses global tourism trends, benchmarking studies for Armenia's competitor and comparator countries, arrivals data from the top ten source markets, and hotel and flight costs from the major source markets to the group of competitor and comparator countries

Although product offerings based on a few core products may appear too similar, it does not mean that competition will increase domestically. Products must be differentiated according to demographic, geographic, psychographic factors, duration, location, cost, level of luxury, levels of difficulty, intensity or local interaction. When individual tour operators become more specialized in targeting specific segments of the market, they and their staff will become more professional, their marketing will become more powerful and cost-effective, the company image and reputation will improve, profits will increase because they are better able to offer a unique and unparalleled experience, and the tourists are likely to be happier.

Just as critical as focusing on core tourism products are the markets to which Armenia should focus its targeted efforts. In fact the products and markets are inextricably linked; Germans are known to focus more on nature than culture, the British are typically more adventurous when it comes to new destinations. It is important to ensure that the markets targeted clearly demand what Armenia has to offer.

With limited budgets, destinations are better off targeting a small group of countries that demonstrate a greater level of interest in visiting based on the core products, that are easier to access promotionally and logistically, that are less expensive to travel from compared to similar destinations, and that have at least some awareness of the destination.

The USA, Russia, Italy, France and the UK will be Armenia's key target geographical markets for the next three to five years. These markets have been shown through benchmarking research undertaken by CAPS in 2007 to exhibit the greatest potential for growth. The research examined global tourism trends and forecasts, arrivals data to a set of comparator and countries, trends from the world's largest source markets, results of numerous benchmarking studies and costs of transportation and accommodation. The choice of European countries fits well with research undertaken by Europ Assistance in 2007 demonstrating that more than 65% of citizens in Italy, France and the UK plan to take a vacation in 2007, around 40% of Italian and UK tourists are looking for discovery-type vacations and each country highlights high levels of internet use for booking. On the supply side, Armenia offers two of the three major pull factors required by tourists; a good climate and low health risks. The selection of countries also aligns well with research findings from the international visitor survey currently being undertaken. The five target markets currently represent almost 40% of Armenia's tourist arrivals, history and cultural heritage are the key motivations for choosing Armenia, they have the highest levels of guidebook use, regularly use the internet for information and bookings, are more likely to visit rural areas, currently exhibit high levels of satisfaction and apart from Russia have an average daily expenditure twice or thrice times Armenia's overall average. These countries also show higher levels of expenditure on tour packages. CAPS will undertake detailed research into these markets to identify the optimal promotional channels and sub-segments of the market.

The USA, Russia and to some extent France are important to Armenia because of the Diaspora communities living in each country. In order to confirm the value of the Diaspora to Armenia's tourism industry, CAPS commissioned a report to survey 600 Armenian-Americans on their travel patterns, behaviors, interest and intentions. The report concluded that more than 50% of the Armenian-American Diaspora would be interested in coming to Armenia and would wish to visit within the next five years. Whilst the results showed that most of the current visitors have previously visited Armenia, it also showed that there were a large number of Diaspora citizens that were still yet to come.

The American- Armenian Diaspora – A Key Market

52% of the American-Armenian Diaspora is interested in visiting Armenia within the next five years. Despite misconceptions to the contrary, they are twice as likely to stay in a hotel than with friends and relatives and almost half would want to book their travel with either a US or an Armenian tour operator. Based on population figures given by ArmeniaDiaspora.com, this total market size could be as high as 728,000.

The selection of the five key markets also ties well to the core products that Armenia will focus on – Soft Adventure and Cultural Heritage. A recent familiarization trip undertaken by Italian journalists and tour operators highlighted the desire by the Italian market to see more in the way of adventure opportunities within the country and activities that will appeal more to a younger traveler. They furthermore suggested that Armenian tourism offers a very strong emotional appeal based on the country's history. French tourists are avid participants of adventure activities. The opportunity for Armenia to host the 'Eldorando' festival in 2008 is an indication of French interest in Armenia and its perception as a soft adventure destination. Research undertaken by a CAPS tourism consultant highlighted an interest, apart from the Diaspora connection, in adventure tourism amongst US travelers. As a result of his work, one large specialist operator is now publicizing Armenia trips and is undertaking their inaugural trip to the country in September 2007.

The Armenian tourism industry must work on developing the soft adventure and cultural heritage products by improving the facilities and services that support them. Hiking trails will be installed, signed and mapped, camping sites will be established and informative materials published. Important cultural heritage sites will be improved in terms of the signage, interpretation, information availability, facilities and services (see section below on Improving Access, Facilities & Safety). Technical assistance will be given to tourism and hospitality enterprises in the areas of product development and marketing, particularly when enterprises determine a need for targeted marketing.

In March 2006, CAPS commenced a regional pilot project with the Dilijan Tourism Association (DTA) and the local Mayor's office to improve the range of tourism products and services available within and around Dilijan and promote these amongst the tourism industry and Armenian population. Increasing the number of international visitors to Armenia and the income that they provide is important but not if the Armenian population themselves decide to vacation in increasingly higher numbers overseas. The pilot project aimed to attract domestic as well as international visitors and activities were designed with this point in mind. The city now has an information centre, attractions that are better signed and maps indicating local attractions. Further work is already planned for developing tourism products associated with the Dilijan National Park (DNP).

Many tourism destinations are seeking to increase their use of information technology as a means to manage and promote their industries. CAPS will support IT integration into tourism by highlighting international best practices and continuing to support the development of an online GIS map for Armenia, connected to the ATDA website

Armenia hosts few international festivals or events throughout the year. The best examples are the Apricot Film Festival and Kenats cultural festival. Events such as these, particularly when related to the core products of the country can be effective levers for creating awareness and interest to visit the country, when otherwise visitors may not be as interested. Armenia must develop its range of festivals and events, based on its core products to increase arrival numbers, particularly during off peak seasons when hotel occupancy rates are lower.

Given Armenia's size and the relative size of it's neighboring countries of Georgia and Azerbaijan, tourists can feasibly undertake a regional tour. To-date, although tour operators have been offering regional itineraries, little has been done from the promotional side. CAPS will seek to bring together stakeholders from Georgia and Armenia to develop more regional products and undertake regional promotional activities.

C. Engage in Product & Market Development – proposed actions

What	When	Who	Expected Outcome
1) Reach consensus on Armenia's core tourism products – cultural heritage, soft adventure and 'discovery' within the Tourism Cluster Steering Committee and through industry consultation	Q3 & Q4 2007	Cluster, CAPS	• Ability to more effectively market the country and its tourism potential
2) Identify and reach consensus on the key attractions, museums and sites upon which to dedicate attention to improve aesthetic appearance, level of tourist services, facilities and availability of information. (See section F)	Q3 & Q4 2007	Cluster, CAPS	• Agreement on sites for improving tourist facilities and services at pilot locations amongst attractions and museums
3) Reach consensus on Armenia's key markets – USA, Russia, Italy, France, UK and	Q3 2007 – Q 1	Cluster, CAPS	• Ability to more effectively promote the

Domestic, and undertake detailed international market research on these markets to identify target tourist profiles, their interests in traveling to Armenia, activities they seek and promotional means to reach them.	2008		country and its tourism potential • Greater impact of promotional efforts • Greater cost effectiveness in promotional activities
4) Identify tourism enterprises and associations wishing to focus on specialty tourism products based on Armenia's core and/or niche products. Provide short term assistance, through Business Service Providers, in product and itinerary design, identifying distribution channels and best practice examples, and advising on promotional techniques	Ongoing	CAPS, BSPs	• Improved professionalism of BSPs and tourism enterprises • Improved promotion of Armenia's tourism industry and tourism opportunities • Increased sales of companies,
5) Examine opportunities for integration of IT solutions into Armenia's tourism industry and implementation of viable options	Q4 2007 – Q2 2008	EIF, ATDA, CAPS	• Improved availability of and access to tourism information online • Increased use of modern IT solutions with tourism industry • More cost effective promotional techniques
6) Develop GIS Map of Armenia for placement on ATDA website and for publishing printed maps, outlining details of all Armenia's historical, natural and cultural attractions as well as infrastructure and tourism facilities and services	Q4 2007 and 2008	CAPS, ATDA	• Online GIS maps for use in tourism planning and development and available for download by tourists in planning a visit and their activities
7) Identify two to four events or festivals with the ability to attract new arrivals (especially during off-peak season) and spur greater domestic tourism. Improve design, organization and implementation of these events through technical and financial assistance thereby increasing awareness and visitation, improving visitor experience, merchandising, promotion, etc	2008	ATDA, CAPS, Cluster	• Improved quality of events for tourists • Increased promotion of events and attendance by domestic and foreign visitors • Increased capacity to develop future events and festivals • Increased tourism revenues • More even distribution of tourists throughout the year
8) Further develop Dilijan tourism products and services as a core destination in the country – focusing efforts on the National Park and establishing ATDA Information Center	Q4 2007 – Q2 2008	National Park, ATDA, CAPS	• Greater variety of leisure and recreation opportunities within Dilijan • Improved availability of tourism-related information • Increased visitation to

			Dilijan
9) Assess feasibility for regional tourism development pilot projects, possibly in Jermuk or Sevan based on the experiences of Dilijan, focusing on domestic as well as international tourism and concentrating on specific products such as wellness and winter sports	Q2 2008 onwards	CAPS, ATDA, MTED, Local Authorities	• Improved tourism products and services in rural areas
10) Approach and seek cooperation with Government of Georgia and individual Georgian tour operators to implement joint promotional activities; attendance at travel fairs, coordination on familiarization trips and regional tour brochures. Discuss opportunities through regional conference	Q3 – Q4 2008	ATDA, MTED, CAPS, Georgian Partners, Armenian Tour Operators	• Consensus on regional tourism product and improvement of that product • Improved regional tourism promotion

D. Employ Targeted Promotion Techniques

Key Expected Outcomes

1. **Continued Promotion of Armenia to Italian Outbound Market**
2. **Promotion of Armenian Tourism Opportunities to US Diaspora Community**
3. **Familiarization Trips Organized for US Tour Operators & Journalists**
4. **Additional Geographical Market for Implementation of Targeted Promotional Activities Selected**
5. **Developed Detailed Promotional Plan and Budget for Targeting Key Markets**
6. **Enhanced CTS Tourism Fair and Implementation of Domestic Tourism Campaign**
7. **Destination Branding Process Commenced to Improve the Image of Armenia as a Tourist Destination in Key Markets – Including Formation of Branding Task Group**
8. **Improved Availability of Online Tourism Information Through the ATDA Website and Other Online Portals**

A small survey undertaken by CAPS at the World Travel Market in London in November 2006 amongst media and travel professionals to the Armenia booth clearly suggested that Armenia is essentially unknown on the world tourism map. Guesses were made about the attractions and products on offer and Armenia's geographical position.

Such unawareness is unsurprising given the country's previous dependence on the former Soviet Union as a source market, its low level of promotional budget and its untargeted promotional activities. Armenia's tourism industry currently appears to take the stance that the wider the promotion the better. But there is little point in attempting to reach the whole world (or even a large part of it) if the majority of those millions that are being sought are likely to have little interest in visiting. It's like trying to water a field of corn with one watering can! Watering a small patch of the field will yield more than a few drops over the whole field. Tourism companies are apprehensive in focusing their promotion in particular markets and unaware of the potential benefits of targeted promotion due to the low level of marketing knowledge. Instead the industry continues to offer very broad products to a global audience believing this is the best approach to marketing. The amount spent per potential tourist globally is so insignificant that, unsurprisingly, Armenia and its tourism opportunities remain largely unknown amongst the types of tourists most likely to have an interest in visiting.

Attendance at a number of travel trade fairs each year in separate markets will do little to attract the attention of tourists or the travel industry if this is the only promotional activity undertaken in that market each year.

> Promoting Armenia to the Italian Market
>
> ATDA and CAPS have worked effectively this year in promoting tourism opportunities to the Italian Market. Through the design and publication of an Italian brochure, attendance at the BIT and Globe Travel Fairs, the organization of familiarization trips for tour operators and journalists and numerous press releases in the travel trade magazines and online, Armenia is becoming more widely recognised as an attractive destination. More and more requests are coming from the media and tourism industry for information materials and further familiarization trips. The interest expressed and the results likely in the form of increased Italian arrivals clearly demonstrate the importance and impact of targeted promotion.

Promotional spending must be targeted and continuous in each key market, reinforcing specific messages to specific audiences about the destination throughout the year in order not only to improve awareness but also interest in visiting. With so much information being pushed in the direction of potential travelers through magazines, TV, newspapers, the Internet and word of mouth, just one mention of Armenia will have little impact on holiday plans. The more the destination is mentioned, the more chance there is that that interest in visiting will increase; unless of course there is something immensely striking about the promotional tool used or the reasons to visit.

Key steps prior to actually implementing a promotional campaign will be those outlined above – reaching consensus on key products and markets. Selling an undefined product offering little in the way of experience to an undefined audience will not build a competitive industry. Another important issue is that the industry is doing a poor job of selling itself. Whilst there are a large number of tour operator websites and brochures, most of them are focused on providing information rather than actually promoting something that potential tourists can readily buy! When a tourist is looking at an Armenian website, or browsing through a tour operator brochure, he almost certainly is interested in visiting and doesn't need as much background information as he does practical visitation information. He needs to know what there is to buy, what it comprises, how much it will cost and how to purchase. If any of this information is missing, sales will be lost.

A destination branding process will tie together the issues of image, product, market and promotion. Armenia's tourism industry will define itself, decide on what resources it can effectively develop, focus on the markets with the greatest potential and then promote them to targeted audiences within those markets. Destination branding is essentially the promise of a tourism experience that appeals to key segments of the market. Consideration must be given to the:

1) Brand identity – the core concept i.e. name, visual appearance, slogan
2) Brand image – the perception, impression, attitude towards Armenia and its tourism products
3) Brand personality – the attribution of human personality traits to achieve differentiation (warm, serious, pious, outgoing, etc)
4) Brand promise – what the country promises to the tourist in the way of an experience
5) Brand equity – the asset value of the tourism product (measured in prices, loyalty or market share)

Promoting Armenia to the US-Armenian Diaspora

The survey of the Armenian-American Diaspora Community undertaken in the early part of 2007 demonstrated clearly the value of Diaspora visitors to Armenia. Whilst the Diaspora constitutes a large proportion of current arrivals and repeat visitors, there are a large number of others still yet to come – individuals very likely to use hotel accommodation on a first visit. Diaspora events were highlighted to be the most effective in drawing attention to tourism amongst Diaspora first time potential visitors.

Destination branding is a process rather than an end result. Because of the changing tastes of consumers, brands also change in character. Many destinations, Thailand and Singapore being good examples, realign their branding activities over time. CAPS will help establish a small task group to work on developing a brand for Armenia. Many countries have begun to implement nation branding strategies that, in addition to tourism, also encompass the spheres of investment, export promotion and public diplomacy. The tourism cluster must bear in mind that a brand for Armenia's tourism industry should not detract from possible brand ideas for other sectors.

The branding effort will become effective when it promotes specific messages to targeted groups of potential tourists that exhibit similar characteristics, behaviors and attitudes in a defined range of geographical markets and through carefully considered distribution channels. It is clear that tourists choose destinations for a variety of reasons –

purpose of travel, benefits and needs sought, their psychographic behavior, culture and demographic characteristics, etc – and then exhibit different behaviors in making a decision to travel such as through travel agents or online.

As outlined above, the markets that demonstrate the greatest potential for Armenia are the USA, Russia, France, Italy and the UK. A destination branding and promotional plan must include detailed marketing activities to be undertaken and messages to be provided in each market, bearing in mind the products to be highlighted, and the specific characteristics of each market. CAPS has undertaken market research on the profiles and characteristics of major outbound markets and activity-based market segments that will help in this regard. Differences in the marketing approaches will include aspects such as sources of information used in determining vacation choices, level of use of the Internet for travel bookings as well as information gathering, typical lengths of vacations, etc.

Based on the information gained to date, the market segmentation and promotional activities that are to be adopted are shown in the chart below. Certainly for the US, Russian and French markets, the Diaspora is important and the distribution channels shown to be important from the Diaspora Survey include TV, the Internet, community and social events, and selected newspapers and magazines.

There are numerous promotional activities and channels through which promotional activities can be undertaken. The choice of activity and channel will depend on the characteristics of the markets as well as funding available, cost effectiveness, the core product and opportunity. What is clear is that one promotion in each country each year will have little impact. A holistic partnership approach will bring about the best results; a collection of promotional activities throughout the year in each target market will reinforce a message and create higher levels of consumer recollection leading to greater awareness of the destination, interest in visiting and motivating a decision to visit. For example the popularity of North Cyprus and Croatia in the UK market is not just a coincidence; it is a result of carefully designed year-round promotional activities including attendance at consumer travel fairs as well as trade fairs, advertising in magazines such as Reader's Digest and promotion of the UK operators offering trips to these two destinations. CAPS will continue its successful promotion of tourism opportunities in the Italian market, will start focusing on an additional geographic market and will undertake a promotional campaign in the US targeting the US-Armenian Diaspora. A familiarization trip will be undertaken for US tour operators and journalists identified during work undertaken by CAPS STTA.

Effective geographically targeted promotion that results in increased tourist activity from a given source market also increases investment interest from that same country. This is an important consideration as investment in infrastructure to absorb new arrivals, not the least of which are accommodation facilities, remains a priority for Armenia. Cooperation between industry and government in this regard, including utilizing the resources of the Armenian Development Agency, must be undertaken to highlight investment opportunities. This activity necessitates the collection of accurate tourism statistics (see section G).

Outbound travel from Armenia has been growing at similar rates to inbound arrivals in the past five years. However, the appreciation of the Armenian Dram in the past year now makes overseas holidays much more affordable than before. This is likely to result in higher outbound growth rates and a tourism balance of payments deficit. The local market is a logical one for tourism promotion. It retains spending within Armenia but at the same time also encourages Armenians to speak more favorably about their country when they travel overseas. Providing interesting activities for domestic tourists is tied into many aspects of this plan, such as the further development of events and festivals. Increasing domestic tourism necessitates identifying specific target profiles (of domestic tourists) and what they like to do. It is envisioned that shorter, weekend trips among middle class Armenians may be a focal area. CAPS has already undertaken a pilot project in Dilijan to offer regional tourism possibilities for both international visitors and domestic tourists. Similar pilot sites will be considered for 2008. The branding/promotional plan will offer more detailed actions to be undertaken in support of the domestic market. CAPS will undertake a domestic tourism campaign and offer assistance to the organizers of the CTS Armenian Travel Fair in improving its reach and support.

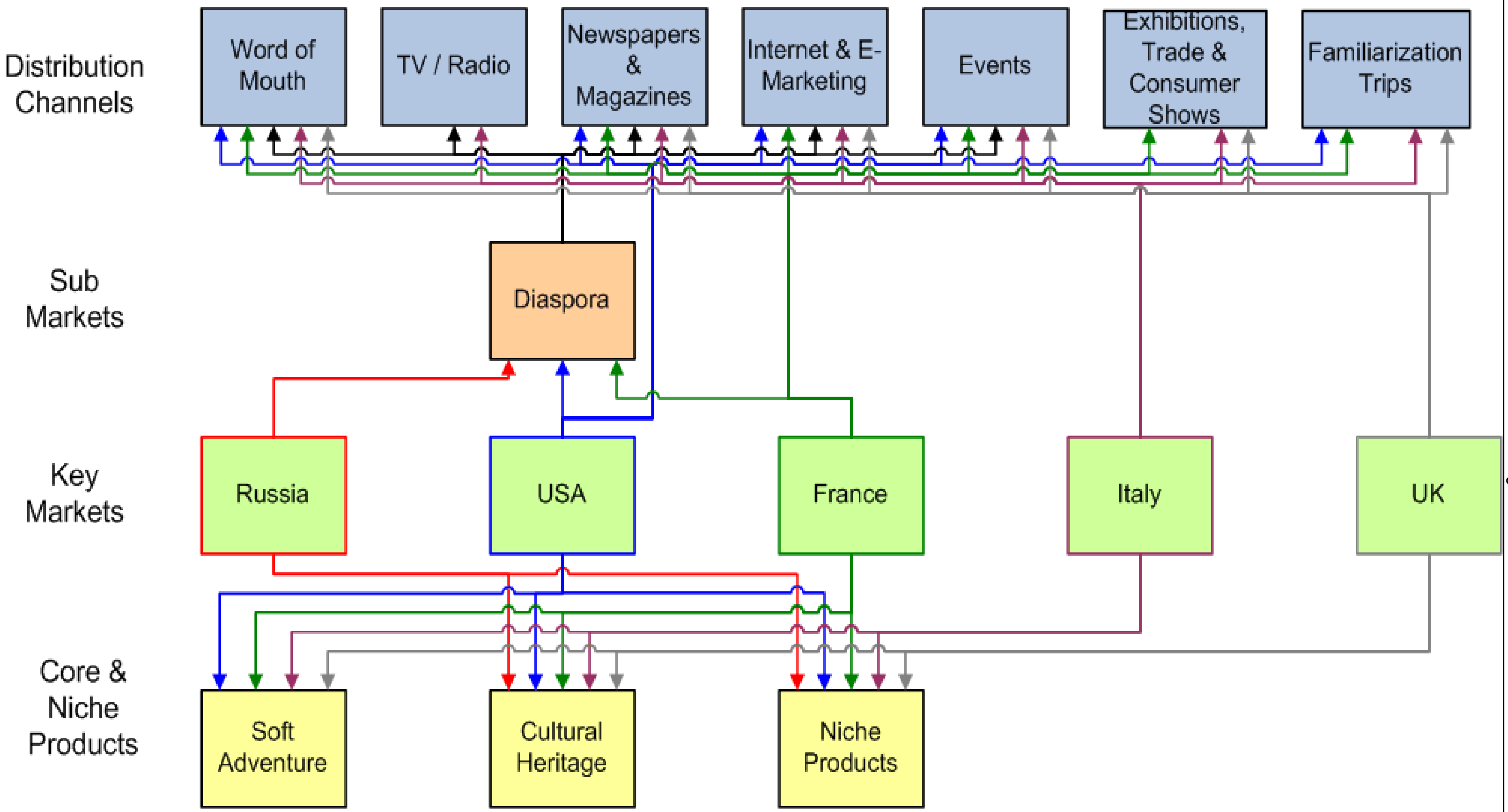
The Internet is becoming more crucial in providing information for potential visitors and enabling them to make bookings. As mentioned above, emphasis must be placed on selling as well as providing information. The key portal for information on Armenia is the ATDA website (www.armeniainfo.am). The website has served the industry well although it has not kept up with modern technologies and has not maintained an up-to-date database of attractions or services. Steps are already in progress to enhance and upgrade the website and have it translated into a number of different languages. Travelers use a wide variety of search techniques on the internet for destination-related information. Efforts will be made to increase the amount of information on specific travel portals such as travel.yahoo.com.

D. Employ Targeted Promotion Techniques – proposed actions

What	When	Who	Expected Outcome
1) Continue promotion of Armenia to Italian outbound market through a variety of media channels and directly to Italian tour operators	Ongoing	ATDA, CAPS	• Increased awareness of Armenian tourism opportunities in Italian market • Increased arrivals from Italy • Continued interest in Italian media and travel trade
2) Promotion of Armenian tourism opportunities to US Diaspora community through development of materials and presentations	Ongoing	ATDA, MTED, Diaspora Organizations, CAPS	• Increased awareness of Armenian tourism opportunities amongst US Diaspora community • Increased visitation of first time Diaspora travelers
3) Organize and implement familiarization trip for US tour operators and journalists to introduce Adventure Travel Products to US market	Q4 2007 – Q2 2008	ATDA, Associations, CAPS	• Increased number of US tour operators offering trips to Armenia • Greater awareness of Armenia as a tourism destination amongst US travel trade and consumers • Increased visitation through Armenian tour operators
4) Selection of additional Key Geographical Market (UK, France or Russia) for implementation of targeted promotional activities (based on Italian experience)	Upon completion of targeted research	ATDA, MTED, CAPS	• Increased visitation • More cost effective promotional activities • Greater awareness and interest in Armenia amongst source market travelers
5) Assist ATDA & MTED in preparing detailed promotional plan and budget for targeting Key Geographical Markets and domestic	Q4 2007	ATDA, CAPS, MTED	• Improved capacity in preparing budgets and promotional plans • Greater cost

market			effectiveness of promotional activities • Greater impact of promotional efforts
6) Support to CTS Armenian Tourism Fair & Domestic Tourism Campaign	Annually	ASTA Chapter, AATA, ATDA, MTED, CAPS	• Greater awareness amongst public of domestic tourism opportunities • Increased promotion of Armenia as a regional tourism destination
7) Commence a Destination Branding Process through task group	Commencing Q4 2007	Cluster, CAPS	• More accurate and effective image defined • Various messages and brand ideas tested • More effective marketing materials
8) Develop and enhance ATDA website – functionality, features, diverse information, languages, navigation	Q4 2007 – Q2 2008	ATDA, CAPS	• More effective portal with up-to-date information and encouraging bookings • Improved availability and accessibility to tourism information online
9) Increase amount of information about Armenia on popular travel portals	Q3 & Q4 2007	CAPS	• Improved availability of information for potential travelers online

Figure 8. Market Segmentation for Armenia's Tourism Industry



E. Improve Education Capacity & Workforce Skills

<u>Key Expected Outcomes</u>

1. **Redesigned Tourism Curricula Based on Skills & Knowledge Needs Assessment**
2. **Higher Quality Academic, Vocational and Short Tourism Courses**
3. **Improved Skills and Knowledge of Tourism Lecturing Staff**
4. **Linkages Established Between Armenian and Foreign Universities**
5. **Enhanced and Strengthened Tourism Careers Center With Internships Utilized by Industry**
6. **HR Management Practices and Skills Adopted by Tourism Enterprises**

A successful tourism industry requires a well educated and well trained workforce. Tourism during the Soviet period was structured in a very different way from today's globalized tourism sector. The diversification to a global tourism market requires considerably different skills and abilities for the tourism workforce, particularly if they are frontline employees such as hotel receptionists, tourist guides or restaurant staff. Service standards have been frequently raised as requiring improvement although the skills and abilities of employees in managing the tourism product also need refinement; those putting together tourism products, deciding on promotional campaigns or devising legislation.

<u>Guest Lecturing at Tourism Faculties</u>

Tourism Competitiveness and Destination Branding comprised the first two subjects of lectures given by CAPS to students and lecturers of the Tourism Management Institute, Russian Armenian (Slavonic) University and the European Academy. The lectures focused on factual and practical information and gave students opportunities to think specifically on topics of critical interest to the industry.

Armenia has a large number of universities and academic institutions offering academic, vocational and short courses in the areas of tourism and hospitality. Unfortunately, the resources available to students, the experience of lecturing staff and the curricula are below the standards needed to produce a workforce with skills required by the private sector. One of the obstacles is currently the poor relationship between academic institutions and the private sector. The private sector is clear on their criticism of the lack of suitably qualified individuals but does not engage in any productive manner to change the situation. At the same time, the nature of the tourism industry is such that the private sector is often managed by those with few qualifications in tourism or industry experience. This results in the inability to articulate what skills are specifically required.

Activities to be carried out under the cluster strengthening intervention will help to some extent in bringing the educational institutions more closely aligned with industry. Regular industry meetings and the tourism industry newsletter will help to bridge the information gap on a local level, although comprehensive activities are required to tackle the global knowledge and information gaps. Lecturers must be aware of what is happening in the global tourism industry to better instruct their students on what Armenia needs to do to develop. They must understand more about the trends and forecasts relating to different types of tourism products, the growth of particular geographical segments and the modern methods of promotion. Guest lectures from those already involved in the private sector will be valuable in building knowledge amongst lecturers and students.

The concept of the lecturers club will be enhanced to upgrade knowledge and skills and share opinions directly with the private sector. A week-long residential course and a study tour for lecturers will assist further in giving them a better insight into the practicalities of the industry and some global exposure to the content and methodologies being used by modern tourism training establishments.

With improved understanding of the global tourism industry and acknowledgement that standards need to be improved, collaboration can then begin with lecturers in refining and reforming curricula and building linkages within overseas tourism training institutes. The industry currently feels that the courses available do not properly prepare graduates for employment in the sector – either in terms of vocational or management skills. Curricula must be developed with international expertise and in close partnership of the private sector. A skills and knowledge needs assessment will be undertaken to identify the gaps between the skills and knowledge of the current workforce and recent graduates, and international best practice. Building internationally recognized certification into vocational training will be undertaken to overcome the 'culture of shame' currently associated with careers in the service industry – waiters, cleaners, etc. There is little distinction at present between the needs for academic and vocational training and each approach will be handled differently.

Tourism enterprises currently find it difficult to identify good staff and rely too heavily on informal social networks. A careers centre partnering recent graduates with potential employers and providing assistance to students in applying for jobs will solve this problem. Such a careers center is now established by the Russian Armenian (Slavonic) University in partnership with CAPS. CAPS is assisting in designing template job descriptions for major occupations in the tourism and hospitality sphere and will catalyze an internship program for students.

Human Resource Management within tourism and hospitality enterprises will be improved through the training of Business Service Providers and subsequent firm level assistance provision. Training in wider tourism and hospitality issues will be provided for enterprises through cooperation with tourism associations.

E. Improve Education Capacity & Workforce Skills – proposed actions

What	When	Who	Expected Outcome
1) Classify typical jobs in the tourism sector providing details of the specific tasks and duties that are performed based on international best practice	Q3 & Q4 2007	CAPS	• Understanding of the skills and knowledge required by the industry • Improved understanding of targets for curricula development and the needs of the private sector
2) Conduct skills needs assessment amongst tourism enterprises, academia and public sector	Q3 & Q4 2007	Cluster, CAPS	• Greater understanding of the skills and knowledge required by cluster • Improved understanding of targets for curricula development and the needs of the private sector
3) Assemble task force and reach consensus between industry and academia on priority areas for curricula reform and devise new curricula for academic, vocational and short courses based on survey results and international certification	Q3 2007 & Q1 2008	CAPS, Private Sector, Academia	• Curricula more in tune with what is specifically required by private sector

programs.			
4) Pilot at least one new curriculum in an academic and vocational training institution, and support with specific training of lecturers in topic areas, new teaching methodologies, and provision of teaching and reference materials	Q2 & Q3 2008	Academia, Associations, CAPS	• Lecturers skills and knowledge improved • Quality of tourism and hospitality education improved
5) Develop and implement course and study trip for tourism lecturers, expose to the content and teaching methodologies of advanced tourism training institutions and build knowledge of global tourism industry	Q1 & Q2 2008	Academia, CAPS	• Improved understanding of what tourism lecturers should be teaching to tourism students • Improved knowledge of practical training techniques and methodologies • Awareness of modern tourism destinations and the facilities and services provided at those destinations
6) Develop linkages between Armenian and foreign Tourism Training Institutions for further devising new curricula – teaching methodologies, exchange programs for lecturers and students, ToT for lecturers.	Q4 2008	Academia, CAPS	• Long term opportunities for knowledge and skills development for lecturers.
7) Hold first dedicated annual Tourism Career Fair	2008	CAPS, Associations, ATDA, Academia	• Improved job matching between employers and students. • Greater understanding of ongoing industry needs. • Improved promotion of tourism careers
8) Strengthen Tourism Careers Center at Russian Armenian (Slavonic) University through management and operational support	Q3 2007 – Q1 2008	Academia, CAPS	• Better job matching for enterprises and graduates
9) Encourage internship opportunities within private sector by establishing internship programs through Slavonic Career Center and others	Q4 2007	Associations	• Students better prepared for work after studies are completed
10) Establish guest lecturing program at training institutions from private sector, discuss with education task force and determine interest of major institutions.	Q4 2007	Cluster, CAPS, Academia	• Better understanding amongst students and lecturers of specific skills needed • Greater cooperation and understanding between academia and private sector
11) Develop Human Resource Management Skills and Capacities within Tourism Enterprises	Ongoing	CAPS, BSPs	• Increased awareness about the need for improving HR practices • Better understanding of company needs in the area of HR management
12) Provide HR Management firm level assistance to Tourism Enterprises	Ongoing	CAPS, BSPs	• Improved Human Resource capacities within tourism enterprises • Greater staff satisfaction

			and retention
13) Delivery of professional and practical skills and knowledge-based training to tourism enterprises through associations	Ongoing	Associations, CAPS	• Improved practical skills of tourism industry employees • Improved tourism products and promotional techniques adopted

F. Improve Access, Facilities, Services & Safety

Key Expected Outcomes

1. **Relaxed Visa Regime**
2. **Implemented Open Sky Policy and Low Cost Carriers Entering Armenia**
3. **Improved Road Signage throughout the Country and more detailed Information on Public Transport Options**
4. **Improved Interpretation and Information at Museums and Other Tourist Attractions**
5. **Improved Accommodation and Tourist Services at Major Destinations**
6. **Institutionalized First Aid Courses for Tourism Employees Through Associations**

Once tourists have expressed an interest to visit Armenia, the industry must ensure that they can get there easily and have access to a wide range of appropriate, high quality facilities and services for their trip. Fortunately, the Government's e-visa scheme enables visitors in countries that do not have an Armenian embassy the opportunity to get a visa with little trouble. Additionally, the ability to obtain visas upon arrival cuts down on the amount of effort the tourist has to go to in advance of their travel. However, an increasing number of countries (particularly Georgia and those in Eastern Europe that have acceded to the European Union) have relaxed their visa regimes making travel more accessible to these destinations. Removing the need to obtain a visa, a concept being discussed within Armenia, will be highly beneficial, putting Armenia on a comparable footing to other countries.

There are a variety of flights for tourists to take from the former CIS (Commonwealth of Independent States), the Middle East and Europe to Yerevan, although the limited number of flights causes difficulties in connections. The large number of early morning flights is also annoying for many passengers. A study recently undertaken by CAPS demonstrates that the cost of air travel to Armenia is very high for most target markets. Part of the reason for this appears to be the high level of fees and taxes applied to airlines by the relevant authorities. Research will be undertaken to understand in more detail the competitiveness of Armenia's airport infrastructure and accessibility. With only one LCC (Low Cost Carrier) flying into Armenia (Air Arabia), developing an open sky policy and encouraging LCCs from Western Europe will have a dramatic impact on increasing visitation, increasing off peak visitors, increasing visitor expenditure while in country and increasing the number of repeat visits. The development of Zvartnots airport is welcomed and will provide for trouble-free and convenient access to and from the country although the level of back office services still require modernization.

Accessibility around Armenia is difficult. Not all tourists can be expected to use 'Mashrutkas' and there is little information available in English for use of public transport. Road signs in English are limited, making navigation around the country troublesome for visitors. Signage must be improved to guide independent travelers to the major tourist attractions within the country. Similarly bus and train timetables must be provided in English at bus and train stations and at the information center.

Accommodation in Yerevan is of a high standard but limited in quality and quantity around many of the tourism attractions in the countryside. Investments are needed and must be promoted at major locations throughout the country. Tourism rest stops with sound sanitary and food service facilities are limited along the main road corridors. The tourism attractions themselves are not all set up to provide international standards of service. Improvements must be made in interpretation, information, sanitation and food service facilities. Museums and galleries require further information and interpretative material in a variety of languages. Once further consensus is reached on the priority products and the regions of the country to develop, improvements to the facilities and services of most importance must be undertaken. Additionally, improved statistics collection will help encourage potential investments in regional accommodation.

With respect to crime, Armenia is a safe destination for visitors. However, there are other safety factors that fall below international norms that visitors may be used to. Driving etiquette is poor with drivers not stopping at pedestrian crossings and stopping on crossings when there are traffic lights. Taxi drivers rarely have seat belts or seat belts that work in their vehicles. Medical facilities in the countryside are limited and attraction staff, tour operators and guides are not proficient in modern first aid skills. The Union of Incoming Tour Operators has expressed an interest in developing a Tourism Friendly Certification System aimed primarily at restaurants, taxis and tourism transport providers. Such a system will provide higher levels of safety for tourists by increasing standards and raising awareness of safety issues.

Standards amongst the core tourism service providers (tour operators, restaurants, guides, and hotels) are also important. CAPS will work with the tourism associations in developing codes of conduct for members and non-members in order to advance improvements in service quality. CAPS will also institute frequent first aid training courses for tourism and hospitality frontline staff.

Improvements to access and facilities are largely dependent upon funding although there are some activities, such as the provision of road signage and provision of more detailed information at tourist attractions, museums, etc that can be provided with CAPS assistance. There have been discussions for some time to establish regional information centers offering travel related advice and a place to rest or use clean public toilets. ATDA and CAPS strongly support this concept, the need for which has been validated by recent familiarization trips from Italy. This strategy supports a step-wise approach; starting small with perhaps two or three pilot sites. The government needs to find resources to develop these centers, which can be low cost and at least partially sustainable. The cluster will lobby for a conducive environment for investment in tourism facilities in the countryside and for improvements to road traffic safety.

F. Improve Access, Facilities, Services & Safety – proposed actions

What	When	Who	Expected Outcome
1) Achieve relaxation of Armenia's visa regime	Q4 2007	MTED	• Increased flexibility in access
2) Adopt Open Sky Policy and Encourage LCCs	2008	MTED	• Increased and cheaper accessibility
3) Improve Road Signage for visitor attractions in key pilot locations around the Country, pedestrian signage/maps within Yerevan and information on public transportation for self-drive / self-guided tourists	Q4 2007 – Q3 2008	MTED, ATDA, CAPS, Yerevan Municipality, Armenian Road Administration	• Improved accessibility to tourism attractions and around Yerevan • Greater use of public transportation options by foreign visitors
4) Provide technical assistance to museums and tourist attractions in improving their tourism infrastructure, interpretation and information provision – pilot in several agreed locations	Q4 2007 – Q3 2008	MTED, ATDA, CAPS, Cluster, Yerevan Mayors Office, Museums & Monasteries, Other partners	• Improved quality of visitor experience at major tourism attractions • Greater financial sustainability of tourism attractions and ability to raise income for further improvements
5) Obtain support for, and establish a	2008	MTED, UITO, CAPS	• Higher quality tourism

Tourism-Friendly Certification System for Taxis, Restaurants and Tourism Transportation Providers			services and increased awareness of tourism standards
6) Ensure provision of First Aid Courses to front-line staff in hotels and restaurants, guides and tour operator staff	2008	Cluster, Associations, CAPS	• Increased level of safety for visitors • Ability to promote tourist safety as an element of the tourism product
7) Implement a pilot program to establish two to three small, regional information centers and rest stops.	2008	MTED, ATDA	• Improved regional access to information and clean toilets for visitors

G. Enhance the Business Environment, Business Institutions & Business Practices

Key Expected Outcomes

1. **Firm Level Assistance Provided for Tourism Enterprises in Product Development, Marketing & Management**
2. **Improved Capacity for Business Service Providers**
3. **Review of Air Transportation Costs**
4. **Revised Tourism Law, Hotel Classification System and Tour Guide Licensing Regulations**
5. **Revised Mandate and Management Strategy for ATDA**
6. **Effective Public/Private Dialogue on Regulatory Issues and Policy Task Group Formed to Advocate for Further Policy Reform**
7. **Investment Environment Analyzed and Tourism Investment Guide Published**
8. **Improved Statistics Collection and Methodologies**
9. **Associations Implementing Newly Devised Strategic Plans**
10. **Associations More Effectively Providing Services Demanded by Members**
11. **Continued Support to Armenian Visitors Information Center**

During the Soviet era, Armenia's tourism industry was managed by one public sector tourism organization – Intourist. As a result many of Armenia's private sector companies are very young, and owned or managed by individuals that have limited tourism and business management knowledge and experience. Evidence for this is highlighted above with companies demonstrating little market segmentation, offering and plagiarizing products/itineraries and undertaking ineffective promotion.

Private sector companies need training in a wide variety of fields and furthermore, recognition and acknowledgement of this need. The training needs are diverse and cover market segmentation, research, product development, pricing, promotional activities and channels, as well as basic management aspects such as HR management, investment, branding and business planning. Only then will they be able to upgrade their business practices and be in a better position to compete in the international market.

> Practical Training for Tour Operators, BSPs and Lecturers
>
> CAPS staff have provided practical and interactive training for tour operators, Business Service Providers and lecturers in the areas of market segmentation, internet promotion and designing effective marketing materials. The workshops were organized in cooperation with the Union of Incoming Tour Operators and were well attended. Follow up firm-level support was provided in each of the topic areas.

Three training workshops have been held in the field of marketing by CAPS and the Union of Incoming Tour Operators (UITO) that aimed to give participants practical skills for improving marketing activities in their own companies. Further workshops will be provided in partnership between CAPS and UITO.

Many development projects focus on bringing in international expertise to train companies but then the projects finish leaving companies without this expertise. CAPS is different in that it places significant importance on developing the capacity of BSPs to provide support to tourism firms. CAPS has provided marketing training to BSPs and will work in other areas in the near future. The companies that have been trained are now, with CAPS assistance, offering firm level assistance to tourism companies with CAPS mentoring.

A successful tourism industry also requires a workforce with specific practical and professional skills. These skills can be developed in partnership with associations. Ten Armenian Guide's Guild tourist guides have been trained to the international standards of the World Federation of Tourist Guide Associations; and five of them are now qualified as tourist guide trainers. Similarly, a hospitality training of trainers' course to the standards of the American Hotel & Lodging Association has been given to members of AHA and ARA. The skills that have been developed are now being passed onto others in the industry.

The path of Armenia's tourism development and skills of individuals in both the public and private sector has resulted in a business environment that is not particularly conducive to investment or business management. Fortunately, Armenia, unlike many of its other former Soviet states, has not heavily regulated their tourism industry. However, it is clear that some believe that further regulation is needed to assist the industry in its development, when in fact it is likely that what is needed is the proper implementation of existing legislation (relating to health & safety, sanitation, consumer and environmental protection).

In order to improve the tourism legal, regulatory, business and investment environment, CAPS undertook a thorough analysis of the laws and regulations directly and indirectly relating to the tourism industry amongst cluster members. Recommendations were made in a variety of policy-related fields; licensing and certification (hotel classification, tourist guides, tour operators and travel agents), access to and maintenance of tourism facilities and sites, environmental regulation, safety standards, transportation, tourist security and consumer protection.

MTED has recently sought the opinions of the tourism industry on amendments to the existing tourism law and has plans to refine the tourist guide licensing regulations and hotel classification system. CAPS has provided STTA support in devising a new outline and guidelines for the Armenian tourism law and supporting regulations.

Firm Level Assistance to Tour Operators
Business Service Providers have successfully delivered more than ten assignments to tour operators in product development, marketing and business planning through a CAPS Firm Level Assistance Program

For other policy, business and investment-related policies, CAPS will assist in establishing a policy task group that will prioritize and define required policy changes. Advocacy efforts will then be developed with associations in pushing through further reforms. One area of policy reform already identified is in relation to air transportation costs. CAPS will undertake a benchmarking analysis of the air transport sector to identify obstacles.

Investment is needed to increase the range and number of accommodation establishments available throughout the country. Advocacy efforts will also be made to improve the investment environment for domestic and foreign investors in the tourism sector. Part of these efforts will be a review of the investment environment and publication of an investment guide in partnership with the Armenian Development Agency (ADA).

Tourism associations provide an important role in any tourism industry by representing the opinions and views of members in advocacy initiatives, promoting the sector, providing training and skills upgrading. CAPS has already assisted in capacity building activities for existing associations and has supported the development of new associations. The major industry associations currently include:

1) Union of Incoming Tour Operators
2) Armenian Hotel Association
3) Armenian Guides Guild
4) Armenian Restaurants Association
5) Board of Airline Representatives of Armenia

6) Armenian Bartenders Association

Armenia's tourism associations have good intentions but lack membership numbers and the commitment of all members to make a significant contribution to industry development. The success of an association is a reflection of the professionalism and commitment of its members.

Unfortunately, money is needed for associations to work effectively yet funding tends only to come from increased membership that results from a demonstration of effective work. Support is therefore required by the associations to demonstrate that they can offer quality services to their members. Work is underway through CAPS in developing strategic business plans for the associations which is helping to provide a specific focus to their efforts. Assistance will be required in implementing these plans, promoting the role and importance of the associations to potential members and in increasing inter-association dialogue.

<u>Capacity Building of Associations</u>

Strong and effective tourism associations representing all subsectors of the industry are crucial in the development of tourism. CAPS is currently working with six industry associations and has provided capacity-building support in the form of grants to establish functioning offices, the development of strategic business plans, the establishment of professional training courses for members and funding to create association websites.

Particular association capacity development activities will focus on increasing members, generating revenue, creating a range of high-value services and improving sustainability. Services to members will be related to information collection and dissemination, the development of promotional materials and activities, the organization of training courses, conducting market research, advocacy and certification.

The reputation of the associations must be developed through strengthening partnerships between them and the public sector. MTED has already demonstrated a desire to work cooperatively and this desire should be followed with more concrete actions.

Within the public sector, cluster partners include the Department for Tourism in MTED, ATDA, the National Statistical Service and ADA. All public sector partners have a crucial role to play in Armenia's tourism development although little engagement has been made to-date with ADA. The major public sector player is ATDA which functions successfully given its low level of budget. However, the current management and structure of ATDA means that there is very little in the way of private sector involvement in the management and implementation of activities. Research is currently underway on best practices in the management and operations of NTOs (National Tourism Organizations) with the aim of reaching some consensus in reforming its mandate and operations.

ATDA should be considered in many respects similarly to associations in the types of assistance it needs. The development of a branding/promotional strategy for the industry will help to provide the organization with direction on where their promotional efforts will lie. Furthermore, with limited funding provided by government there is a need to increase revenue to cover operating costs for the tourism information center. Revenue generation will be achieved through advertising of tourism enterprises in the information center, merchandising and the organization of training courses.

<u>Extensive International Visitor Survey</u>

The National Statistical Service, ATDA and CAPS have undertaken a year-long international visitors survey conducted at all the border points of the country. Data was collected and collated on visitor profiles, travel behaviour patterns, visitor ratings and expenditure. A report will be made available by the end of 2007. The results will provide a useful benchmark for the industry and will highlight areas for further development.

The International Visitor Survey currently being conducted in partnership between CAPS, ATDA and the National Statistical Service has and will continue to provide useful quantitative and qualitative data on the current state of the tourism industry. Such data is critical in tourism planning and evaluating results of actions. Unfortunately, the quality of basic statistics such as numbers and origins of visitor arrivals and tourist arrivals is questionable. Further work must be undertaken in partnership with MTED, NSS and the immigration authorities to ensure the sound collection of tourism statistics using internationally approved methodologies.

G. Enhance the Business Environment, Business Institutions & Business Practices – proposed actions

What	When	Who	Expected Outcome
1) Provide training to BSPs in skills required by tourism industry and continue firm level assistance to tourism enterprises through BSPs	Ongoing	CAPS, BSPs	• Increased ability of BSPs to offer professional and practical technical assistance to tourism enterprises • Professional skills and abilities passed to tourism enterprises resulting in more competitive business practices
2) Assist Government on policy direction and reform	Ongoing	MTED, CAPS,	• Well-informed government, associations, academia and public
3) Adopt specific changes to Armenia's Tourism Law based on benchmarking research conclusions and provision of legal expert advice	Q3 2007 – Q2 2008	MTED, ATDA, CAPS	• Improved legal, regulatory, investment and business environment for tourism
4) Propose specific revisions to Armenia's Hotel Classification to encourage greater take up by industry through AHA (tied in with 4 above)	Q3 2007 – Q2 2008	AHA, MTED, ATDA, CAPS	• Improved quality of facilities and services at accommodation establishments
5) Revise Armenia's Tour Guide Licensing System, particularly to include presentation and communication skills as part of examination	Q3 2007 – Q2 2008	AGG, MTED, ATDA, CAPS	• Improved recognition of the Guide Profession and high quality of guiding skills
6) Review air transportation costs, taxes and tariffs and make recommendations to government in line with international norms	Q1 2008	MTED, CAPS	• Armenia's air transport infrastructure and enterprises more competitive on international market • Greater understanding of potential future of air transport sector
7) Complete proposal for ATDA and MTED to revise and develop ATDA management structure and relationship with government/private sector in line with international best practice	Q4 2007 – Q2 2008	ATDA, MTED, CAPS	• Better representation of industry within ATDA and consensus on specific activities • ATDA has greater level of reputation, increased funding and more effective activity
8) Develop effective public-private dialogue (through task work group) and advocacy on policy agenda, lobby for implementation of existing laws and increase in promotional spending	Ongoing	MTED, ATDA, Associations, CAPS	• Improved legal, regulatory, investment and business environment for tourism • Increased funding for international and domestic tourism promotion

9) Develop revenue generating activities for ATDA via useful web based and information center services for industry and tourists	Q3 & Q4 2007	ATDA, CAPS	• Higher proportion of government funding going directly to promotional activities
10) Engage in publication of guides(road maps) for hotel classification and guides licensing	2008	MTED, AHA, AGG, CAPS	• Increased awareness of the procedures and responsibilities of involved parties
11) Undertake research into best practices in tourism investment environments, seek to improve environment and publish an investment guide for the tourism sector	2009	ADA, CAPS, MTED	• Identification of investment opportunities in tourism sector and dissemination to potential investors
12) Research international best practice in tax policies and incentives for tourism industries, and make recommendations for policy change	2009	ADA, CAPS, MTED	• Improvement in the business and investment environment for tourism industry
13) Complete Strategic Business Plans for Associations and support implementation of those strategies through management training, technical assistance and grants	Ongoing	Associations, CAPS	• Improved credibility and sustainability of associations within industry • More and varied services for members • Greater role for association in tourism decision making
14) Assist associations in providing more effective services to members – policy analysis, information, training, promotion, quality standards	Ongoing	Associations, CAPS, ATDA	• Higher level of services provided to association members • Increased satisfaction of members and higher reputation of associations • Increased service standards within tourism & hospitality industry
15) Complete fourth quarter of year-long tourist survey then assist MTED, NSS and immigration authorities in redesigning and implementing methodologies for sustained data collection	Q4 2007 – Q4 2008	MTED, NSS, CAPS, ATDA, Immigration Authorities	• Greater range and more accurate tourism statistics with which to use in tourism planning and investment • Greater progress towards Tourism Satellite Accounting System that more reliably estimates the value of tourism to Armenia's economy
16) Develop and conduct training workshops with each of the five major associations in developing voluntary standards and codes of conduct for their members	Q4 2007 – Q1 2008	CAPS, Associations	• Improved quality of tourism services and facilities
17) Provide continued support to Armenian Tourism Development Agency and Visitor Information Center in providing services to tourists	Ongoing	ATDA, CAPS	• Increased revenue generated for Visitor Information Center • Greater range and accessibility to tourism information materials • Improved range of branded souvenirs available to tourists • Increased range of industry-related information available to enterprises

External Support

The tourism cluster welcomes the support of individuals, enterprises, associations, and other donor projects in the implementation of this strategy. As the guiding principles stated earlier in this strategy document, implementation will only occur with the support and participation of members of the cluster and those willing to support the cluster.

Monitoring & Evaluation

This strategy is a dynamic document that will be updated initially every six months to adapt to the industry's changing environment. As more activities and research is undertaken, new priorities will emerge. The cluster steering committee will be responsible for approving the amendments to the strategy.

There are clear quantitative objectives with which to determine success in the implementation of the strategy. A visitor survey, similar to the one undertaken September 2006 to August 2007 will need to be repeated in order to obtain some specific data.

Transparent reporting to the industry will be provided on the extent to which the strategy objectives have or are being met.

Abbreviations

ADA – Armenian Development Agency
AGG – Armenian Guides Guild
AHA – Armenian Hotel Association
ARA – Armenian Restaurants Association
ATDA – Armenian Tourism Development Agency
BARA – Board of Airline Representatives of Armenia
BIT - Borsa Internazionale del Turismo
BSP – Business Service Provider
CAPS – Competitive Armenian Private Sector Project
CIS – Commonwealth of Independent States
DTA – Dilijan Tourism Association
DMO – Destination Management Organization
DNP – Dilijan National Park
GDP – Gross Domestic Product
HR – Human Resource
ICT – Information Communication Technology
IESC – International Executive Service Corps
ITB – Berlin International Tourism Fair
LCC – Low Cost Carriers
mn - million
MTED – Ministry of Trade and Economic Development
NSS – National Statistics Service
RoA – Republic of Armenia
SWOT – Strengths, Weaknesses, Opportunities & Threats
UITO – Union of Incoming Tour Operators
UNWTO – United Nations World Tourism Organization
USAID – United States Agency for International Development
WEF – World Economic Forum
WTTC – World Travel & Tourism Council

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