



## The tourism value chain

Analysis and practical approaches  
for development cooperation projects



Sustainable and responsible tourism can be used as a versatile instrument for sustainable development in international development cooperation. The approach presented in this hand book is based on the proactive design and management of tourism value chains in partner destinations.

The more money tourists spend, and the more of that money stays in the region, the more regional value is added. This simple formula gives rise to two fundamental strategies for promoting regional tourism value added: increasing turnover from tourism or increasing the proportion of regional value added in relation to overall value added. Both strategies open up a broad range of impactful development interventions.

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# Introduction



International development cooperation organisations are acting worldwide and in a wide variety of ways to achieve sustainable development and a future worth living in developing countries and emerging economies.

**One key factor of their work in the target areas of development cooperation is to enhance regional value added.**

This is the amount of money that remains in the region via the profits earned and wages, salaries and taxes paid by regional companies, and which contributes to prosperity and quality of life there. In the wider sense, however, value added also refers to creating environmental and socio-cultural value, e.g. by conserving natural resources or integrating disadvantaged people into the labour market.

**Tourism is a sector with special potential for generating regional value added and thereby contributing to sustainable development in developing countries and emerging economies.**

After all, tourism is not only one of the largest economic sectors and growth industries in the world, it also employs large numbers of people and offers livelihoods to individuals with very different qualification levels. Multiplier effects can be achieved by intensively dovetailing tourism with neighbouring sectors such as agriculture or crafts, thus boosting the local economy. This also leads to tourism-induced impacts on employment and income-generation.

**The potentials outlined above highlight the relevance of tourism as a development-policy instrument for sustainable development.**

Almost irrespective of the field of activity in which a development cooperation intervention takes place and which partners are involved, specific promotion of tourism development or the inter-linkage of neighbouring sectors with tourism can generate considerable impact for the target region. Promoting the regional value added generated by tourism may therefore be an expedient strategy in the development cooperation context.

**But where are the entry points for development cooperation interventions, with their different project contexts, in order to promote the regional value added of tourism?**

*The more money tourists spend, and the more of that money stays in the region, the more regional value is added by the tourism and hospitality sector.* This simple formula gives rise to two fundamental strategies for promoting regional tourism value added: increasing turnover from tourism or increasing the proportion of regional value added in relation to overall value added. While both strategies open up a broad range of options for development cooperation interventions, finding the right leverage to help achieve individual project objectives is far from easy. This is partly because the tourism sector is highly complex, offering myriad different services and exhibiting linkages with neighbouring sectors of the economy.

The value chain concept is a valuable aid to understanding the many-tiered structures and processes of service delivery in the tourism sector and finding suitable entry points for specific interventions.

**What does 'value chain' actually mean in this specific context? And how does it help pave the way to more regional value added?**

Value added is not just a target for economic activity, it can also be understood as a process that runs through the entire creation of a product or provision of a service. The value chain describes this process in which each activity creates value, uses resources and is connected to other activities. Using the value chain approach entails more than just describing activities that add value, though.

*Instead, it involves the systematic structuring of the value creation process, its analysis and assessment from a specific perspective and the identification of projects and measures that contribute to pre-defined objectives.* Thus defined, the value chain is a management tool that helps us understand and specifically design complex processes and structures. In this case, increasing regional value added is a target that is to be achieved by means of strategies, projects and measures in order to attain overarching development objectives.

### The value chain in development cooperation

Particularly within development cooperation, the value chain has become a key concept for analysing economic activities and global economic relations, and for shaping them to achieve equitable and sustainable development. The **Value Links** manual (see GIZ 2007) offers a general methodological framework for using the value chain. The underlying concepts and key elements of Value Links are also the guide rails of this manual and are applied to tourism in the following sections. They are then further elaborated against the backdrop of the specific framework conditions in the sector.

### Target groups of the manual

The manual primarily addresses **giz experts and partners working in the field of international development cooperation** who are involved in planning and implementing tourism-related interventions as part of projects outside Germany. That said, it also offers **practical guidance to responsible officers on the ground** on promoting the regional value added of tourism.

### Aim of the manual

A key concern of this manual is to give readers an overview of the value creation system in the tourist sector as well as insights into the sector's structures, processes and mode of operation. It is meant to make it easier for officers responsible for development projects who are unfamiliar with the tourism sector to **gain an understanding of the topic** and to offer a **basis for identifying and planning individually appropriate interventions related to tourism**. The manual also enables these target groups to apply the value chain concept in order to design the tourism value creation process or related value creation processes (supply chains) along the lines of sustainable development-policy interventions.

### The manual offers:

- ➔ a condensed introduction to the value chain concept and its application to tourism as a development-policy tool,
- ➔ an overview of the tourism value creation system as well as insights into the sector's structures, processes and mode of operation,
- ➔ practical guidelines for applying the value chain as a management tool in the development cooperation context, with numerous tips and checklists,
- ➔ a presentation of strategies for increasing regional tourism value added,
- ➔ the identification of possible approaches for development cooperation interventions to address relevant problems,
- ➔ the identification of possible approaches to relevant problems in development cooperation interventions.

## Structure of the manual

Understanding the value chain	<b>Basics</b> – The first section starts by explaining regional value added as the key target of sustainable tourism development and a major development cooperation concern. Building on this, the key information on the value chain concept and its application to the specific situation in the tourism sector are summarised. A basic model of the tourism value creation system is presented and an explanation is given of how it works. This gives rise to specific strategies for increasing value added, and entry points for development cooperation interventions.
Applying the value chain	<b>Guidelines</b> – The second section of the manual offers practical guidance on applying the value chain as a management tool in the tourism sector. The object examined is the tourism product (i.e. a trip to a specific destination with all its service components, from the booking system via transportation through to accommodation, catering and leisure activities). The aim here is to systematically analyse, plan and design the tourism value chain. The guidelines take users through a five-step process that aims to increase regional value added. It supports everyone who wants to specifically design tourism in developing countries and emerging economies. Development cooperation actors can support the entire process or provide impetus at specific points.
Developing supply chains	<b>Approach taken</b> – The third section addresses the interlinkage of tourism services and providers with neighbouring sectors and the targeted development of supply chains. The aim is to source as many services as possible that are required to create a tourism product from regional and development-relevant producers. The main challenge for development projects is to identify and tap into unused potentials for business relations between tourism providers and enterprises in neighbouring sectors.
Targeted support for adding value	<b>Impetus</b> – The fourth section presents proposals for designing interventions with the potential to achieve special impact. These interventions carry on from the value-adding strategies presented in Section 1 and are designed giving consideration to the specific competencies of development cooperation actors.



Basics:  
The value chain & tourism

1



## Part 1: Regional value added as a target

Regional value added is a key target for sustainable regional development. Tourism offers a large number of attractive options and expedient entry points for relevant development projects. Regional value added is that which is generated in a specific geographical area. The borders of this area must be defined on a case by case basis depending on the development cooperation commission. They may encompass an entire country, part of it, or a cross-border area.

**Note:** Tourist destinations offer ideal points of reference in this context. They are spatial units whose size and structure enable them to stand out against international competitors and to build efficient business models.

### Dimensions of sustainable value added

Adding value is usually understood as an economic target. However, economic activities may also create environmental and socio-cultural value if the activities are properly guided. Regional value added thus also has an environmental and socio-cultural dimension.

**This manual is based on a broader understanding of value added that embraces its economic, environmental and social dimensions.**

**Note:** This understanding matches that of the **2030 Agenda for Sustainable Development adopted by the United Nations** in 2015. With its 17 Sustainable Development Goals, the 2030 Agenda is the first international agreement to link the principle of sustainability with poverty reduction and economic, environmental and social development. It provides a key framework for international development cooperation action.



### 1. Economic dimension

In the stricter sense, regional value added, as outlined above, means the amount of money that remains in the region via the profits earned and wages, salaries and taxes paid by regional companies, and which contributes to prosperity and poverty reduction there. It is calculated as the sum of all services in a region minus external upstream inputs. Companies at all stages of the value chain must be considered. In the tourism sector, these are not just tourism enterprises in the stricter sense, such as those that provide accommodation and catering services, but also their suppliers, e.g. providers of capital, the building trade or agricultural enterprises.

### 2. Environmental dimension

In a broader sense, the term 'value added' can also be taken to mean the generation of positive environmental impacts. Tourism can and should help to protect biodiversity, for instance. The natural resources of a region – its landscape, vegetation and biodiversity – are important bases for tourism and therefore deserve to be protected.

At the same time, one concern related to tourism is to minimise the environmental damage arising from travel. This includes in particular

- impairment of the landscape, interventions into (sensitive) ecosystems, and landscape fragmentation and sealed areas caused by **transport infrastructure**,
- landscape destruction, resource consumption and emissions **caused by local activities** (e.g. waste production, destruction of coral reefs by divers or the displacement of wild animals from their territory),
- energy consumption and emissions **caused partly by local transport**, but even more by the trip to and from the tourist destination.

### 3. Socio-cultural dimension

Adding value can also mean generating value for society. In the context of sustainable development in developing countries and emerging economies, this mainly refers to bringing about improvements in the social system and improving people's quality of life, e.g. by integrating poor and disadvantaged people into the value creation process. Tourism offers a great deal of potential in this connection. It opens up prospects to people with very different qualification levels, and it is comparatively easy for start-ups to enter the market.

**Important:** Adding value contributes to sustainable development in developing countries and emerging economies if the economic, environmental and socio-cultural dimensions are all taken into consideration and promoted. Essentially, the activities that add value must be designed such that as many people as possible, especially the disadvantaged, benefit from the value added, while ensuring that environmental burdens caused by the value creation processes are minimised.

### Overarching goals of sustainable, value-adding tourism development

Three specific goals can be identified based on the holistic understanding of regional value added outlined above. These form the fundamental framework for sustainable, value-adding tourism development and should guide all development cooperation interventions. Specifically, they are needed in order to design individual value-adding activities or whole processes in a targeted manner (see **Guidelines, Step 4: Defining objectives**).

<p><b>Goal 1:</b> Enhancing economic tourism value added</p>	<p>Promoting regional value added in the economic sense is a key objective of development interventions in the value chain. This generates manifold positive effects for the given location, especially income-generating effects and impetus for infrastructure development.</p>
<p><b>Goal 2:</b> Optimising the environmental effects of tourism</p>	<p>The natural basis for tourism, such as landscapes, vegetation and species diversity, must be promoted and protected. The environmental burdens associated with travel must be simultaneously minimised.</p>
<p><b>Goal 3:</b> Improving the socio-cultural effects of tourism</p>	<p>The aim is to harness potentials for improving the quality of life for as many people as possible and to minimise the risks posed by tourism for the social system, e.g. areas being overwhelmed by the number of foreigners or exploitation on the tourism labour market.</p>

**Note:** These three goals are interlinked and mutually reinforcing. If economic value is added by integrating regional companies into the value creation process, this simultaneously reduces the emissions generated to transport the services, for example. If wide sections of the population benefit from economic value added via wages and salaries, this generates socio-cultural value added. Likewise, investments in environmental standards in tourism may increase demand for a product and increase economic value added.

## Part 2: Value chain: What you need to know

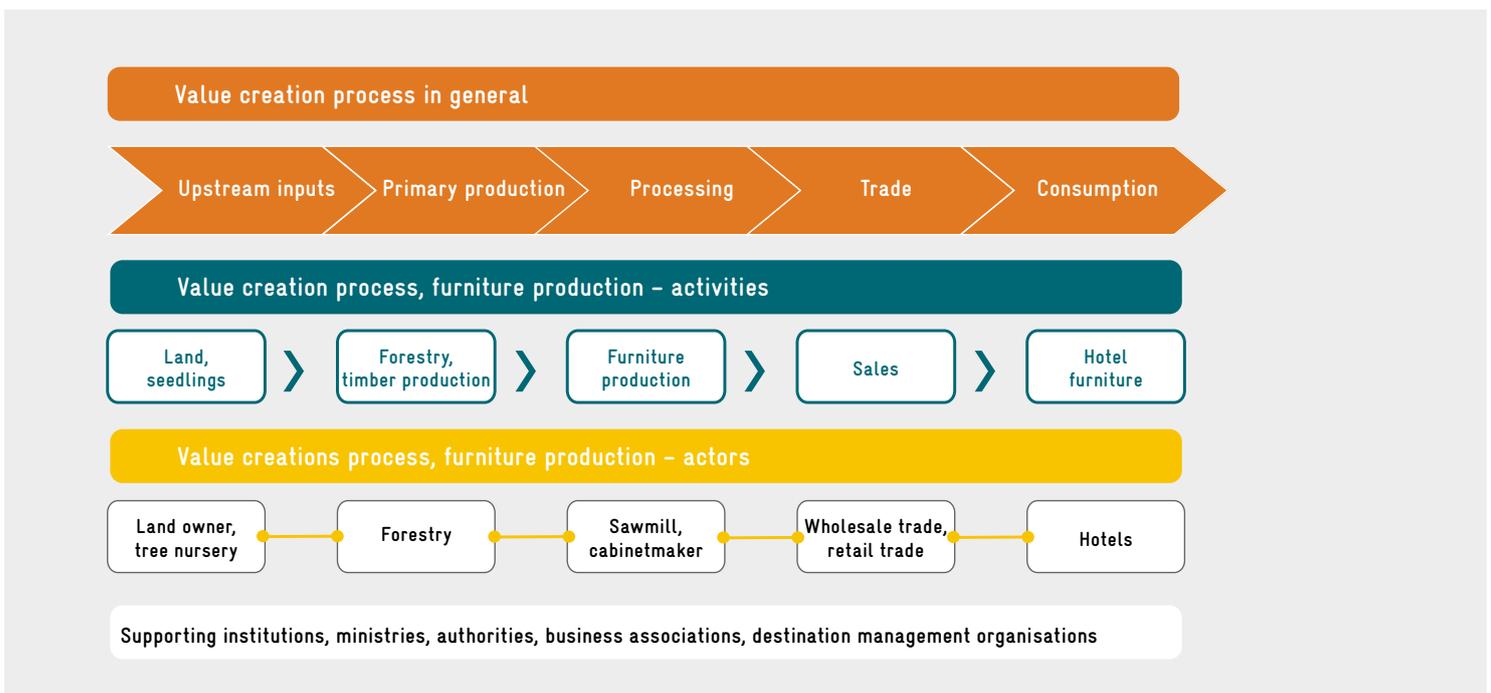
The term ‘value chain’ covers a range of different content matter. On the one hand, it encompasses the value creation process of products or services, and on the other, a management approach that helps to systematically achieve strategic objectives. These strategic objectives can be defined in line with the approaches of the respective development projects. The following section therefore serves mainly to clarify and delimit the term.

### The value chain as a process

Adding value is a process that covers the entire creation of a product, from raw material extraction to consumption by end customers. Ideally in fact, it continues beyond this to include the recycling, upgrading or reuse of a product (see ‘Circular economy’ box). The value chain describes this process in which each activity creates value, uses resources and is in turn connected to other activities. The object being considered in a value chain is always a product or service. Fig. 1 shows this process using the example of furniture production for the hotel industry.

Value creation processes are usually complex and are shaped by a variety of processes, actors and interests. Actors may include both companies and public or civil society organisations that play key roles within the system. In the given example, a tourism organisation could combine its orders for furniture for a large number of accommodation facilities in order to make regional production economically viable.

Figure 1. Example of a value chain: Furniture production for the hotel industry



Box: The value chain and the circular economy

The circular economy is a regenerative system that minimises the use of resources and the production of waste and emissions within energy and material cycles.

- Key entry points for a circular economy are:**
- the use of renewable raw materials and energy,
  - the durable construction of physical goods,
  - the maintenance and repair of these goods,
  - their reuse and
  - product recycling.

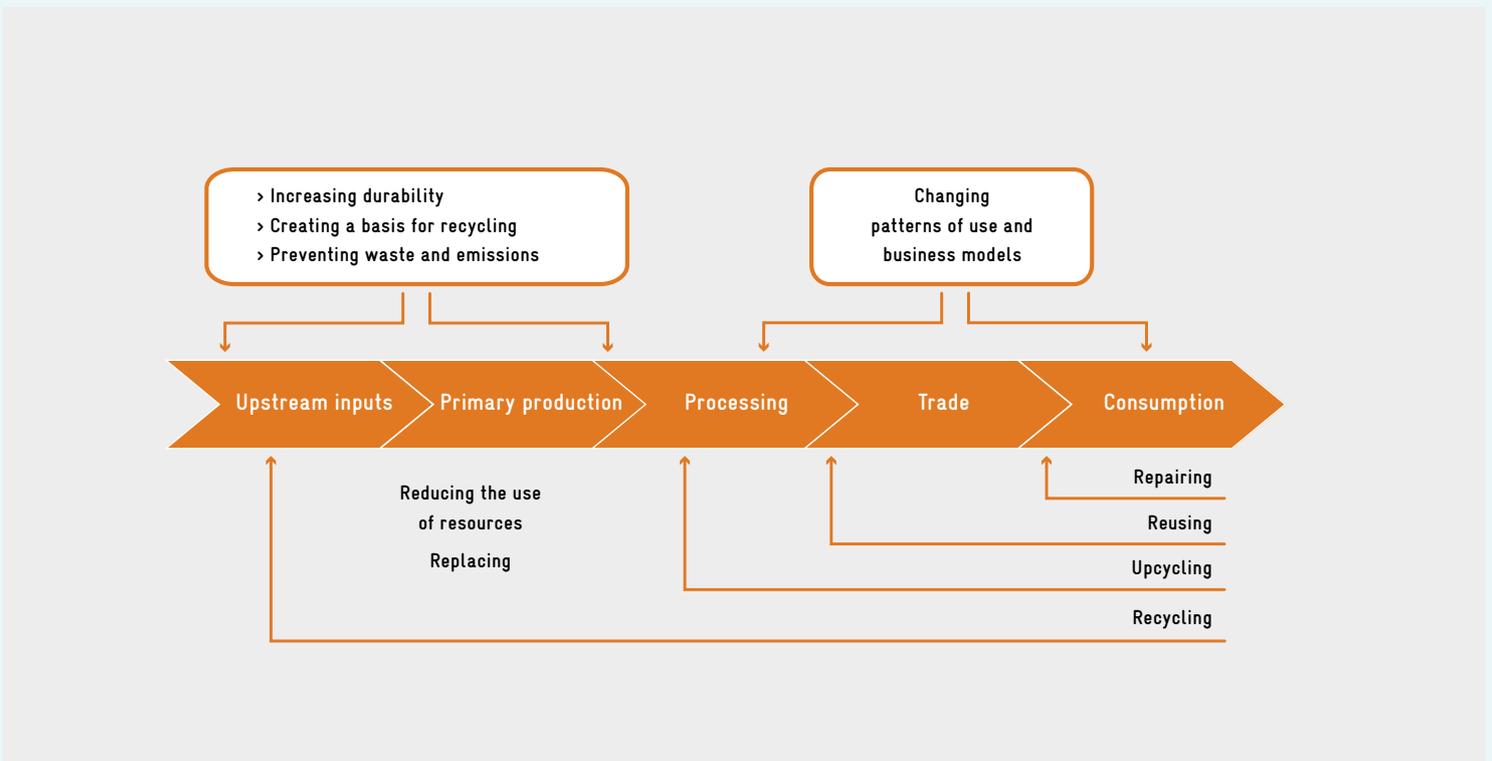
The circular economy is the opposite of the linear economy in which most of the raw materials are processed, sold, used and then thrown away and not recycled. This obviously runs counter to the finite nature of resources, the limits to which the ecosystem can be stretched and the concept of sustainability.

**Combining the circular economy and the value chain**

There are several overlaps between the concept of regional value added and that of the circular economy. This is particularly true if adding value is seen in terms of environmental impact alongside the economic contribution of a value creation process. Fig. 2 shows how the principles of the circular economy are transferred to the value chain.

**Note:** Tourism as a development instrument offers huge potential for promoting the circular economy (see [Impetus 3: The circular economy and entrepreneurship](#))

Figure 2: The circular economy in the value chain

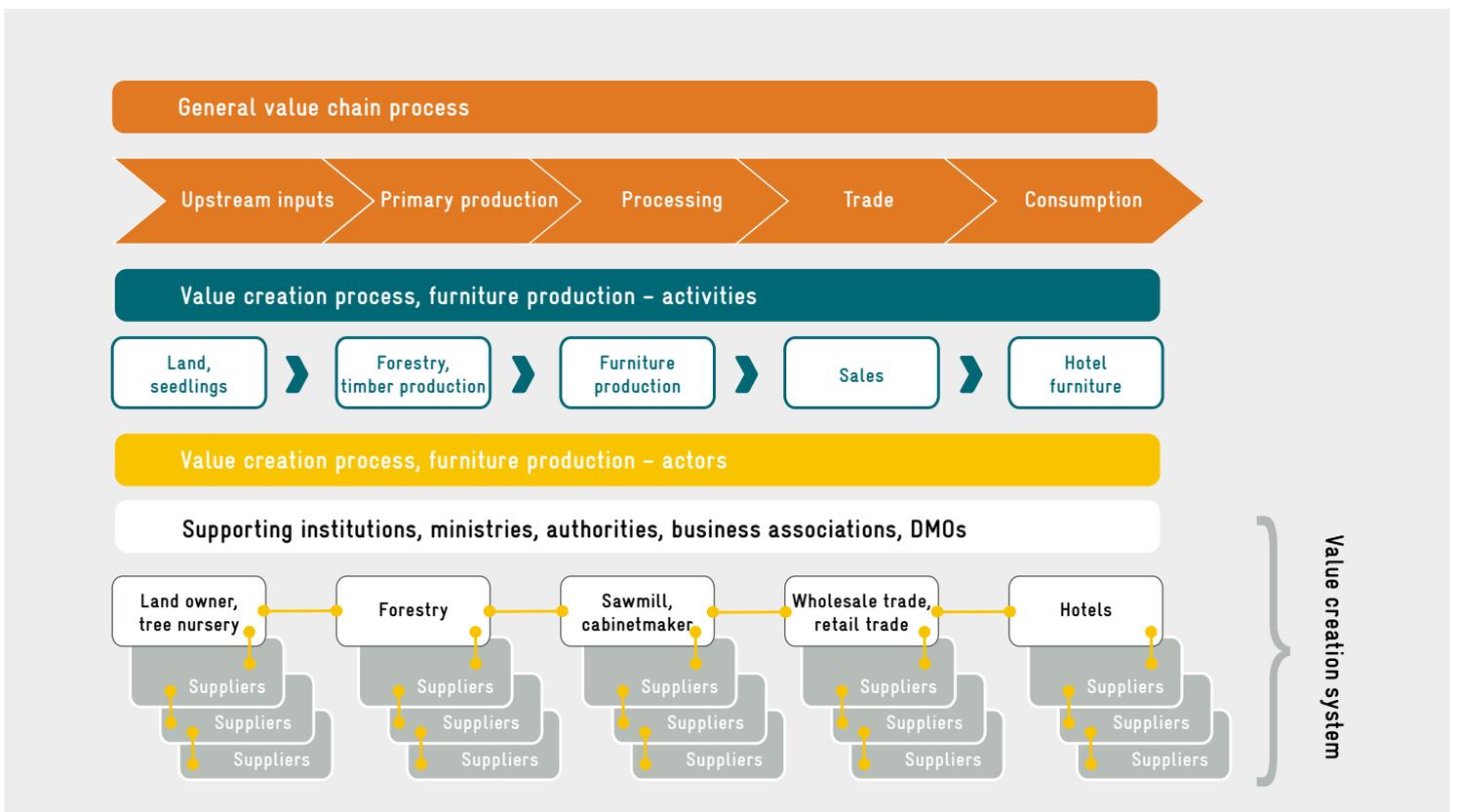


**Value chain versus value creation system**

Actors in the value chain are linked with the value chains of suppliers, who support the value creation process by means of various products and services. In the tourism sector, the term 'supply chains' refers to the value creation process of those products and services that need to be purchased in order to 'produce' the trip. Entry points for promoting regional value added in connection with development projects can be found both in the value chain and in supply chains. Together they form a value creation system. In the case of furniture production, the forestry enterprise needs capital from a credit institution to buy chainsaws from a mechanical engineering company, and will take out accident insurance. These direct suppliers to the value chain form the second level of the value chain.

**Note:** Whereas the term 'value chain' describes the linear process of creating a product or service, 'value creation system' applies to a complex system with cross-links between actors at various levels of the value chain.

**Figure 3: Example of a value creation system: Furniture production for the hotel industry**

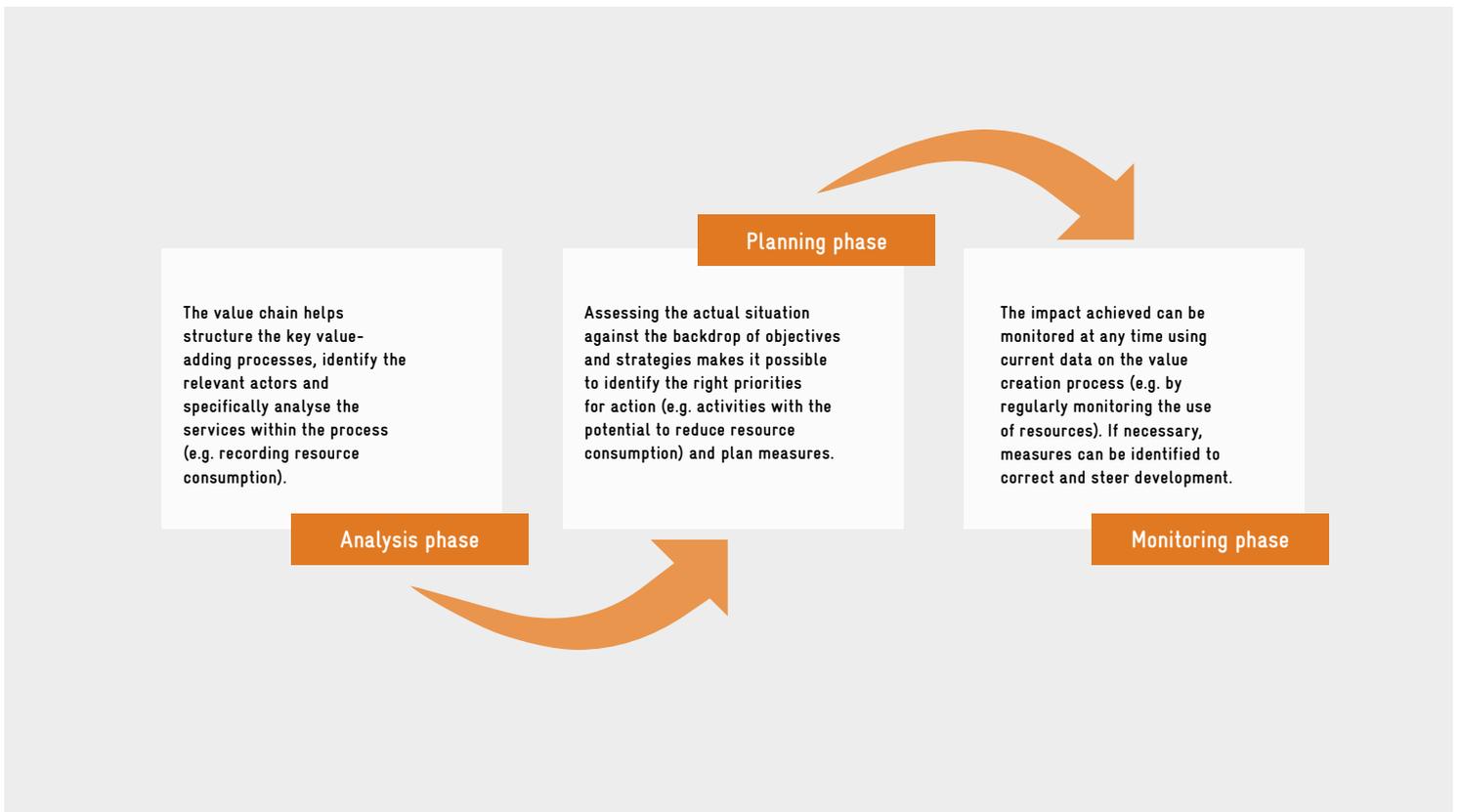


### The value chain as a management tool

The activities within the value chain and their linkages can be analysed, assessed and shaped against the backdrop of goals and strategies. Saving use of resources, for instance, is an important goal in the sustainable development of tourism. Using the value chain, activities within the value creation process can be analysed from the perspective of resource consumption, in order to identify entry points for reducing consumption and initiating corresponding measures. Seen this way, the value chain is much more than just a model for structuring and describing processes. It is an instrument for supporting management processes and strategically planned development projects from start to finish (see Fig. 4).

**Note:** The targeted management of inter-connections and relationships within the value chain is extremely important. Only the interplay of many different actions gives rise to efficient processes that help achieve pre-defined goals such as reducing external resource consumption. The targeted design of value chains helps ensure that not only individual actors but the system as a whole benefits, and that overarching objectives, especially those relevant for development, are attained.

Figure 4: How the value chain supports the management process



## Part 3: Tourism: What you need to know

Tourism is a value creation system with specific characteristics and framework conditions. A key component of this system is the tourism product that is to be sold in order to derive added value.

In order to shape, promote and use the tourism value creation system for the purpose of sustainable development, the various characteristics of the tourism product must be taken into consideration. These are presented in the following section. One special feature of tourism is its special suitability for generating regional value added. The key contributing factors in this context are summarised at the end of this section in the 'Tourism as a driver of regional value added' box.

**Note:** The tourism product is a trip to a specific destination. Depending on the reason for the trip, the planned activities or the travel destination, a distinction can be made between different types of tourism products such as business or holiday trips, hiking, beach or cultural holidays, or city trips, country or coastal tours.



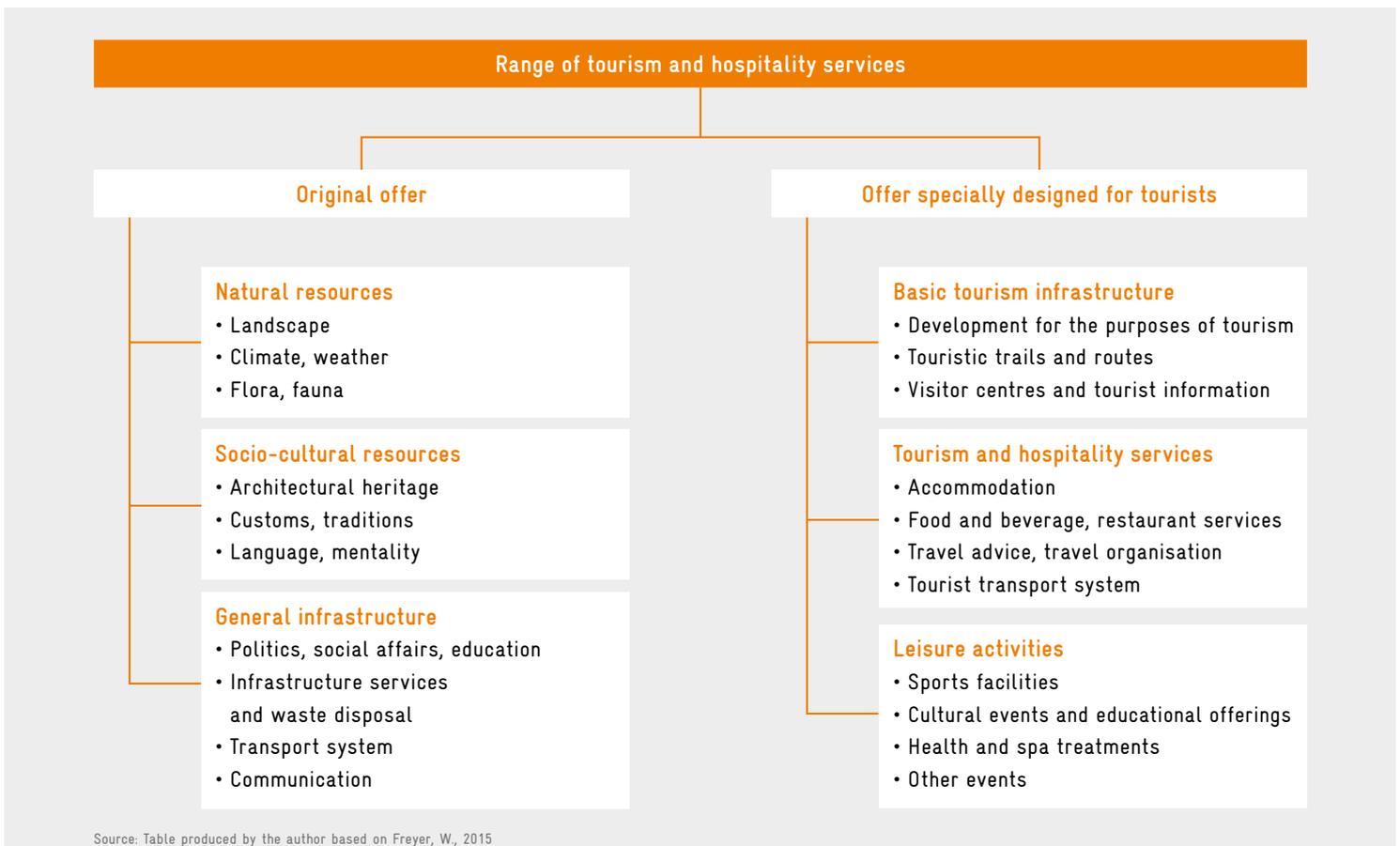
**1. The tourism product is a combination of services.**

The tourism product contains a large number of components and part-services that are provided or shaped by many different actors. The most important basis for the provision of tourism services, and thus for adding value, is the original offer of a destination. This includes the natural and socio-cultural resources and the basic infrastructure, such as the energy supply. These form the basis for the offer specially designed for tourists, e.g. the hospitality industry, guest information, transport systems for tourists, hiking trails or events.

**What does this mean for tourism value added?**

Tourism value added is generated directly or indirectly by a large number of very diverse actors, who may have very different interests. While companies want to make profits, public institutions should have the interests of citizens at heart, and nature conservation groups want to protect natural resources. Development projects related to tourism will always be confronted with a broad range of different interests. To enable tourism actors to collaborate in a targeted manner to derive added value in the long term, it is important to take into consideration and reconcile the different interests.

Figure 5: Dimensions of the tourism offering for a given destination



Source: Table produced by the author based on Freyer, W., 2015

## 2. The tourism product is a service.

Most products delivered to tourists take the form of services. These include, for example, transportation, accommodation or recreational facilities. Services have specific properties that play a role when it comes to examining value creation processes. For example, a service is produced and consumed simultaneously. This so-called *uno actu* principle ('in one act') renders customers part of the service delivery as an 'external factor'. The fact that services cannot be stored is also of great importance.

### What does this mean by value added through tourism?

- › **Uno actu principle:** The value creation process of a service is very different from the process undergone by ("manufactured") goods. Tourism marketing and sales, in particular, take place prior to production.
- › **Integration of the external factor:** The value creation process cannot be completely planned because guests play a part in it. Guests may be tolerant and polite, or demanding and critical. Tourism services are therefore always individual interactions. Added to this, guests' experience of the services is subjective. If a guest listening to a concert has a headache, this will presumably make it less attractive.
- › **Non-storability:** If a service is not taken up, e.g. an overnight stay at a hotel, no value is added. Both the delivery of a tourism service and its marketing must therefore aim to make the best possible use of existing capacities, e.g. by creating offerings for the off-season.

### 3. The tourism product is a service process.

From the guest's viewpoint, the bundle of tourism services can be described as a process the guest goes through during the trip. This process is called the customer journey. It can be divided into phases and steps during which guests encounter services at their destination. These points of contact are termed 'touchpoints'. Fig. 6 gives an example of a customer journey of a hiking holiday.

#### What does this mean by value added through tourism?

Value added through tourism arises through the networking of many different actors and their services. To create an overall offering that meets requirements, the individual services must be coordinated with each other and ideally the interfaces designed such that guests do not even notice them. In the tourism context, it is thus extremely important to coordinate service providers and manage interfaces. This is ideally handled by efficient destination management organisations. Development cooperation can, however, provide support and impetus (see Section 2).

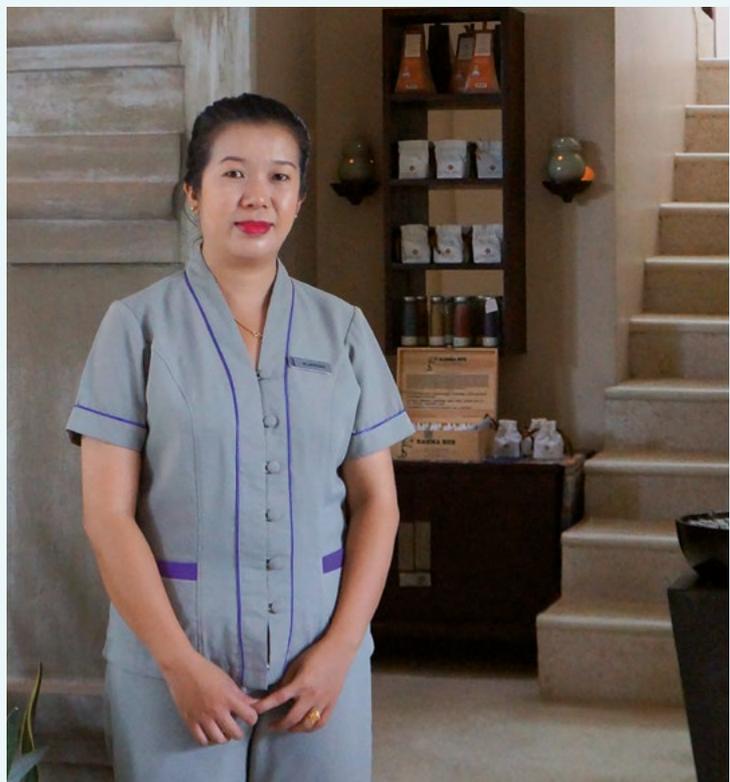
Figure 6: Example of the customer journey: A hiking holiday



## Box: Tourism as a driver of regional value added

There are various reasons why tourism can provide a crucial contribution to regional value added and development in developing countries and emerging economies. This makes it an effective instrument for development cooperation actors to achieve overarching development objectives.

- Although the trip mainly takes place at the destination, tourism is an **export** because it brings foreign currency into the country. For most developing countries, tourism is the major **source of foreign exchange** and thus an essential pillar of the economy, which offers sales opportunities especially to small and medium-sized enterprises.
- As a **cross-cutting sector**, tourism provides revenue not just in the hospitality industry but also in neighbouring sectors including the retail trade, providers of leisure activities, farmers and craftspeople. This is where great potential lies to increase regional value added by integrating regional companies into the tourism value creation system.
- The tourism sector is notable for its large number of small and medium-sized enterprises. This means that many enterprises benefit from tourism revenue and a **broad impact** can be achieved.
- Tourism creates **local jobs** that cannot be transferred abroad and offers **employment** to people with different qualifications, particularly including disadvantaged population groups such as women.
- Tourism presents low barriers to entry for new providers and thus offers a **good starting point for tourism start-ups**, such as restaurants and cafés, guided tours and excursions or the staging of events.
- Via tax revenues, tourism helps to finance public budgets and stimulates investment in local infrastructure. This not only enhances the **quality of tourism offerings**, it also improves the **quality of life of the population**.



## Part 4: Tourism as a value creation system

Tourism is a particularly complex value creation system. It comprises many different processes to deliver services that directly or indirectly generate added value and that are offered by a large number of providers in the tourism sector and neighbouring sectors of the economy. Fig. 7 provides an overview of the central elements of the tourism value creation system at a number of levels. This is intended to help those responsible for development projects to understand the structures, interfaces and processes in the tourism value creation system so that they can develop and successfully implement development-related interventions on this basis.

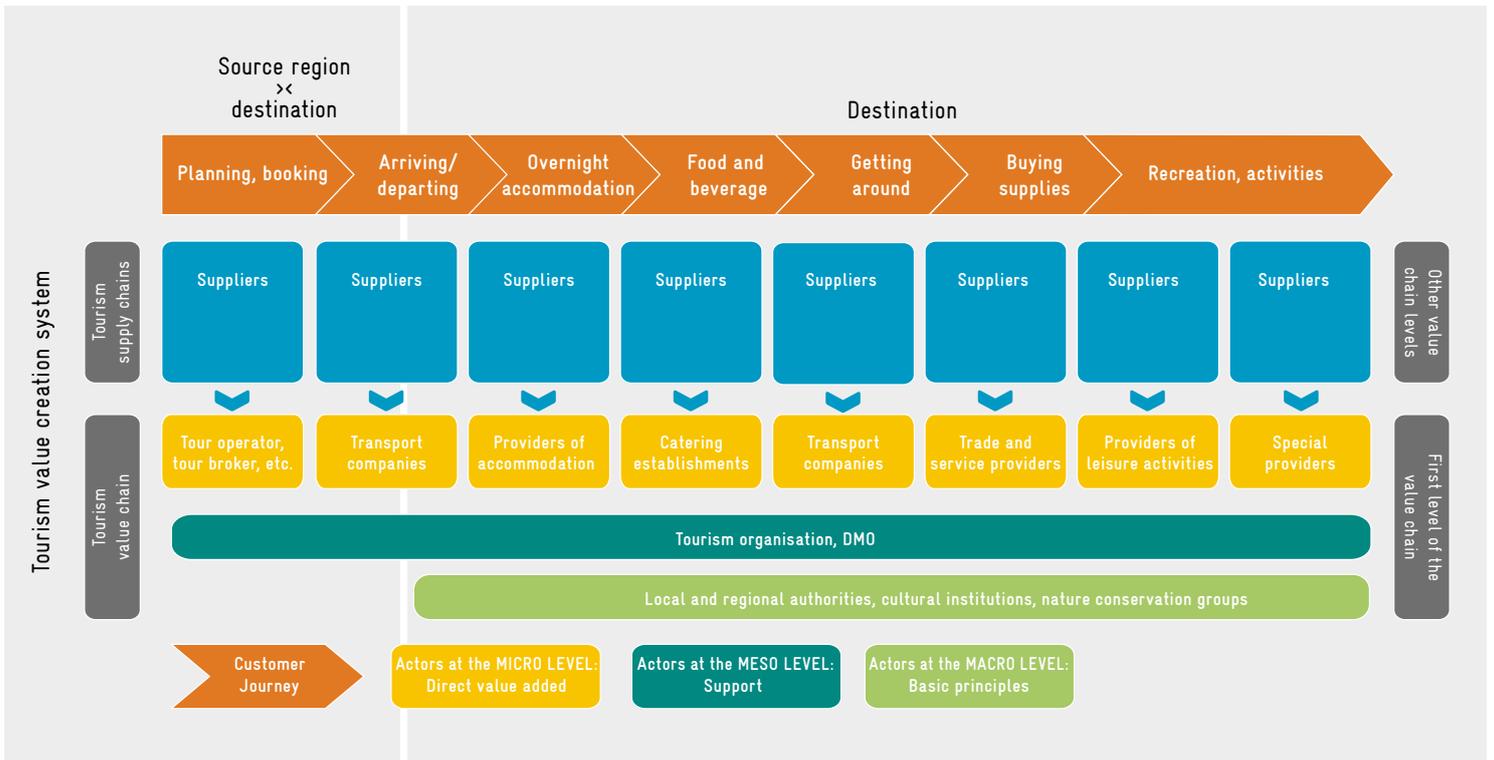
### Overview: Central elements of the tourism value creation system

#### The customer journey as the basic structure

Ideally, activities and processes in the tourism value creation system are closely dovetailed, by creating travel experiences that meet demands. For this to succeed in a highly competitive environment like tourism, considerations should focus

on the guests. This model is therefore geared to the central phases of the customer journey (see Section 1, Part 3). Each phase is underpinned by services that guests use during their trip and by the providers of these services. Each phase, service and actor may be relevant in the context of the development project in question.

Figure 7: Overview of the tourism value creation system





### Tourism value chain

The tourism value chain represents the process of value-adding activities when creating the tourism product, e.g. a hiking trip. These services taken together form the first level of the value chain.

### Functional levels

A distinction must be made between different functional levels in the tourism value chain:

- Actors at **micro level** directly add value through their services, e.g. a taxi driver who brings guests to the hotel at the start of their hiking trip and thereby generates turnover.
- Actors at **meso level** help actors at micro level to generate value added, e.g. through overarching marketing activities.
- Actors at **macro level** fulfil specific basic functions, e.g. by maintaining the network of hiking trails.

### Tourism supply chains

Tourism providers need to buy in many different inputs before they can offer their services, for instance hiking equipment that is sold at retail outlets. These products and services also undergo value creation processes. From the tourism perspective, these are supply chains. Together they form further levels in the value chain at which turnover is generated by tourism.

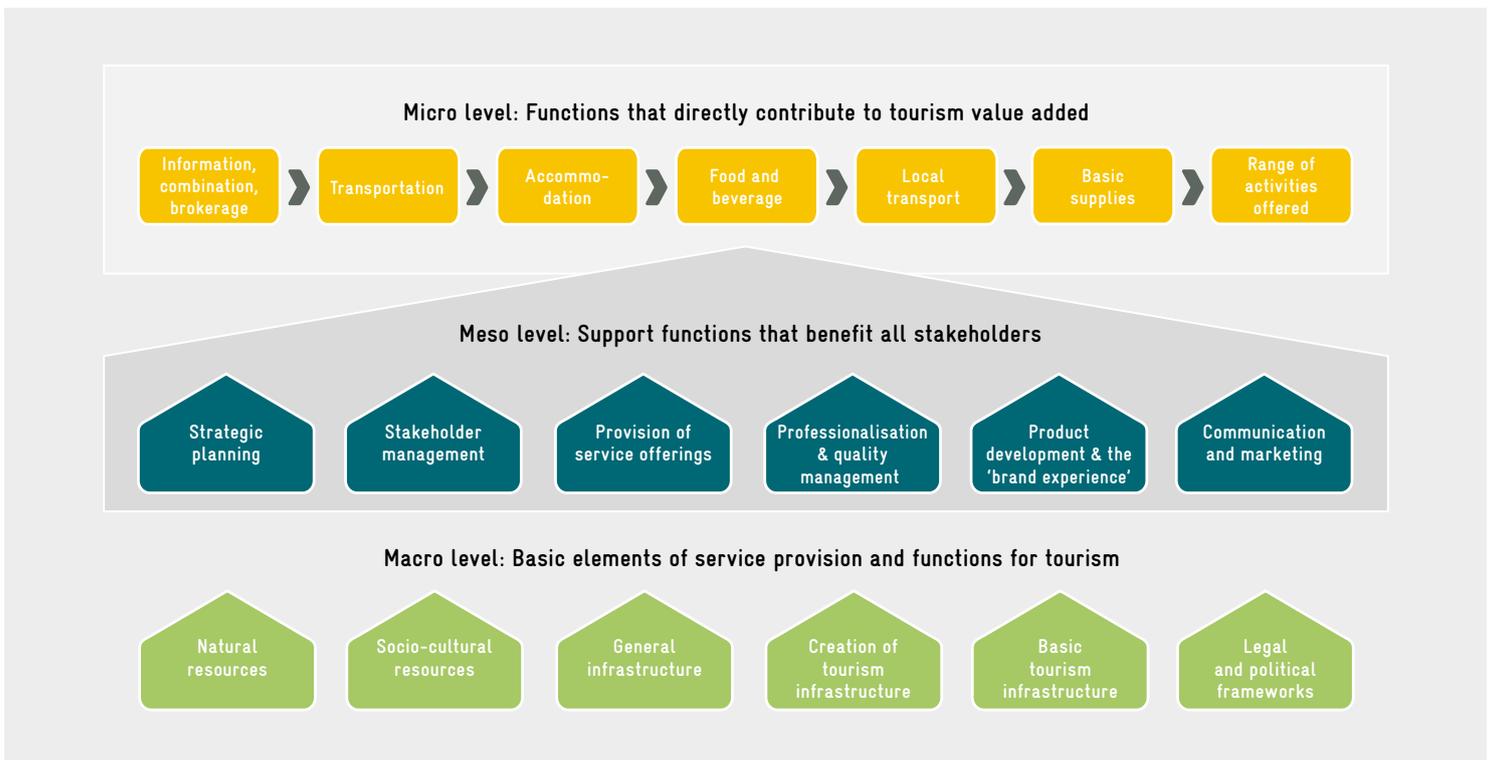
**Note:** Supply chains also describe a service delivery process from raw material extraction to consumption of the product. The term 'supply chain' shows the perspective from which this process is viewed – in our case, the perspective of the tourism value chain in the development cooperation context.

The various elements of the tourism value creation system will be described in more detail below.

## Functional levels in the tourism value creation process

The tourism product consists of various types of services and the actors behind them. With regard to their functions within the value creation process, a distinction can be made between the micro, meso and macro levels.

Figure 8: Functional levels in the tourism value creation process



### Macro level: the fundamentals of tourism

The macro level comprises fundamental elements of the offering and fundamental functions as the prerequisite for tourism development in the region.

The functions of the macro level and the major elements of the tourism offering include the natural and socio-cultural resources of a region: its landscape, climate, vegetation, architectural heritage, local customs and much more besides. These play a very important role when it comes to choosing a given trip.

It is also important to have the relevant political and legal frameworks in place in order to develop tourism. A minimum level of stability and security is therefore needed, as well as functioning state institutions and basic supply structures (e.g. electricity and water).

Building on this, basic tourist infrastructure is required in order to generate value added. This includes connecting up points of attraction, networks of hiking trails and public highways or a visitor's centre.

Executing agencies at the macro level are often public institutions responsible for place-making and economic promotion tasks, but also associations that advocate the conservation and promotion of basic resources (e.g. business associations, nature conservation or cultural associations). In this context, development cooperation organisations are called upon in particular to advise actors and enable them to take the right decisions. This is ideally done on the basis of data and facts that are established during studies and surveys.

**Important:** All of the offerings and functions mentioned here are necessary conditions for tourism and therefore have an **indirect effect on value added** in a tourism region. They have to be put in place, developed and preserved to enable value-adding tourism business models to be developed in a region.



### Meso level: targeted support for tourism

**The meso level comprises overarching support functions that are important for all tourism enterprises and that steer the multitude of activities such that they help achieve the set objectives.**

The tourism region as the conglomerate of numerous offerings and actors needs to be coordinated and supplemented by various overarching functions so that all the parallel components of the offerings can be brought together to form customer-oriented overall products. Besides this, tourism, with its multitude of impacts, can only make a meaningful contribution to sustainable development if it is steered in a specific direction.

In practice, there are various models and solutions that exist for performing the required support functions. Authorities are often in charge of handling these tasks. Marketing activities are frequently handled by private associations (e.g. hotel associations). There are many good arguments in favour of creating and aiding efficient tourism organisation or destination management organisation (DMO) responsible for meso level functions. Development projects can support the meso level functions with individual tasks or processes or support the establishment of sustainable organisational structures for tourism. The handbook 'Destination management in Developing and emerging countries' (GIZ 2019) provides detailed practical information.

**The meso level comprises the following roles:**

**Strategic planning:** Every tourism region needs goals, guidelines and strategies to guide actors and provide a framework for developing tourism. Ideally, strategic planning is data-based and participatory so that the outcomes have the support of all stakeholders. The achievement of objectives must be regularly evaluated and the strategy further developed. Development cooperation actors can support the strategic planning process both in terms of obtaining the basic data required through research and independent studies, as well as carrying out participatory processes and developing effective monitoring instruments.

**Stakeholder management:** In view of the variety of actors and interests in the tourism sector, management of the different stakeholders is particularly important. One aim here is to raise their awareness and mobilise them to work towards common goals and to share experience and engage in dialogue with each other. The overarching aim is to combine the forces of the many different actors in the region (tourism enterprises, experts, residents, associations, public institutions, etc.) so that they all have the same focus. With a view to strengthening good governance, it is important for development cooperation organisations to involve the relevant actors and to use this involvement as an expedient starting point for the interventions to be planned.

**Provision of offerings:** The package of tourism offerings also includes services that guests wish or even demand, but which do not offer a basis for business by providers because the customers are not willing to pay an appropriate price for the effort involved. This includes the information provided to guests, for example. Although this is of direct value for guests, it only indirectly contributes to value added because the cost of creating such information is not offset by revenue. The permanent provision of such offerings is the task of local organisations. This is an area in which development cooperation actors can, however, provide support with planning and initial implementation.

**Professionalisation and quality management:** If tourism is to generate high value added, companies from the region must be enabled to position themselves on the market by virtue of the quality of their offerings, and to tailor these to customers. Providers will otherwise rapidly run a risk of fierce price competition. The aim here is to learn how to set the signals correctly with the help of training courses and systematic quality development and assurance. Since development cooperation organisations have a mandate to provide education services, the training of experts for the tourism sector is a key entry point for such interventions.



**Product development and the 'brand experience':** To enable visitors to experience the destination and its specific positioning, many individual services have to be fused into one coherent product. In the first instance, product development means finding components that match the intended overall product and developing them to achieve marketable offerings. These offerings may be one-day programmes, e.g. excursions to tourist attractions including transportation and catering, or complete travel packages that are marketed in cooperation with tour operators. In order for value added to remain in the region and have an impact there, it is important to involve as many providers from the region as possible. Local institutions have the ongoing task of developing products. Development cooperation experts can provide advice and support, and develop instruments such as product guidelines that help service providers develop products.

**Communication and marketing:** Potential guests must be reached via suitable channels, not just in the lead-up to the trip, prompting them to make a purchase decision, but throughout all phases of the customer journey. This is because digitalisation has made dialogue with guests exponentially

more important. In the age of assessment platforms, social media and blogs, guests themselves become ambassadors for the travel destination. The adjustment of communication and marketing activities to bring them into line with the challenges of digitalisation is a relevant field of activity for development cooperation (see [Impetus 6, Promoting digitalisation](#)).

**Important:** All of the offerings and functions mentioned above help make tourism development successful and effective and therefore have an **indirect impact on value added** in a tourism region. They must be implemented to allow value-added tourism business models to be developed and successfully established in a region. In addition, if specifically planned and steered, they ensure that the manifold activities in a tourism region contribute to the achievement of overarching objectives, such as increasing quality of life for the region's inhabitants or reducing environmental burdens.

### Micro level: commercial service delivery in the tourism sector

The micro level comprises all functions that create direct value added through tourism.

The main constituents of the micro level are enterprises with functioning business models that are geared to end customers, such as transport and accommodation services or local trade. That means they provide services that satisfy a specific need on the part of guests and for which they are therefore prepared to pay money. The functions of the micro level can be structured into seven parts along the customer journey (see Table 1). The micro level offers many entry points for development projects in cooperation with the private sector. Given the objective of increasing regional value added, the promotion of start-up projects offers effective leverage (see [Impetus 3, The circular economy and entrepreneurship](#)).

Table 1. Functions of the micro level along the customer journey

Customer journey – demand	Functions and services <sup>1</sup>
<p><b>Travel planning and booking</b></p> <p>Potential guests require information in order to make a travel decision and prepare for their trip. People who do not wish to configure their trip individually also need support in putting together a suitable travel package and finally, the opportunity to book the entire package or several parts of it.</p>	<p><b>Information, combination, bookability</b></p> <ul style="list-style-type: none"> <li>› Travel information/literature</li> <li>› Travel insurance</li> <li>› Travel advice</li> <li>› Assessment of offerings</li> <li>› Combination of offerings</li> <li>› Travel agency</li> </ul>
<p><b>Getting there</b></p> <p>Guests want to travel to their target destination. Since they often use several means of transport, a seamless mobility chain needs to be in place, with various support functions.</p>	<p><b>Transportation</b></p> <ul style="list-style-type: none"> <li>› Air travel, train travel, shipping, coach travel</li> <li>› Gate operation, baggage handling, passenger management, in-flight service</li> <li>› Shopping and catering offerings at the airport, station, sea port, etc.</li> <li>› Transfer to accommodation</li> </ul>
<p><b>Overnight accommodation</b></p> <p>At their destination, guests need accommodation in line with their requirements that offers them additional services if need be.</p>	<p><b>Accommodation</b></p> <ul style="list-style-type: none"> <li>› Accommodation/comfort, atmosphere</li> <li>› Breakfast, full board, half board</li> <li>› Services (laundry, childcare, etc.)</li> <li>› Leisure activities, e.g. tennis court, swimming pool, recreational animation, spa treatments</li> </ul>
<p><b>Food and Beverage Services</b></p> <p>Guests want to be supplied with food and drinks. On holiday, this often goes beyond mere subsistence and is supposed to be a 'culinary experience'.</p>	<p><b>Subsistence</b></p> <ul style="list-style-type: none"> <li>› Location/comfort, atmosphere</li> <li>› Food and drinks</li> <li>› Service, dining experiences</li> <li>› Packed lunches</li> </ul>

<sup>1</sup> The following list groups together the functions and services of the micro level but does not claim to be exhaustive.



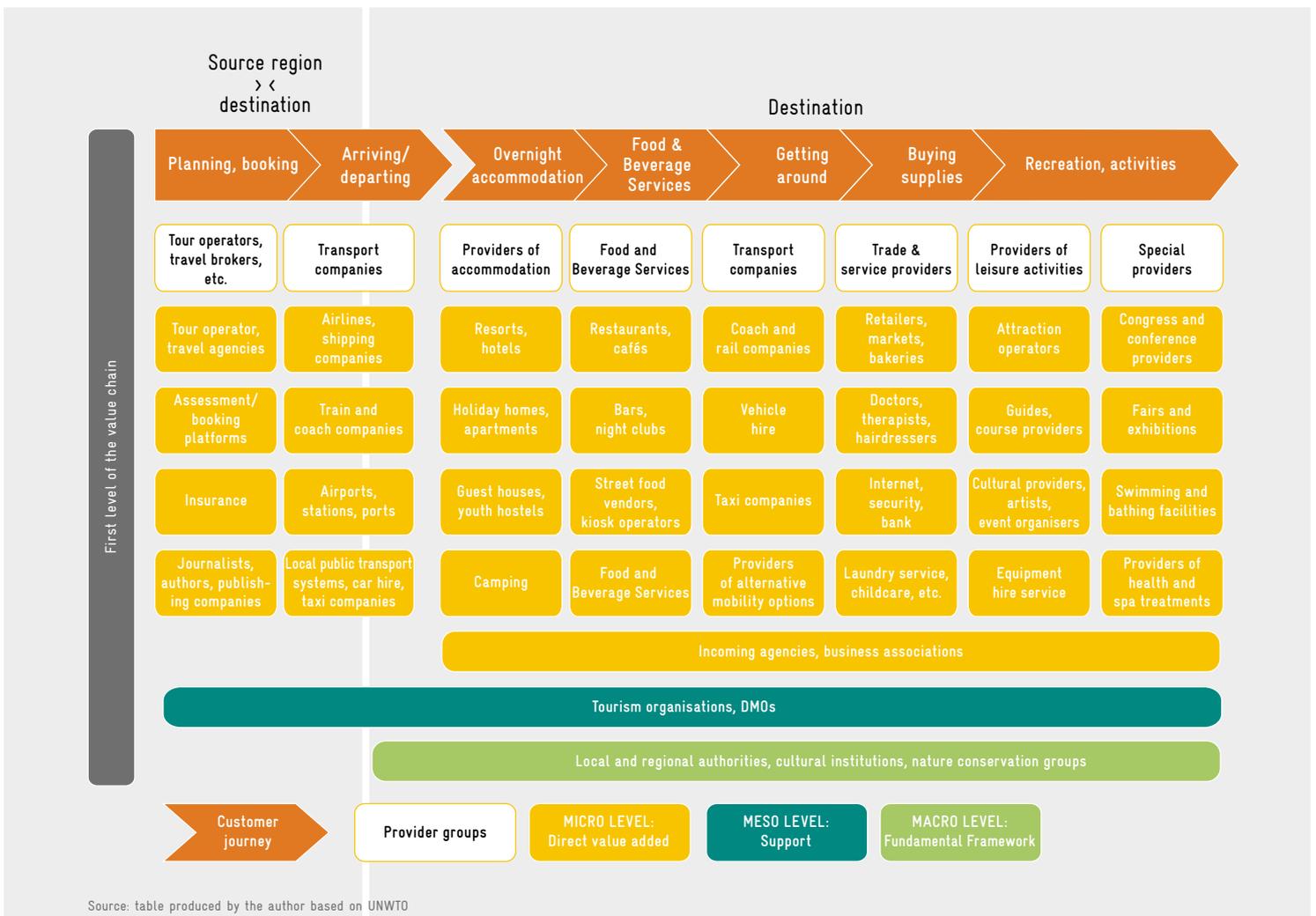
Customer journey – demand	Functions and services
<p><b>Getting around</b>                      Guests want to be able to get around, explore the region or head for specific destinations. Flexibility and security are key requirements.</p>	<p><b>Transportation</b></p> <ul style="list-style-type: none"> <li>› Taxi, shuttle service</li> <li>› Local public transport</li> <li>› Vehicle hire</li> </ul>
<p><b>Being able to purchase required items</b>                      On site, guests need basic supply structures, e.g. for withdrawing money at cashpoints, buying food or medicines, and a variety of individual services that range from shopping facilities through kids clubs and medical care.</p>	<p><b>Trade and services</b></p> <ul style="list-style-type: none"> <li>› Shopping facilities (for everyday items)</li> <li>› Shopping options (clothes, jewellery, souvenirs, etc.)</li> <li>› Medical care, therapeutic services</li> <li>› Exchanging currency, withdrawing cash</li> <li>› Internet access</li> <li>› Laundry service, childcare</li> <li>› Bakery, butcher's</li> <li>› Petrol stations</li> </ul>
<p><b>Recreation, activities</b>                      During their trip, tourists want to explore their chosen destination, experience its traditions, do sports or do something for their health. Tourist expectations in terms of the leisure activities at a destination are as varied as the people themselves. The destination therefore needs to have a clear focus on specific target groups, based on the specific strengths it can offer.</p>	<p><b>Leisure activities and other offerings</b></p> <ul style="list-style-type: none"> <li>› Infrastructures such as golf courses or swimming pools</li> <li>› Experiencing nature and cultural monuments</li> <li>› Guided tours, e.g. of cities or hiking trails</li> <li>› Courses, e.g. sports or crafts</li> <li>› Events, e.g. festivals or sports events</li> <li>› Cultural performances, e.g. theatre or cabaret</li> <li>› Museums, art exhibitions</li> <li>› Hire of sports equipment, e.g. canoes, bicycles, skis</li> <li>› Organisation of trade fairs, congresses and conferences</li> <li>› Health and spa treatments</li> </ul>

**Important:** Companies and actors at the micro level **directly generate tourism value added** through their services. The more items are sold at micro level and the more money stays in the region, the more regional value is added. Actors at micro level are not, however, independent: their success depends largely on the functions at macro and meso level.

## Tourism value chain

The following Figure 9 presents the tourism value chain, i.e. the first level of the value chain within the tourism value creation system. This is where all services and providers that directly create or support the tourism service are located. Some services are created in the source region and others in the target region (i.e. at the destination). The diagram shows the key actors behind the services and functions of the macro, meso and micro level and groups them together for a clearer overview. Visualisation helps to understand the bigger picture, allows us to recognise interfaces and is an important aid in communication with stakeholders.

Figure 9: First level of the value chain within the tourism value creation system

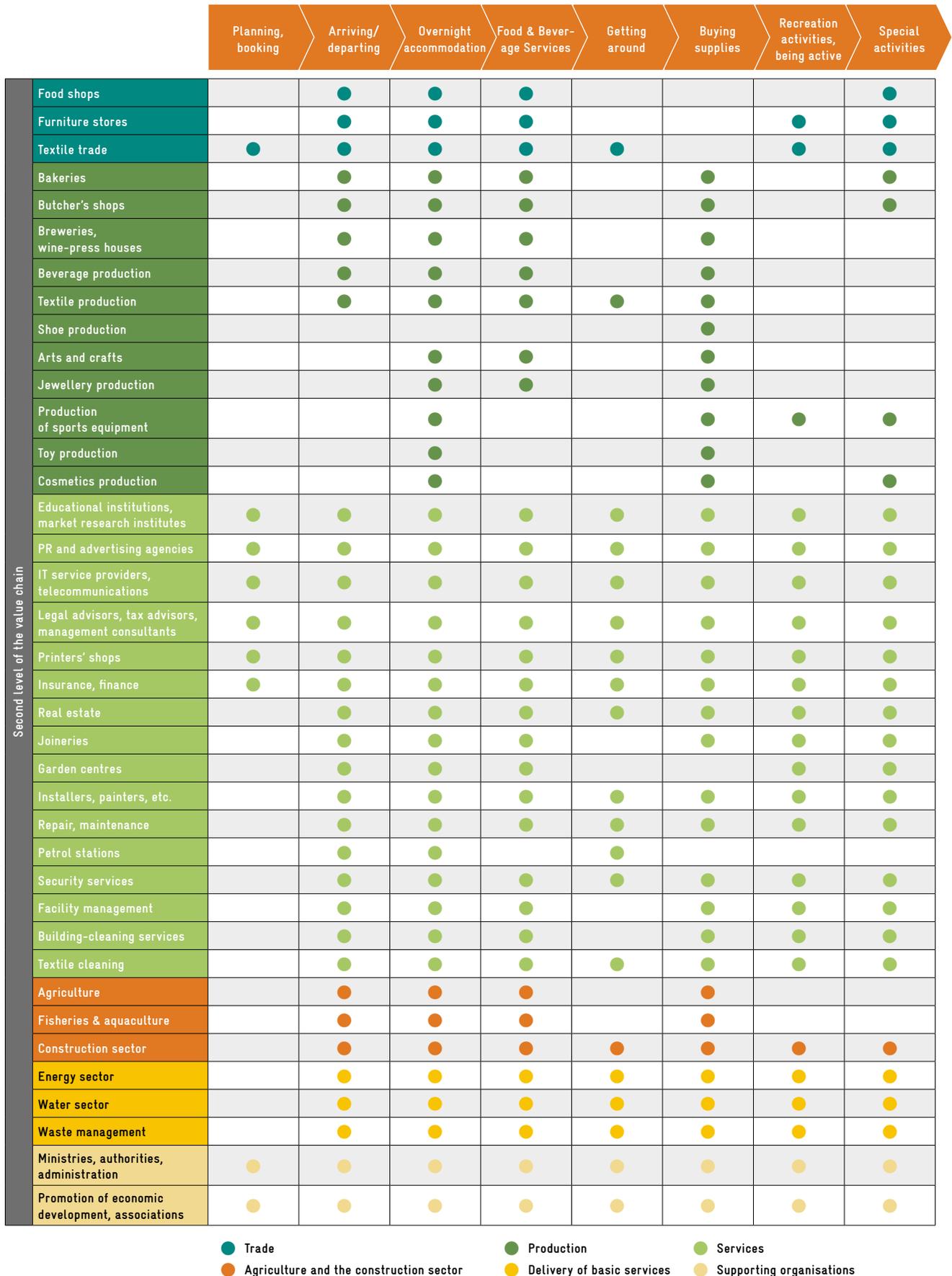


## Suppliers in the tourism value creation system

At the **second level of the value chain**, the products and services that have to be bought in to create the tourism product are grouped together. These providers in the tourism sector therefore benefit indirectly from turnover generated by tourism. There are also support functions at the second level of the value chain, alongside the activities that directly create value. These functions can, for instance, be performed by ministries, authorities, associations or other traditional partners of development cooperation. Fig. 10 illustrates the wide range of actors at the second level of the tourism value chain. Many sectors on which development interventions focus have overlaps with tourism, e.g. agriculture. These can be shaped in order to enhance regional value added and to achieve individual project objectives (see [Section 3, Developing supply chains](#)).



Figure 10: Second level of the value chain within the tourism value creation system (selected actors)



## Part 5: Value-adding strategies in the tourism sector

The more money tourists spend, and the more of it stays in the region, the more regional value is added. This 'rule of thumb' can be used to identify **basic strategies for increasing tourism value added**, as well as **potential entry points for development projects** (see Section 4).

The value-adding strategies intervene at various points in the tourism value creation system and have an impact either on turnover or on the share of regional value added in relation to total value added. Value added is understood not just in the economic sense but also as an environmental and socio-cultural target.

We will go on to present six value-adding strategies and illustrate them using practical examples. The examples are mainly intended to provide inspiration and a better understanding, thus enabling practitioners to develop measures that are in line with the requirements of development projects.



### Strategy 1: Organisation and process optimisation

Basic conditions need to put in place to enable value-adding business models to be developed for tourism in a given region. This includes creating efficient organisational structures and designing efficient processes and interfaces between actors. The better stakeholders cooperate within the value creation system and the more efficiently they coordinate their activities, the more effective the system will be as a whole (see [Impetus 1: DMO development](#)).

#### Good practice Organisational development



#### Vietnam Tourism Advisory Board (TAB)

The Vietnam Tourism Advisory Board (TAB) is a non-profit body that aims to increase Vietnam's competitive advantage as a sustainable tourism and travel destination by developing and facilitating public-private partnership and public-private dialogue.

Impetus for setting up the TAB came from the private sector back in 2008, when the country

was experiencing a dramatic dip in demand owing to the international financial crisis. It took four years for the TAB to be officially established with support from development cooperation actors. Since then, it has become an important dialogue platform for the country's key players in the tourism sector (government authorities, hotels, tour operators, airlines and investors). Introducing a visa waiver was an important decision in terms of tourism policy and was largely down to the work of the TAB.

Today the Vietnam Tourism Advisory Board is far more than a dialogue platform. It has developed into a think tank for public-private cooperation projects to which the private sector proactively contributes its resources. Especially in the fields of product development and marketing, projects and measures have been initiated that make an effective contribution to sustainable tourism.

**For more information:** [www.vietnam.travel](http://www.vietnam.travel)

**Note:** GIZ's **Capacity WORKS** management model is a useful tool for organisational development. In particular, it supports the ability of organisations to adjust flexibly to dynamic framework conditions. The major precondition is to recognise obstacles to development at an early stage and identify effective solutions. On this basis, the GIZ value link approach addresses the phenomenon of value chains.

## Strategy 2: Regionalising added value

The more services can be provided within the region, the greater the regional value added. That is our well-known mantra. The aim is therefore to identify those services that are provided at the different levels of the value chain by providers outside the region. By specifically networking the tourism sector with small enterprises from neighbouring sectors, impacts can be achieved for regional value added at many points in the tourism value creation system. One example is the project ‘Turkish delicacies for the tourism sector’. This is an area where exciting potential exists for development projects that do not focus specifically on tourism, but support enterprises in neighbouring sectors (see [Impetus 2, Integrating SMEs into the tourism value creation system](#)).

### Good practice Regionalising value added



#### Turkish delicacies for tourist companies

In the Turkish region of Muğla, the TUI CARE Foundation in cooperation with the U.K. Travel Foundation has initiated a project to integrate regional agricultural products into the tourism value chain. It supports the production of regional products such as olives, jam and honey that are made by 150 small-holder farms, and coordinates marketing activities targeting hotels, restaurants and souvenir shops. Previously, only 5-10% of the food sold at hotels was locally produced. The problem is that farmers lack the capacity and know-how to ‘upgrade’ their products for the market and then to sell them. This is where the foundations come in. They help the farms optimise production processes and obtain certification, and assist with targeted marketing measures, e.g. product fairs.

For more information: [www.tuicarefoundation.com/en/projects/turkey-flavour-from-the-fields](http://www.tuicarefoundation.com/en/projects/turkey-flavour-from-the-fields)

**Note:** In this area, interventions focus on a target group rather than a specific target region (destination). In a project that aims to strengthen agriculture, it may make sense to involve farms in neighbouring destinations, especially if there is special potential for viable business relationships.

### Strategy 3: Promoting the circular economy

The circular economy plays a key role in the 2030 Agenda for Sustainable Development, and is covered by Goal 12: Sustainable consumption and production. Not only does it minimise the burden on the environment, it also generates added value in the economic sense if products are produced resource-efficiently, reused, upcycled or recycled at the different levels of the value chain (see Section 1.2). To this extent, promoting the circular economy also contributes in several ways to increasing value added in the holistic sense (see [Impetus 3, The circular economy and entrepreneurship](#)).

Tourism also offers potential for promoting the circular economy. Because the tourism product is consumed at the destination, the raw materials used, processed and consumed are also discarded at the destination. These traditional processes in the linear economy lead to obvious refuse problems in many locations. As illustrated by the 'Knärzje' example below, tourism may also offer a market for the sale of regionally recycled or upcycled products.

#### Good practice Promoting the circular economy



#### Knärzje – beer from leftover bread

The World Health Organization (WHO) estimates that around 1.3 billion tonnes of food are thrown away each year although most of it is still perfectly fit for human consumption. A social enterprise in Frankfurt, Germany took this as the starting point for using stale bread from shops to make beer. In keeping with the concept of regionalism, the beer is called 'Knärzje', the Hessian word for the heel of a loaf of bread. The project is a shining example of the circular economy and can also work in developing countries and emerging economies. It uses products that would otherwise be thrown away to produce a typical regional product that also plays a major role in conjunction with tourism.

More information: [www.knaerzje.de](http://www.knaerzje.de)

#### Strategy 4: Environmental and social standards

Sustainability is one of the key guiding principles of international development cooperation. Today, though, promoting economic development in harmony with environmental and social objectives also makes sense from the market perspective. Driven by the obvious consequences of climate change and the change in values in our society, consumer awareness of sustainability has also grown substantially in recent years. More and more consumers are making demands in terms of the environmental and social standards of tourism products.

**Meeting these standards and using sustainability arguments to hone destination's profile thus not only helps achieve environmental and social objectives, but is also very much in its own best commercial interests.**

Promoting environmental and social standards in tourism companies ('quality infrastructure') not only helps to protect the environment and support the social system, but also fosters sustainable economic development as understood by development cooperation actors. Broad impact can be achieved in this manner, especially given the many small and medium-sized enterprises that make up the sector (see [Impetus 4: Developing the value chain in line with environmental and socio-cultural criteria](#)).

#### Good practice Product quality and innovation



##### Green Star hotel certification in Egypt

Certification is an effective instrument for systematically raising the quality of tourism companies. It also prompts companies to address the standards and processes of quality-oriented development. In this way, it provides impetus for learning and helps development projects meet the terms of their educational mandate by providing 'help for self-help'.

A good example of a successful certification project is the Green Star initiative that is tailored to the specific situation of the Egyptian hotel industry. Apart from certification, training measures are a key component of the programme. The initiative was launched in 2007 with the participation of GIZ, the Ministry of Tourism and major private sector players. Today, the initiative is coordinated by the Egyptian Hotel Association and financed via contributions from participating hotels. Its results are impressive: over 80 hotels with 22,000 rooms at 15 tourist destinations in Egypt are certified. That corresponds to about 10% of Egyptian hotel capacities. The quality criteria of the programme correspond to the internationally recognised environmental and social standards of the Global Sustainable Tourism Council (GSTC). An important goal for the further expansion of Green Star certification is accreditation of the certification procedure by GSTC. In future hotels certified under the Green Star initiative are to receive the GSTC certificate parallel to this.

**For more information: [www.greenstarhotel.org](http://www.greenstarhotel.org)**

### Strategy 5: Sustainable growth through product quality and innovation

Today, product quality has to keep pace with the rapidly changing needs of guests who have an increasing wealth of travel experience, in an extremely competitive environment. The ongoing improvement of product quality, e.g. by means of quality labels, quality management or better dovetailing of tourism components (see the example of the Istanbul Tourist Pass), is therefore not just an entry point for generating growth. It is also an essential prerequisite if a destination is to hold its own on the market. Those who wish to generate sustainable growth via product quality must develop product innovations that go beyond conventional standards. In many cases, partners and target groups of development projects can only meet these two requirements with external expertise. Development cooperation organisations can provide impetus via specific interventions (see [Impetus 5: Promoting quality infrastructure, product quality and innovation](#)).

#### Good practice Product innovation



#### Istanbul Tourist Pass

If correctly used, guest and tourist cards are an expedient tool for networking the offerings at a destination, helping guests plan their trip and offering them attractive rates.

The Istanbul Tourist Pass is a good example. For a given price, guests have free access to an interesting range of services. The key selling point is that the pass includes all services required for a trip besides accommodation, starting with the shuttle from the airport via access to a large number of attractions, guided tours and mobility offerings, right through to free WiFi during the stay. The Tourist Pass uses a user-friendly app that draws together a range of different information and gives users access to services via QR codes. The 'customer care' component of the pass is also interesting. People who do not exhaust the savings potential offered by the Pass are refunded the difference between the cost of the Pass and the cost of the services used. A service team can be reached via WhatsApp, Facebook, online chat, email or telephone.

For more information: [www.istanbultouristpass.com](http://www.istanbultouristpass.com)

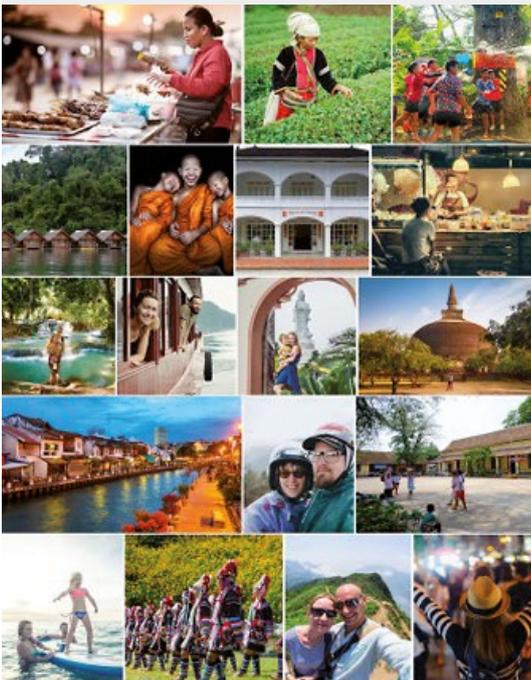
### Strategy 6: Sustainable growth through communication and marketing

Products created by the partners of development projects do not always sell well. Demand can be increased by stepping up communication or optimising marketing activities. This makes it possible to increase a share of existing markets or tap into new ones. The range of possibilities for achieving improvements in this respect is very wide. Development cooperation can provide particularly effective impetus by supporting tourism companies in adapting to digitalisation of the sector and harnessing the opportunities this brings (see [Impetus 6: Promoting digitalisation](#)).

#### Digitalisation and tourism

The advance of digitalisation has influenced tourism like no other factor in recent years. Platform giants such as TripAdvisor, Agoda or Booking.com have completely upended the rules of the game in this sector. The platforms put the people offering guest accommodation in direct contact with the end customer. This puts pressure on the traditional accommodation segment, because there is no more need for middlemen (e.g. tour operators). Digital media play a key role throughout the entire customer journey. At the same time, guests are becoming increasingly transparent because they leave a digital 'breadcrumb trail' behind them on their trip. Digital change is in full swing. That makes it all the more important to adjust to it and use the opportunities it offers, for instance the fact that processes can be designed to use fewer resources. Dispensing (almost entirely) with print media offers huge savings potential, as does the optimisation of mobility chains using digital tools.

#### Good practice Digital marketing



#### The social media strategy of the destination management organisation 'Mekong Tourism'

The Mekong Delta spans six countries in Southeast Asia. Marketing of the region by a cross-country destination management organisation (DMO) sets standards in a number of ways. Their social media strategy, which revolves around the Mekong Moments platform, is also exemplary. It combines photos, short videos and stories by travellers that were posted via social media using the #mekongmoments hashtag. The outcome is that many authentic and credible impressions of the region are spread across the Net via traveller communities.

For more information: [www.mekongmoments.com](http://www.mekongmoments.com)

## Entry points for shaping the tourism value creation system

The previous sections highlighted the complexity of the tourism value creation system and fostered a deeper understanding of the structures, processes and interfaces within the system. Key strategies for increasing regional tourism value added were also presented. Ideally, readers are now able to identify initial entry points for their own work. In general, there are a large number of potential entry points for development interventions in order to promote regional tourism value added and achieve the objectives of individual projects. A distinction should be made between three different possibilities that will be discussed in more detail giving practical examples in the following sections.

**Regional value added can thus be promoted within the scope of development projects:**

- By systematically shaping the tourism value chain. This is done by focusing on those services, actors and processes that are directly involved in tourism service delivery. For this purpose, the *value chain is used as a management tool* (see Section 2, [Guidelines: Using the value chain in the tourism sector](#)).
- By systematically shaping selected tourism supply chains. The focus here is on dovetailing services from neighbouring sectors such as crafts or agriculture with the tourism services (see Section 3, [Approach: Developing supply chains](#)).
- By providing specific impetus or using especially effective levers to increase regional value added (Section 4, [Impetus: Selected entry points for development cooperation](#)).

# Guidelines: Using the value chain in the tourism sector

# 2



### How can the value chain be used as a management tool in order to systematically shape the tourism value chain?

This question is the focus of the following guidelines, which offer a practical guide for systematically shaping the tourism value chain. The object being examined is the tourism product. The basic intention is therefore to specifically promote activities that add value as well as interaction between services and the actors behind them.

#### What role does development cooperation play here?

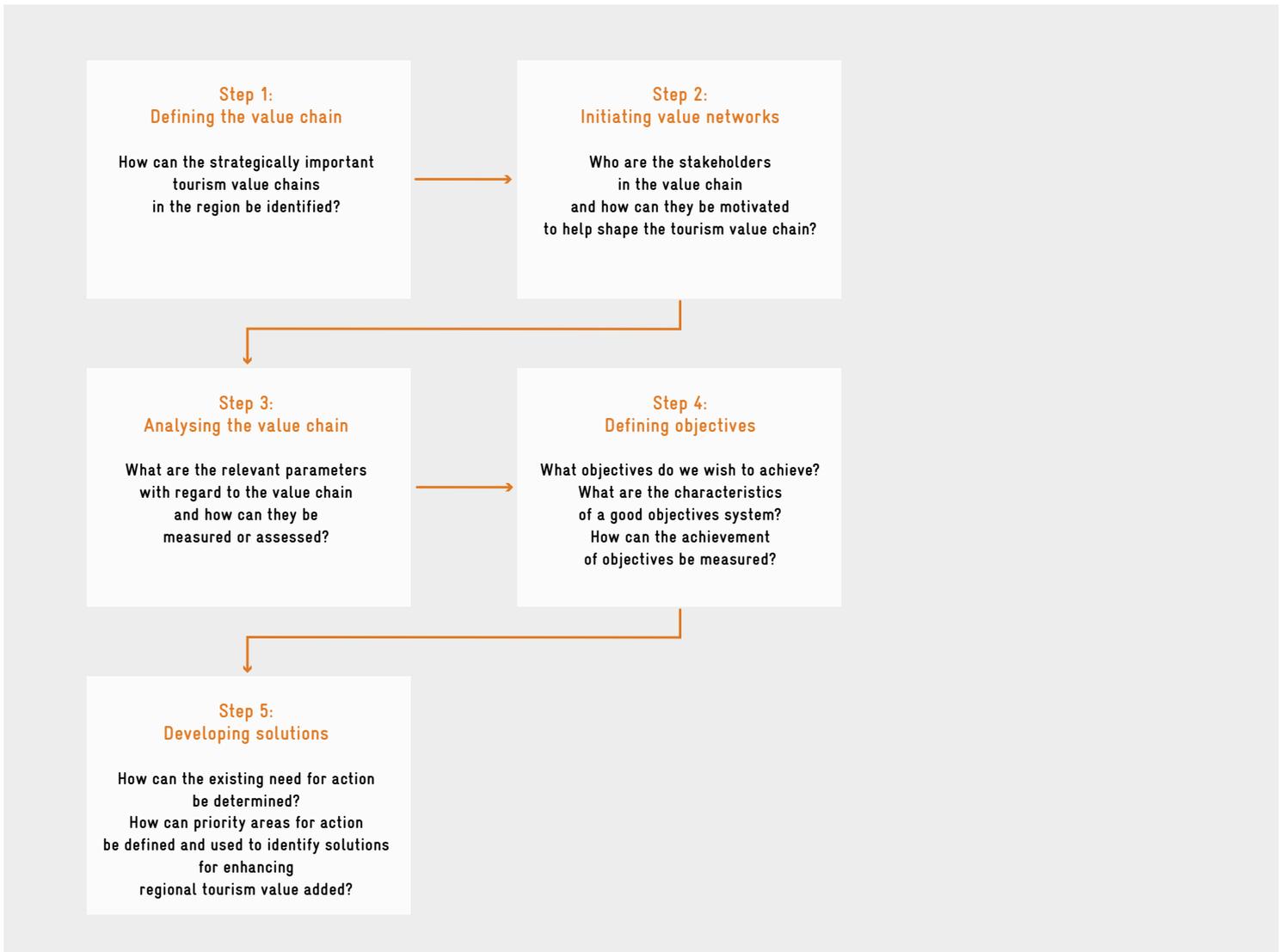
Systematically shaping the tourism value chain is a complex task that calls for targeted management. Ideally, this task is assumed by an efficient tourism organisation that is responsible for tourism development and marketing in the given region. However, these structures are often rudimentary at best in developing countries and emerging economies. While development cooperation cannot close this gap, it can provide impetus for setting up the relevant organisations together with the local partner structures or can support existing organisations, such as tourism organisations, chambers of commerce or economic development agencies throughout the process or during specific phases.

These **guidelines** take users through a five-step process that aims to increase regional value added and simultaneously optimise the environmental and socio-cultural impacts of tourism at tourist destinations.

#### Who are the guidelines aimed at?

The guidelines address particularly development cooperation officers who plan and implement projects geared primarily to tourism, and should enable them to use the value chain as a management tool in the tourism sector. They also offer a basis for finding the suitable individual entry points in the given project context. This might involve initiating and supporting the entire process as part of a model project, or providing individual impetus, e.g. by setting up value networks or introducing ongoing analytical and monitoring targeted tools.

Figure 11: Using the value chain in the tourism sector: Steps for increasing value added



## Step 1: Defining the value chain

Defining the tourism value chain to be examined is the first important step towards gaining an overview of key tourism services and the actors behind them. In this context we must consider how the value chain can be expediently delimited.

**Where does the value chain to be examined start?  
Where does it end?**

One important way of delimiting the value chain is to focus on the core businesses of a tourist destination.

**Core businesses are strategically relevant market segments (or 'business sectors') that add value and are connected to specific target groups of a tourism region. Examples include MICE, health trips or beach tourism.**

**Core businesses are strategically relevant**

- if the region can harness and develop them better than others in the long term, because they use potentials and abilities that other regions do not have and cannot imitate, such as particular nature attractions or special cultural heritage sites.
- if the product meets the needs of interested target groups who are willing to pay an appropriate price for them.

**Important:** As strategically relevant market segments, the core businesses define the central value chains of a tourism region that are to be specifically analysed, assessed and shaped.

**Tool: Decision matrix**

The decision matrix helps to compare various potential core businesses using assessment criteria. The aim is to identify those core businesses that make the ideal contribution towards achieving the objectives of sustainable regional development through tourism. Against this backdrop, assessments should be based on **market attractiveness**, **competitiveness** and **effectiveness**. These three criteria are fleshed out in the decision matrix (Table 2) with the help of various key questions. The questions can be weighted to take into account the different importance of the various criteria.

**Assessment: It's better to be roughly right than perfectly wrong!**

With its simple three-step assessment scale, the decision matrix presented here offers the opportunity to compare the quality of potential core businesses. Qualitative assessment offers scope for the holistic assessment of circumstances based on knowledge and experience. If existing analytical findings are implicitly included, this may provide better results than a quantitative assessment in which individual measurements are intended to express complex situations. Qualitative assessment is often the method of choice, given the generally patchy data situation and the effort involved in conducting surveys of one's own. It is advisable to form an interdisciplinary focus group that brings together knowledge and experience from various areas and reflects different perspectives.

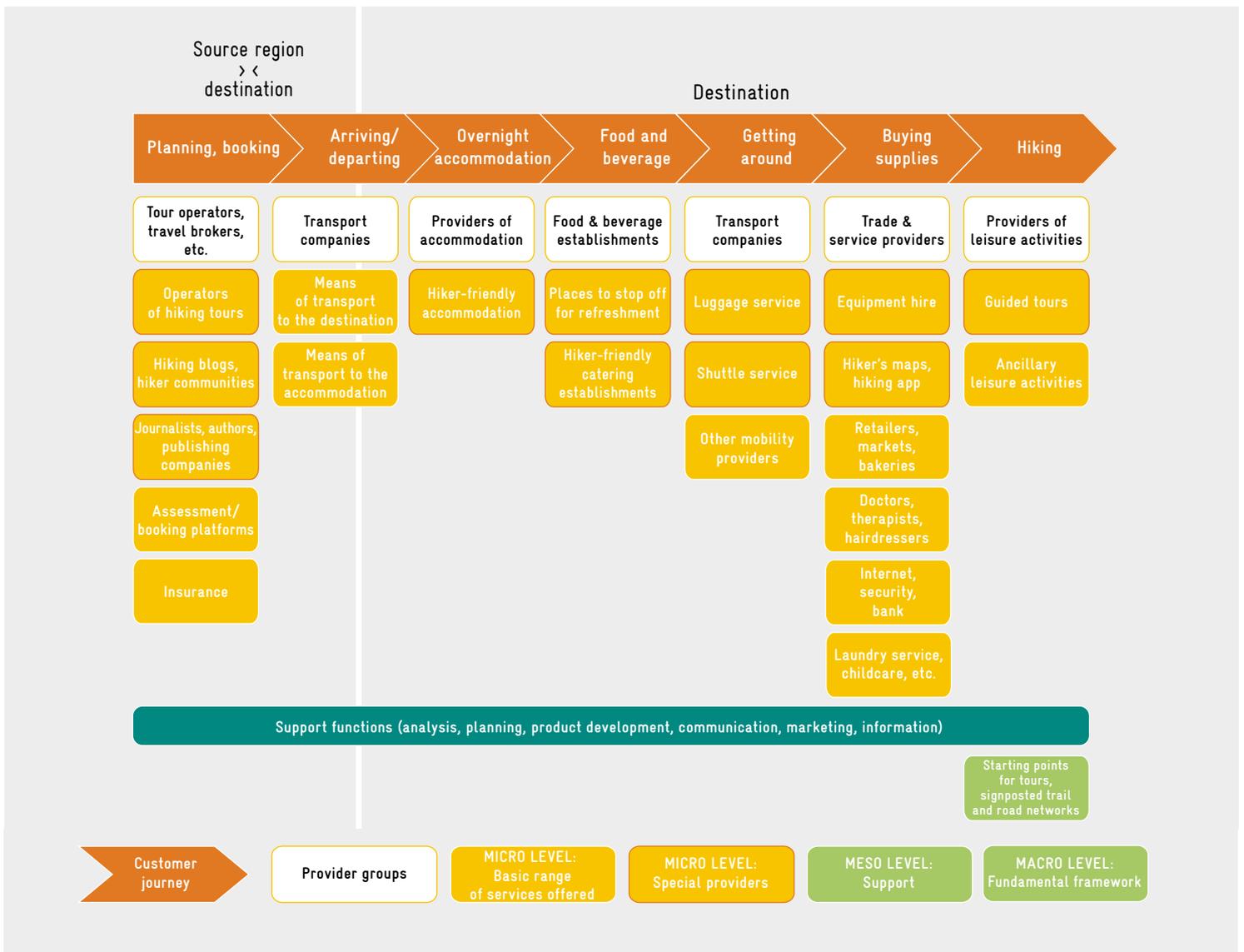
Table 2: Decision matrix based on three specimen market segments

Topics and key questions	Weighting in %	Assessment 2 = fairly good, 1 = neutral, 0 = fairly weak		
		Hiking trip	Beach holiday	Health trip
<b>How attractive is the market?</b>				
How big is the market?	9%	2	2	0
How big are the growth prospects?	9%	1	0	2
How wealthy is the target group?	6%	1	0	2
Does the mindset of the target groups match our values?	6%	2	0	1
<b>How competitive is our product?</b>				
How big is our current market share?	3%	1	2	1
How attractive is our product as compared to our competitors?	15%	2	1	2
Does the product set us apart from competitors in the long term?	12%	2	0	2
<b>What impact can we potentially achieve?</b>				
Does the product make it possible to experience our desired image (positioning)?	4%	1	0	2
Can the product be implemented using regional resources?	12%	2	1	1
How many participating companies are there?	8%	2	2	1
How great is the potential for creating highly qualified jobs?	8%	1	0	2
What is the potential environmental burden?	8%	1	0	1
<b>Unweighted points</b>		<b>18</b>	<b>8</b>	<b>17</b>
<b>Weighted points</b>		<b>1.62</b>	<b>0.67</b>	<b>1.45</b>

### Visualising the value chain

Once it is clear which value chain is to be examined, it helps to visualise it. Visualisation creates an overview of the structures and connections within the value chain and shows which stakeholders play a role. Fig. 12 visualises the value chain of one of the core business, 'hiking trip', as an example.

Figure 12: 'Hiking trip' value chain



## Step 2: Initiating value networks

Behind each tourism value chain are actors who provide services and are interconnected. If these actors are networked and coordinated in a targeted manner, ‘value networks’ may arise.

### Value networks

The value network comprises actors in the tourism value chain. These are actors who are jointly involved in creating the tourism product (e.g. a hiking trip), either by activities that add direct value (hikers’ hotel), supporting activities (DMO that develops a hiking app) or basic functions (municipality that maintains hiking trails). The actors are linked by the common goal of increasing value added within the core business and by the fact that they can only create a marketable overall product if they join forces. Owing to these connections, the core businesses form the ideal level for establishing a ‘value network’.

**Value networks are strategic partnerships between actors in the value chain. The aim of the network is to generate benefit for all actors involved and to promote the system as a whole in line with the overarching objectives of enhancing economic value added, minimising environmental burdens and optimising socio-cultural impacts.**

### The starting point: Involving key partners

In view of the complexity of the tourism value chain, the key actors should first be convinced and involved. These may be large hotels because they provide the required bed-place capacities, or a biosphere reserve because this is the key attraction for the target group. These key actors are often opinion leaders who get more actors on board. They can be involved by means of structured talks or interviews. This makes it possible to identify their interest in cooperation, the benefits they expect and their existing knowledge of the market situation. As well as recording information, though, the main aim here is to encourage exchanges and dialogue, and to mobilise key actors to become involved in the further process.

**Note:** It certainly makes sense to bear in mind the willingness of key actors to cooperate when defining the value chain. If key actors are not interested in a value network, it may not make sense to develop this value chain.

### Getting things started: Bringing together the network

Once the key partners are on board, the next step is to initiate the value network as a whole. Here it is advisable to hold an **interactive kick-off event** that brings together all actors in the value network. The aim is to convince actors that the value network offers them added value and to motivate them to become actively involved. Key elements of the event include convincing technical inputs, targeted interaction, and exchange between participants. The event marks the start of an ongoing process in which the value chain actors are regularly involved with the help of a number of different instruments, such as surveys, workshops or simple working meetings, in analysing, planning, implementing and steering the value chain.

### Success factors when shaping the value network

It is quite a challenge to network the relevant actors in the value chain with their different interests such as to create an effective value network. The following factors are crucial to success:

**Objectives:** Clear objectives are required in order to steer the activities of actors in a targeted manner. The holistic promotion of regional value added forms the relevant framework (see Section 1, Part 1). These objectives must be fleshed out at the level of the value chain (e.g. increasing the number of overnight stays, increasing awareness of the hiking destination or increasing the number of accommodation options that welcome hikers). These objectives describe the specific benefit that partners expect from the cooperation arrangements, and are therefore an important driver in the process.

**Benefits:** Actors in the value chain will play an active role within the network if they can also gain individual advantages based on common objectives, e.g. increase in demand or cost benefits. The potential benefit should be proportionate to the effort involved in participating in the value network. If the partners need to invest too much time or financing in the network, they will successively withdraw from it.

**Culture of cooperation:** The culture of cooperation created by the specific configuration of cooperation within the network is an important success factor. Respectful interactions, objective and transparent communication and a friendly mode of operation will create the required trust and right attitude for fruitful cooperation.

### Box: Arguments for mobilising companies

Tourism companies in particular need to be actively convinced to invest their limited time and financial resources in the network. They play a special role in regional value chains because the economic goals of sustainable tourism development cannot be achieved without them.

Reasons why companies should become involved in the value network:

- Companies and their services are only one part of the overall tourism product. They depend on cooperation in order to create a **product that meets demand**.
- Value networks develop the product further and lift it to a new quality level. This enhances the **competitiveness of the product and the involved partners**, and increases **value added for the company**.
- Joint investments, strategies for offerings or buyer aggregators can **cut costs and minimise investment risks**.
- Bundling marketing activities, offering capacities or know-how **increases competitiveness and harnesses market potentials**.
- In line with its **competition and contract award regulations**, development cooperation organisations can promote value networks by working together with consortiums of companies (e.g. associations or producer groups).

## Step 3: Analysing the value chain

This step involves the targeted analysis of the tourism value chain. The aim is to identify specific entry points for effective measures that help achieve the overarching objectives. Table 3 summarises basic questions for analysing the tourism value chain, broken down into different thematic areas.

**Table 3: Questions for analysing the value chain**

Area	Questions
<b>Adding value</b>	<ul style="list-style-type: none"> <li>• How high is the regional value added?</li> <li>• Where does added value go? What services are bought in from outside?</li> </ul>
<b>Needs and product</b>	<ul style="list-style-type: none"> <li>• What are the wishes and needs of the target groups?</li> <li>• What are the target groups' (minimum) requirements to be met by the product?</li> <li>• What are the weaknesses of our product? Where is there a need for improvement?</li> </ul>
<b>Communication and marketing</b>	<ul style="list-style-type: none"> <li>• Where and how is the target group reached?</li> <li>• What are the crucial multipliers, intermediaries and platforms?</li> </ul>
<b>Organisation and framework conditions</b>	<ul style="list-style-type: none"> <li>• What are the weaknesses and obstacles in terms of cooperation?</li> <li>• Where is there potential for synergies and cooperation?</li> <li>• What framework conditions impede or reduce value added?</li> </ul>
<b>Environmental impacts</b>	<ul style="list-style-type: none"> <li>• Where is there potential for reducing emissions (CO<sub>2</sub>, air pollution, noise, odours, etc.)?</li> <li>• Where is there potential for avoiding waste?</li> <li>• Where is there potential for preventing food from being wasted?</li> <li>• Where are surface areas being unnecessarily sealed?</li> <li>• Where are resources used or wasted (e.g. fossil fuels)?</li> <li>• To what extent is biodiversity at risk?</li> </ul>
<b>Socio-cultural impacts</b>	<ul style="list-style-type: none"> <li>• How many people are employed?</li> <li>• What is the percentage of women among employees?</li> <li>• How high are the incomes?</li> </ul>

### Basic questions for analysis

**Setting priorities:** Time-consuming analyses are frequently performed in the development cooperation context, collecting information that is later not even needed. To keep the effort involved to a minimum, we should therefore ask ourselves what information is really important and will provide effective support for developing the value chain.

**Proceeding step by step:** Not all information needs to be collected right away and all at once. It actually makes sense to build the analysis step by step and design it as a continuous process. A good way to start is to analyse secondary sources. This offers a basis for identifying the need for further analysis and for planning the relevant surveys. If these are staggered, the findings obtained can be taken into consideration when designing surveys in the next stage. This also divides the effort involved into several stages and is feasible in view of the generally scarce resources available. It makes sense to regularly collect basic data on the value chain. Existing data are then continuously updated and act as a basis for monitoring the achievement of objectives and steering of the process.

**Selecting the mix of methods:** Many different methodological approaches exist for analysing the value creation system. Different methods make sense, depending on the precise information to be gathered. It is therefore advisable to start by listing the key information to be recorded and selecting a suitable collection method. Taking account of costs and benefits, this can be used as a basis for identifying a pragmatic mix of methods.



## The four most important analytical methods

### Secondary analysis: a good way to start

Secondary analyses draw on data from existing studies and surveys. The potential sources of data are diverse and the effort involved in finding and reviewing suitable sources should not be underestimated. Secondary analysis offers a good starting point for obtaining an overview of the information already available on the relevant questions and identifying gaps in information. Table 4 gives an overview of possible data sources for secondary data analysis.

**Table 4: Data sources for secondary analysis**

Data sources for the tourism value chain	Sources of economic data	Sources of environmental data
<ul style="list-style-type: none"> <li>• Ministries of Tourism and Trade</li> <li>• National tourist authority/marketing organisation</li> <li>• UN World Tourism Organization (UNWTO)</li> <li>• World Travel and Tourism Council (WTTC)</li> <li>• National Statistical Offices/Tourism Satellite Accounts (TSAs)</li> <li>• Tourism associations and private sector interest groups</li> <li>• Chambers of Trade and Industry/business associations</li> <li>• Regional development banks</li> <li>• Investment agencies/banks</li> <li>• Tourism companies: Annual reports and financial statements</li> <li>• Tourist information offices</li> <li>• Customs authorities</li> </ul>	<ul style="list-style-type: none"> <li>• UN World Tourism Organization (UNWTO)</li> <li>• World Travel and Tourism Council (WTTC)</li> <li>• Ministries of Tourism and Trade</li> <li>• National Statistical Offices/Tourism Satellite Accounts (TSAs)</li> <li>• Chambers of Trade and Industry/business associations</li> <li>• Systems of National Accounts (SNAs)</li> <li>• Regional development banks</li> <li>• Investment agencies/banks</li> <li>• Trade and development organisations/donors</li> <li>• Tourism companies: Annual reports and financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Food and Agriculture Organization of the United Nations (FAO)</li> <li>• Ministries of the environment</li> <li>• Regulatory authorities</li> <li>• Environmental/agricultural associations</li> <li>• National environmental accounts</li> <li>• Energy and water companies</li> <li>• Waste disposal companies</li> <li>• Tourism companies: Sustainability and CR reports</li> <li>• Non-governmental and nature conservation organisations</li> <li>• Reports on the state of the environment</li> <li>• Suppliers of equipment (e.g. product specifications/energy efficiency assessments, environmental product declarations, life-cycle analyses, etc.)</li> </ul>

Source: Based on UNEP, 2019

Others potential data sources include conference presentations and reports, technical databases, academic and market research studies and media reports.

### Workshops: Pooling knowledge and enhancing acceptance

A whole range of information can be effectively identified at a workshop, especially on issues of product quality and cooperation within the value network. During a workshop, the existing knowledge about the value chain can be pooled and at the same time an opportunity can be provided to exchange information or reach a consensus if participants are of different opinions. A workshop is therefore more than just a tool for collecting data; it also serves to involve actors and enhance the acceptance of findings.

### Company survey: Targeted data collection

Conducting a written survey of companies is an effective collection instrument for data that need to be examined at the level of individual provider groups in the value chain. A company survey makes it possible to collect economic data in particular, as well as information on the environmental and socio-cultural impacts at company level. It may make sense to focus on individual segments of the value chain, e.g. if one of the questions is particularly relevant there. A survey on the subject of food waste might be restricted to catering establishments and food retailers, for instance. The participation rate is a critical point when conducting company surveys. Small and medium-sized enterprises in particular have limited resources for taking part in surveys or prefer not to share their data. When designing the questionnaire, care should be taken to ensure it is feasible for companies, both in terms of the scope of the survey and in terms of the questions it asks.

### Guest survey: Capturing the customer perspective

Guest surveys can be used to collect information about the wishes, needs and requirements of guests, how they obtain and use information, their travel preferences, and their satisfaction levels. This information is vital both for product development and marketing. When examining the value chain, it is also interesting to look at how guests spend their money: How much money do they spend at the destination and where does it go? In order to generate reliable data using a guest survey, the survey needs to be designed on a sound scientific basis. It is far from easy to collect data on guests' spending behaviour. An experienced institute or advisor should therefore be consulted before the survey is conducted.

**Note:** GIZ has developed the **Participatory Rapid Destination Appraisal (PRaDA)** to effectively analyse tourist destinations from the development cooperation perspective. The existing need for action is determined after analysing the status quo together with partners and stakeholders, and recommendations are made for development measures.  
(Further information: [tourismus@giz.de](mailto:tourismus@giz.de))

## Step 4: Defining objectives

Each value network needs objectives to guide and motivate stakeholders. Objectives must be defined in a participatory manner with those actors who are to contribute to their achievement. This is the only way to define consensual objectives with which all stakeholders can identify.

**Note:** Ideally, the system of objectives is embedded in the system of the destination, and fleshes out the objectives at the level of the value network.

### Role of development cooperation

The participatory development of objectives and the identification of projects and measures based on them help to strengthen civil-society participation. If only for this reason, supporting the corresponding processes during interventions is a key concern of development cooperation. Beyond this, stakeholders are supported in systematically developing the tourism value chain and thus in promoting regional value added in the holistic sense of the term. Ensuring that economic, environmental and socio-cultural objectives are in harmony with each other is an important task that development cooperation actors can assume in this connection (see Value Links 2018, p. 3 ff).

### Four hierarchical objective levels

The system of objectives has a hierarchical structure. While the vision, basic principles and overarching objectives provide fundamental guidance, the operational objectives point to specific entry points for measures.

1. The **vision** describes a desirable image in the future. It offers actors long-term orientation and motivates them to actively contribute to shaping the value chain. For this, the vision should be ambitious but not unrealistic. One example: 'By 2030 we will be the country's top hiking destination'.
2. The **basic principles** describe the underlying values and principles that apply when shaping the value chain. These may be communication principles, e.g. 'Transparency', cooperation principles such as 'fairness', or operational principles such as 'sustainability'.
3. The **overarching objectives** define what is to be achieved on the whole by cooperating within the value chain. This involves formulating specific, measurable objectives that can later be used to measure the success of activities, e.g. 'increasing value added by 10%'.
4. The **operational objectives** describe what needs to be achieved with regard to specific fields of activity such as product development or marketing. They overlap directly with the development of solutions and projects.

## Box: Formulate SMART objectives

The value network requires specific shared objectives that are verifiable and can be used to measure the success of the given activities. The objectives should therefore meet the SMART criteria:

<b>S</b> pecific	Is the objective precisely and unambiguously worded?
<b>M</b> easurable	Can achievement of the objective be verified?
<b>A</b> tttractive	Is the objective motivating, demanding and positively worded?
<b>R</b> ealistic	Can the objective be achieved with the existing resources?
<b>T</b> ime-bound	Has a deadline been stated by which the objective should be achieved?

## Implementation: Overarching objectives of value-adding tourism development

Regional value added as a multidimensional target (see Section 1, Part 1) is an overarching objective in connection with promoting the value chain, especially if development cooperation organisations are involved. They must be fleshed out in the system of objectives and made verifiable. Table 5 shows examples of measurable indicators for assessing the achievement of objectives.

Table 5: Overarching objectives of value-adding tourism development (examples)

Overarching objectives	Specification
Increasing economic value added	<ul style="list-style-type: none"> <li>• Increasing tourism <b>sales/turnover</b> from tourism</li> <li>• Increasing the <b>number of overnight stays</b></li> <li>• Extending the <b>length of stay</b></li> <li>• Increasing the number of tourism <b>start-ups</b></li> <li>• <b>Integrating regional companies into the tourism value chain</b></li> <li>• <b>Integrating regional companies into supply chains</b></li> </ul>
Optimising the environmental impacts of tourism	<ul style="list-style-type: none"> <li>• Reducing <b>emissions (CO<sub>2</sub>, water, noise)</b></li> <li>• Reducing <b>resource consumption</b> (energy, land, water)</li> <li>• Reducing the <b>amount of waste</b></li> <li>• Optimising the <b>eco-balance</b> of tourism companies</li> </ul>
Improving the socio-cultural impacts of tourism	<ul style="list-style-type: none"> <li>• Balanced <b>relationship between tourists and the local population</b></li> <li>• Increasing <b>tax revenue</b> from tourism</li> <li>• Increasing the number of <b>jobs</b></li> <li>• Increasing the number of <b>trainees</b></li> <li>• Increasing the average <b>wage level</b></li> <li>• <b>Equal pay</b></li> <li>• Enhancing the local population's <b>life satisfaction</b></li> </ul>

### Implementation: Operational objectives of value-adding tourism development

Table 6 contains examples of specific objectives for different fields of activity. Here too, the overarching objective of increasing regional value added in its economic, environmental and social dimension is incorporated and is fleshed out at operational level. Development projects can use the examples as an inspiration for the results that can be achieved by a participatory process for developing objectives.

Tab. 6: Operational objectives of value-adding tourism development (examples)

Operational objectives	Specification
Improving product quality	<ul style="list-style-type: none"> <li>• Increasing the <b>number of companies with quality certification</b></li> <li>• Increasing the number of companies certified <b>in line with environmental standards</b></li> <li>• Increasing the <b>willingness-to-pay for tourism products</b></li> <li>• Increasing <b>participation in training courses</b></li> <li>• Increasing <b>guest satisfaction</b></li> </ul>
Optimising communication and marketing	<ul style="list-style-type: none"> <li>• Increasing <b>awareness</b> of the destination</li> <li>• Increasing <b>participation in training courses</b></li> <li>• Increasing the number of <b>followers</b> on social platforms</li> <li>• Increasing the <b>number of users</b> of digital offerings (e.g. apps)</li> </ul>
Optimising cooperation and processes	<ul style="list-style-type: none"> <li>• Coordinated <b>event planning</b></li> <li>• Coordinated <b>opening hours</b> (e.g. in catering establishments)</li> <li>• <b>Mutual recommendation</b></li> <li>• <b>Promoting the circular economy</b></li> </ul>
Modifying basic principles and framework conditions	<ul style="list-style-type: none"> <li>• More <b>funding for DMOs</b></li> <li>• <b>Raising the population's awareness for tourism</b></li> <li>• Closing gaps in the <b>network of hiking trails</b></li> </ul>
Promoting sustainable mobility	<ul style="list-style-type: none"> <li>• Reducing the <b>proportion of air travellers</b></li> <li>• Increasing the <b>number of people who offset transport-related CO<sub>2</sub> emissions</b></li> <li>• Increasing the number of users of <b>local public transport systems</b></li> </ul>

## Step 5: Developing solutions

Last but not least, the aim is to identify solutions that make an effective contribution to achieving the strategic objectives. In order to select the right solution from the panoply of possible options, a systematic procedure must be adopted. Here too, it is particularly important to involve stakeholders because they are the ones who will assume responsibility for applying the chosen solutions.

### The way to find specific solutions

The following participatory process has proved its worth in development cooperation practice.

#### 1. Collect solutions

The first step is to collect ideas and proposals for achieving the objectives already established. The operational objectives are the ideal basis for a structured procedure.

**Note:** At this point it is useful to leave plenty of scope for innovation and creativity, rather than focusing too strongly on feasibility. Sometimes even what seems a 'crazy idea' may lead to a good solution or even an innovation.

#### 2. Assess solutions

Suitable solutions now have to be selected from the pool of ideas and proposals. Effectiveness and feasibility are the guiding criteria at this point.

##### Key questions regarding effectiveness

- Does the idea comply with the formulated principles?
- How far does it go towards achieving the vision?
- How far does it go towards achieving the overarching objectives?
- How far does it go towards achieving the operational objectives?
- To what extent does the idea contribute to the intervention's objectives?

##### Key questions regarding feasibility

- Are framework conditions in place for implementing the idea (e.g. regulatory framework for planning)?
- Does the idea comply with the public funding guidelines for development cooperation?
- How complex is the project?
- Can visible results be achieved fast?
- How high are the costs?
- How can these be financed?

These key questions can initially be addressed intuitively, as can the assessment of ideas, e.g. by sorting the ideas into a matrix in which the axes are defined as ‘effectiveness’ and ‘feasibility’ (see Fig. 13).

Figure 13: Portfolio for supporting the selection of solutions

FEASIBILITY	High	Success can be achieved fairly easily and quickly with these ideas. Even if individual measures do not have a great deal of impact, many small measures can still achieve something.	These measures are extremely effective and should definitely be implemented.
	Low	These projects use up too many resources and are not very effective. They should not be pursued.	Large and very effective projects are often difficult to implement. Here it must be carefully considered whether or not the project should be pursued.
		Low	High
		EFFECTIVENESS	

### 3. Find care-takers

Even if all key questions concerning impact and feasibility can be answered positively, whether or not an idea can be put into practice depends on whether there is an individual or institution that can assume responsibility for it. Only ideas, projects and measures that have a care-taker can be implemented. If the idea matches the project objectives and guidelines for the development intervention, development cooperation actors can assume the role of steward. However, thought should be given from the outset as to how the tasks will be consolidated when the development intervention is completed.

### 4. Plan implementation

The selected measures are then incorporated in a binding plan of measures that also attributes responsibilities and sets out the time schedule. Please remember, the more detailed the description of the measures, e.g. using a ‘project map’ (see below), the better stakeholders can understand it, and the easier it is to monitor and steer its implementation.

**Note:** Scheduling the measures simultaneously sets priorities. It should be kept in mind that early success is very important for consolidating the value network. Nothing succeeds like success. This applies both to the value chain perspective and the perspective of the development intervention. That is why you should start by implementing promising measures that can be realised simply and rapidly.

**Project map: Ideas workshop on the circular economy**  
**Stewards: Development cooperation actors**

Content	Contribution to the achievement of objectives
<ul style="list-style-type: none"> <li>• Conducting a workshop lasting several days to develop and assess business ideas for strengthening the circular economy related to tourism</li> <li>• Interaction of interdisciplinary participants from different sectors</li> <li>• Elaborating business models using the business model canvas</li> <li>• Determining the need for support</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting regional value added</li> <li>• Promoting the circular economy</li> <li>• Minimising the environmental load of tourism</li> <li>• Promoting entrepreneurship</li> </ul>
Project steps and scheduling	Stakeholders
<ul style="list-style-type: none"> <li>• Plan the project</li> <li>• Involve partners</li> <li>• Secure funding</li> <li>• Recruit participants</li> <li>• Organise implementation</li> <li>• Implementation</li> <li>• Follow-up, support for start-up projects</li> </ul>	<ul style="list-style-type: none"> <li>• Partners: Economic development agencies, tourism organisations</li> <li>• Workshop participants: e.g. international recycling companies, small and large hotels, regional waste management companies, economic development agencies</li> </ul>

Senior Leaders

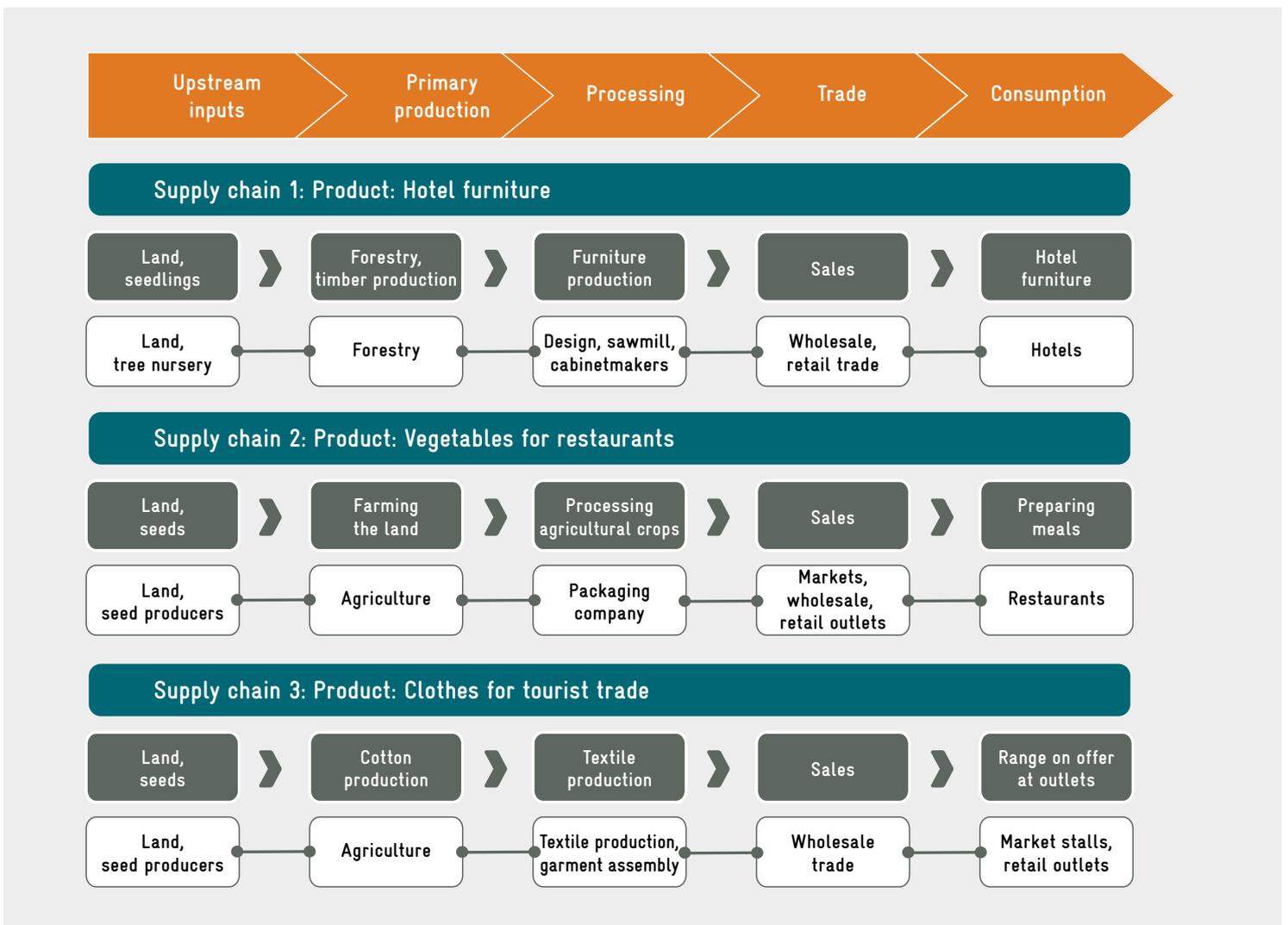
Approach:  
Developing supply chains

3



Promoting regional supply chains offers great potential for increasing regional tourism value added. Supply chains are services that tourism providers need to buy in in order to create the tourism product. Once again, we would like to point out that the more suppliers at the various levels of the value chain come from the region itself, the greater the proportion of revenue from tourism that remains in the region and can generate income opportunities and employment there.

Figure 14: Outline of selected supply chains in the tourism value creation system





Depending on the objectives and framework conditions of an intervention, development projects have two possible entry points for promoting supply chains:

1. **Projects that are directly related to tourism** can use an analysis of the tourism value creation system to identify and shape those supply chains that have special potential for increasing regional value added.
2. **Projects that are not directly related to tourism** can analyse the tourism market for the specific product or service on which the intervention focuses and support the establishment of business relations from the outside.

The greatest impact can undoubtedly be achieved by systematically examining the tourism value creation system for potential to enhance regional value added. The first step is to **select the right supply chains** based on relevant analyses. In development cooperation practice, though, an outside perspective is often taken, e.g. when the intervention focuses on a neighbouring sector (such as agriculture) and its specific services. In this case, the process starts with a **market analysis** giving special consideration to the potential that tourism offers for sustainable development.

### Assessment and selection of potential supply chains

If projects directly related to tourism are to achieve optimum impact, there is a need to identify those supply chains that include many suppliers from outside the region as well as those that have huge and so far untapped potential for business relations within the region. The starting point is an analysis of the tourism value creation system (see Guidelines, [Step 3: Analysing the value chain](#)). Information from the analysis forms the basis for assessing various potential supply chains.

The decision matrix helps to make the selection (see Table 7). The supply chains are compared based on assessment criteria. The aim is to identify those supply chains that have special potential for increasing regional value added.

#### Selection criteria

The greater the value added that flows out of the region and the more regional suppliers are able to provide these services instead, the greater is the potential of a supply chain to increase regional value added. The framework conditions can be taken into consideration when selecting the supply chains, as well as the opportunities open to the development cooperation interventions to provide support. Another crucial factor for success is the existence of stakeholders who are actively involved in shaping the supply chain.

**Note:** The same motto applies to assessing the supply chains: 'It's better to be roughly right than perfectly wrong!' Often, less effort is involved and better results are obtained if several individuals ('hive mind') make a holistic qualitative assessment of the criteria than if a precise measurement is performed using quantitative criteria.

Table 7: Decision matrix based on three exemplary supply chains

Topics and key questions	Weighting in %	Assessment 2 = fairly positive, 1 = neutral, 0 = fairly negative		
		Furniture	Vegetables	Clothing
How much value added is currently leaving the region? Or, to put it more positively: How much value added can potentially be brought into the region?	20%	1	2	1
How great are the growth prospects for the product?	10%	1	0	2
Are there regional providers of services or products in the value chain?	20%	2	2	2
How attractive are the services as compared to competitors?	5%	1	2	1
Would it be possible to achieve positive environmental or social impacts by shaping the supply chain?	20%	1	2	2
Are there specific opportunities for developing the supply chain, e.g. an ongoing support programme?	10%	0	2	0
Are there stakeholders who would help shape the supply chain?	15%	2	2	1
<b>Unweighted points</b>		<b>8</b>	<b>12</b>	<b>9</b>
<b>Weighted points</b>		<b>1.25</b>	<b>1.8</b>	<b>1.4</b>

**Market analysis for selected products or services**

Market analysis is an essential step in order to be able to identify specific strategies and measures to promote the supply chain. This is true whether a development project is directly related to tourism or whether it comes in from the outside. The aim is to obtain knowledge of the relevant markets, i.e. the conjunction of supply and demand for the service in question. The findings of the market analysis help to prepare for decision-making both in terms of strategy and implementation. Table 8 provides an overview of relevant questions as part of the analysis.

**Table 8: Key questions for the market analysis**

Key questions	Aspects
<b>Is there a target market for tourism and how could it be described?</b>	Market size, growth prospects, trends, market success factors, conditions for access to the market
<b>Who will be the target group and what does it want?</b>	Wishes, needs, motives, how the target group obtains information, decision-making behaviour
<b>Who are the competitors and what characterises them?</b>	Relevance of competitors (current, future), market shares, strategies, strengths, weaknesses, products
<b>Which product is to be sold and what is special about it?</b>	Main features, USP, strengths, weaknesses, prices

Source: Table produced by the authors based on Schubert, D., Bühler, J., 2018



**Tool: SWOT analysis**

The **SWOT analysis** is particularly useful in the next step. This involves taking a look both at the strengths and weaknesses, and the **opportunities and risks** of a product. As an in-depth analytical tool, it combines and consolidates the findings of the market analysis and offers the opportunity to examine specific questions that arise in the context of the individual development project. The outcome of the SWOT analysis is a compact overview of information and arguments that are important for designing products and supply chains. Table 9 shows the key questions involved in a SWOT analysis.

**Table 9: Key questions for the SWOT analysis of a product**

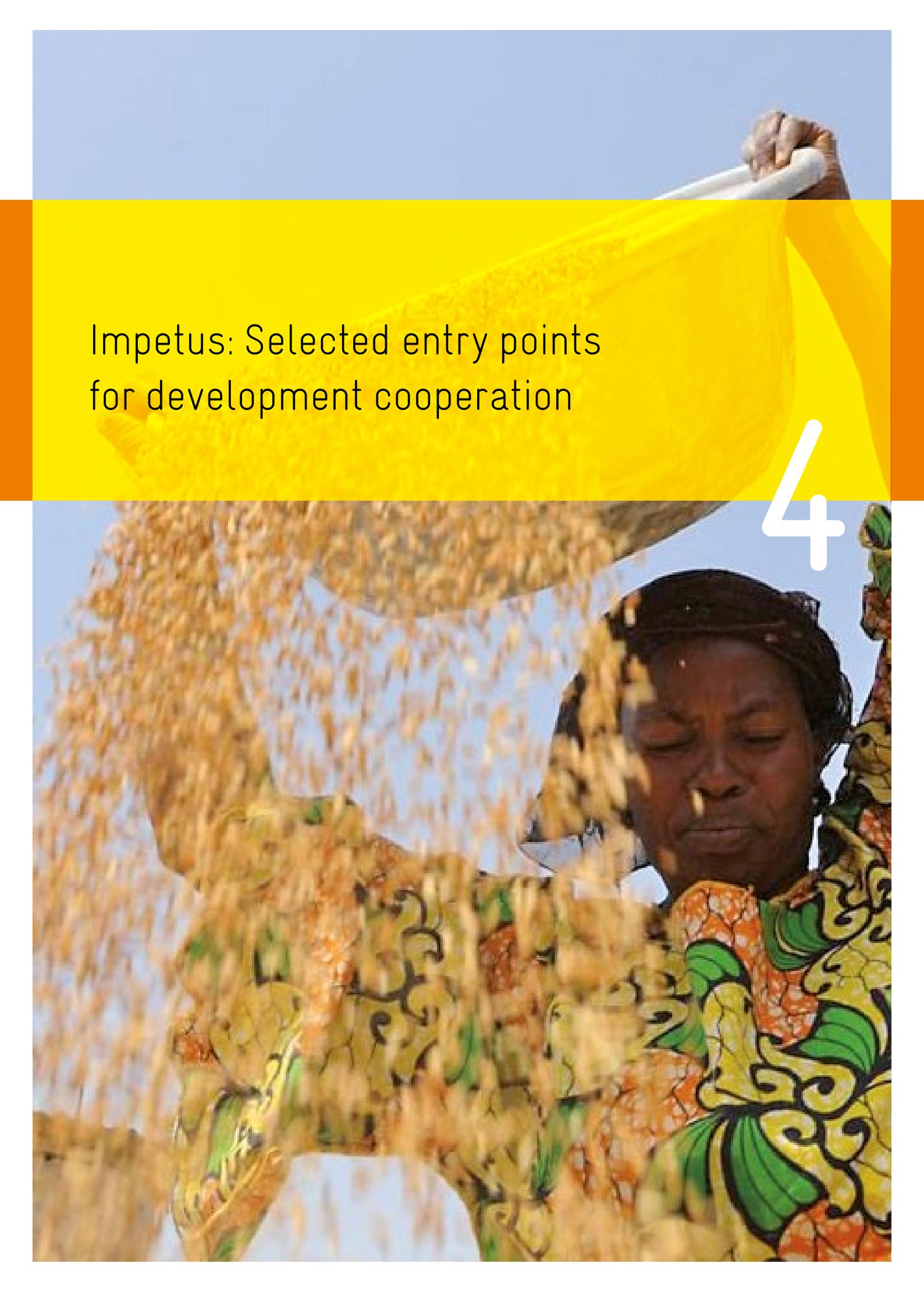
Strengths	Weaknesses
With regard to: the product, image, marketing, organisation, management	
<ul style="list-style-type: none"> <li>› What are we especially good at?</li> <li>› What are our core competencies and unique selling points?</li> <li>› What can we do better than our competitors?</li> </ul>	<ul style="list-style-type: none"> <li>› What are the central deficits/bottlenecks?</li> <li>› What do our competitors do better than us?</li> <li>› What impedes our cooperation?</li> </ul>
Opportunities	Risks
With regard to: the market, customers, competition, politics, economic situation, technology	
<ul style="list-style-type: none"> <li>› What customer needs can we fulfil?</li> <li>› Where are there new opportunities in the product environment?</li> <li>› What opportunities can be expected in coming years due to market developments?</li> <li>› What opportunities do development programmes or projects offer?</li> </ul>	<ul style="list-style-type: none"> <li>› Where can risks be seen in the product environment?</li> <li>› What risks must we expect if we think about development of the product over the next few years?</li> </ul>

**What's next?**

All things considered, supply chains are also value chains. The process of selecting the supply chain and analysing the market is therefore similar to that in the tourism value chain. This means it is not absolutely necessary to look at the entire supply chain from raw material to the finished product. Relevant impact can often be achieved by shaping the second level of the value chain. This is also where there is a direct interface with the tourism sector.

**Further steps for shaping the supply chain:**

1. **Setting up networks:** Partners must be identified, responsibilities clarified and stakeholders involved.
2. **Analysis:** The value chain must be analysed in a targeted manner. This analysis should be guided by the increase in regional value added and the aim of optimising the environmental and socio-cultural impacts.
3. **Defining objectives:** Specific and measurable objectives must be defined that are to be achieved with the help of common strategies and activities and that correspond to the objectives of the intervention.
4. **Solutions:** The most effective solutions, projects and measures should be identified, against the backdrop of the (development) objectives and on the basis of the analysis.

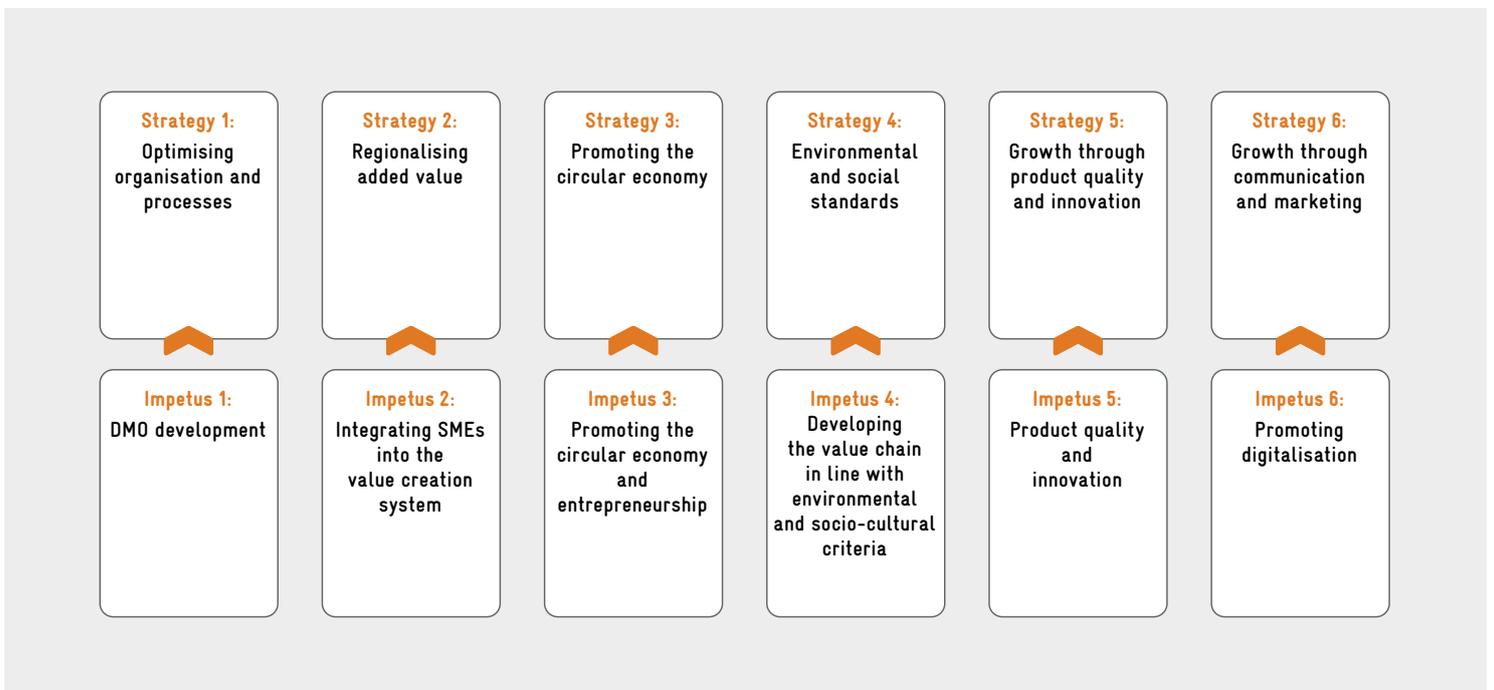
A woman in a vibrant, patterned dress is shown from the chest up, pouring a large quantity of golden-brown grain from a bright yellow plastic container. The grain is captured in mid-air, creating a dynamic, cascading effect. The background is a clear, bright blue sky. The image is framed by a yellow horizontal band at the top and an orange vertical band on the right side.

# Impetus: Selected entry points for development cooperation

4

As well as systematically designing the tourism value chain and supply chains, development cooperation actors can provide impetus for promoting regional tourism value added on a case by case basis, and thus achieve their own project objectives. The final section presents six proposals (forms of impetus) for shaping interventions with special potential for achieving impact. These interventions build on the value creation strategies presented in Section 1 and are designed giving consideration to the specific competencies of development cooperation. Fig. 15 provides an overview of the connection between the value creation strategies and the impetus provided.

Figure 15: Value creation strategies and entry points for development cooperation to promote regional tourism value added



This section discusses various types of intervention. Some types of impetus are directed towards projects that are primarily related to tourism, while some concern projects that are seeking to interface with tourism from the outside.

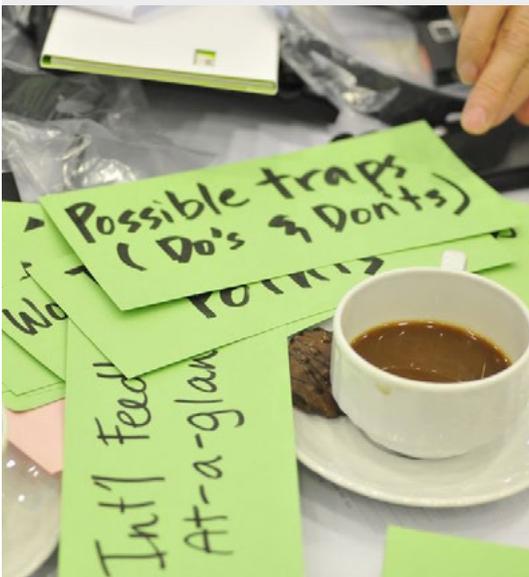
## Impetus 1: DMO development

The targeted design of tourism value creation processes requires coordination and management as well as a variety of support functions. Ideally, these functions are combined within an efficient DMO at meso level (see Section 1, Part 4). The DMO's task is to develop and market tourism in the region in line with the tenets of sustainability. The value chain concept is useful in this regard. Existing DMOs are therefore important partners for development cooperation when it comes to implementing interventions based on value chains. These structures, however, are often rudimentary in developing countries and emerging economies. It is therefore important to develop such structures, also with an eye to consolidating measures to promote the regional value added of tourism. This is where development projects can make a key contribution by initiating and supporting processes to set up DMOs.

GIZ's handbook 'Destination management in developing and emerging countries' (2019) provides detailed guidelines for doing so.

Objectives	Possible procedure
<ul style="list-style-type: none"> <li>• Creating the organisational conditions for long-term tourism development geared to adding value</li> <li>• Consolidating the tasks of development cooperation, thereby ensuring that interventions have a lasting impact</li> <li>• Target group: Public authorities at regional or national level, existing tourism organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Analysing the status of organisational frameworks at the destination</li> <li>• Initiating a participatory process to develop efficient DMO structures</li> <li>• Analysing the destination's competitiveness</li> <li>• Establishing the destination strategy</li> <li>• Developing a destination management concept</li> <li>• Implementing and strategically supporting the DMO</li> </ul>

### Good practice DMO development



#### Setting up DMOs in Indonesia

Indonesia is an example for the targeted establishment of several DMOs. Initiated by the Indonesian Ministry of Tourism and supported by Swisscontact, four DMOs have been set up since 2009 that are responsible both for tourism development and for marketing.

The results achieved illustrate the potential impact DMOs can have, especially when they cooperate with each other. One example is the programme to improve service quality that is implemented locally by a large pool of qualified trainers and experts. The programme includes coaching and toolkits for professionalising tourism enterprises and helping them develop the range of services they offer.

For more information: [www.bit.ly/2R1yYHe](http://www.bit.ly/2R1yYHe)

## Impetus 2: Integrating SMEs into the tourism value creation system

The fact that the potential regional suppliers are small and medium-sized enterprises and the tourism sector itself is made up of such enterprises presents a particular challenge when it comes to regionalising tourism value added in developing countries and emerging economies. Enterprises frequently operate on a subsistence level and have neither the time nor the technical resources to cooperate professionally. Here, development cooperation organisations, with their mandate to promote sustainable economic development, can forge links and develop solutions for shaping business relations.

Objectives	Possible procedure
<ul style="list-style-type: none"> <li>• Creating market access for SMEs from neighbouring sectors</li> <li>• Increasing value added by integrating regional companies into the tourism value creation system</li> <li>• Target group: SMEs from neighbouring sectors such as agriculture and crafts, and tourism enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• (Market) analysis of potentials and obstacles to cooperation between SMEs and tourism enterprises</li> <li>• Weighing up the opportunities and risks posed by cooperation arrangements</li> <li>• Identifying strategies to tap the market, e.g. end customer strategy or business-to-business strategy</li> <li>• Possible solutions, e.g. tailoring the product to market requirements or combining marketing activities for providers</li> <li>• Piloting solutions and evaluating their effectiveness</li> <li>• Consolidating ongoing tasks by establishing organisational structures and designing processes</li> <li>• Transferring successful solutions</li> </ul>

## Good practice Shaping supply chains



### Linking up regional crafts with the tourism value chain in Laos

Luang Prabang night market is one of the five main tourist attractions in Laos. The problem is that most of the merchandise consists of cheap imports from China and Vietnam. This means most of the tourism value added goes abroad.

The EU Switch Asia Project entitled 'Luang Prabang Handle with Care' therefore aimed to make regional crafts products market-ready and to integrate them into the tourism value chain. The underlying thought was also that regional products from individual village artisans are more authentic and of higher quality.

The project was based on the collaborative development of prototypes. To develop products that are in demand among tourist target groups, the project brought the local microbusinesses into contact with international designers. The products that proved suitable for the market based on market tests were described in detail in catalogues, training concepts and videos.

The aim was to share the generated knowledge and to produce large numbers of items with support from many different factories. Marketing, distribution and the related logistics processes were the critical factors for success, alongside product design, with which producers needed assistance.

For more information:  
Luang Prabang Handicraft Association /  
[tourismus@giz.de](mailto:tourismus@giz.de)

## Impetus 3: The circular economy and entrepreneurship

The core aim of this intervention is to identify specific regional potential for promoting the circular economy in connection with tourism and to identify solutions that are effective and feasible (see Section 2 Step 5). Ideally, this will lead to new, innovative business models and start-ups in the region, as described below in GIZ's *lab of tomorrow* project. Development cooperation organisations can provide effective support especially for promoting technology-based business models in the field of renewable energy, reuse and recycling, by networking local enterprises with international partners.

Objectives	Possible procedure
<ul style="list-style-type: none"> <li>• Reducing resource consumption and emissions</li> <li>• Increasing economic value added by creating new business models and thus generating employment</li> <li>• Target group: Public authorities at regional or national level, existing tourism organisations, providers of tourism services, potential start-ups</li> </ul>	<ul style="list-style-type: none"> <li>• Developing an expedient method for identifying potential, which answers the following questions:                             <ul style="list-style-type: none"> <li>• Where can renewable raw materials and energy be used instead of finite resources?</li> <li>• Which physical tourist goods can be made to last longer?</li> <li>• How can maintenance and repair extend the service life of physical goods used by tourism companies?</li> <li>• How can physical goods be upcycled, reused or recycled?</li> </ul> </li> <li>• Identifying and assessing business and project ideas for implementing the circular economy in tourism, e.g. as part of a start-up competition</li> <li>• Promoting business ideas and implementing and evaluating (model) projects</li> </ul>

## Good practice

### The circular economy and entrepreneurship



#### Using innovative business models to reduce plastic waste in Thailand

Thailand is the largest consumer of plastic in Southeast Asia, with a consumption of 40 kilograms of plastic per capita and year. Ninety per cent of the plastic used is not recycled. Most of it lands up in the sea and makes Thailand the sixth largest polluter at global level. There is therefore an urgent need for action in order to comply with the Sustainable Development Goals (SDGs). The GIZ project Advance SCP (Advancing and measuring sustainable consumption and production) and the GIZ *lab of tomorrow* therefore jointly launched an innovation process.

In mid-September, over 60 representatives of more than 40 organisations met at a four-day innovation workshop in Bangkok to develop sustainable business models to reduce single-use plastics. In eight interdisciplinary teams, participants from large corporations such as TUI and BASF worked together with those from medium-sized enterprises and start-ups, and research and civil society organisations. Coaches helped them fuse their expertise and find innovative solutions using design thinking and business design methods. The teams with the most promising concepts will receive further support from experts in coming months to realise their business ideas and pilot their products on the market. The ideas include a packaging-free system for food delivery services; a social enterprise that cooperates with major markets to increase the popularity of recycled materials; a bonus system for reusing coffee cups; a consulting firm for sustainability in the tourism sector; a deposit system that uses innovative recycling methods, and a machine that sells unpackaged rice.

If these ideas are put into practice, this will have a positive influence on value added in a number of ways: increased guest satisfaction, support for the circular economy and employment based on new business models.

For more information: [www.lab-of-tomorrow.com/node/161](http://www.lab-of-tomorrow.com/node/161)

## Impetus 4: Developing the value chain in line with environmental and socio-cultural criteria

The value chain is an ideal analytical, planning and design tool for optimising the environmental and socio-cultural impacts of tourism. With support from this tool, the environmental and socio-cultural impacts can be systematically recorded and the major levers identified that can help improve the situation on a sustainable basis. The foundation for this is provided by the analysis of the environmental and socio-cultural impacts of tourism along the value chain. Here, development cooperation actors can help to provide a robust data basis through targeted analysis of the value chain. This can then be used to identify effective solutions. Over and above this, development cooperation can support all sustainable tourism product development, as demonstrated by the example of agrotourism in Kyrgyzstan.

Objectives	Possible procedure
<ul style="list-style-type: none"> <li>• Minimising the environmental burden of tourism</li> <li>• Optimising the socio-cultural impacts of tourism</li> <li>• Target groups: public authorities at regional or national level, municipalities, existing tourism organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Analysing the environmental impact (e.g. resource consumption, CO<sub>2</sub> emissions, waste production) along the value chain</li> <li>• Analysing the socio-cultural impacts (e.g. number of employees, percentage of women employed, wage level) of the services along the tourism value chain</li> <li>• Identifying and assessing the potential for optimisation, e.g. at workshops with tourism companies</li> <li>• Developing solutions, ideally based on the market economy</li> <li>• Supporting the implementation of solutions, possibly as part of model projects</li> </ul>

## Good practice Sustainable tourism



### Agrotourism in Kyrgyzstan

The GIZ project Promoting Sustainable Economic Development in Kyrgyzstan focused on promoting farms and their services.

The development of agrotourism services was identified as a suitable solution for achieving the set objectives. Agrotourism combines rural tourism with agricultural offerings and addresses an environmentally aware group of individuals who enjoy nature.

Key components of the development project included training farmers as hosts, providing water and electricity to yurt camps using few resources and low emissions, and taking steps to avoid waste.

This resulted in a sustainable offering for tourists in line with their needs. At the same time, it created a new source of income for the farms involved and tapped into an additional market for their (organic) agricultural produce.

**For more information: GIZ Kyrgyzstan**

## Impetus 5: Promoting quality infrastructure, product quality and innovation

The tourism product is created by the interaction of a large number of actors along the value chain. The higher the quality of the individual service components and the better the individual services are dovetailed, the better the quality of the product as a whole. The wishes, needs and perception of the target groups are always the yardstick for assessing quality. For quality-oriented tourism development it is thus important to become familiar with their perspective.

There are several tried and trusted tools that help to systematically develop and assure quality in the tourism sector, especially

- **classification systems**, such as the traditional method of awarding stars,
- **quality labels** for specific areas or themes, such as the Criteria for Destinations by the Global Sustainable Tourism Council (GSTC) or the Fair Trade Tourism sustainability label,
- **quality management approaches** like the Swiss Q programme that has been developed especially for the tourism sector,
- **training programmes** like UNWTO.QUEST for professionalising DMOs.

Objectives	Possible procedure
<ul style="list-style-type: none"> <li>• Enhancing the satisfaction of customers, and increasing the likelihood that they will recommend the destination to others and visit it again themselves</li> <li>• Increasing the saleability of products</li> <li>• Creating purchasing incentives by ensuring product quality in line with needs</li> <li>• Target group: Tourism service providers along the value chain</li> </ul>	<ul style="list-style-type: none"> <li>• Introducing a guest survey to gauge guests' satisfaction with their stay and with individual services</li> <li>• Promoting quality standards giving consideration to existing certification schemes and individual aspects of the value chain (e.g. typically regional aspects)</li> <li>• Developing product guidelines that offer providers basic knowledge, guidance and ideas for how they can apply the standards in their company</li> <li>• Developing and realising suitable training programmes</li> <li>• Integrating ongoing tasks (quality control, cooperation with certification organisations, training measures) into existing organisational structures</li> </ul>

**Good practice**  
**Product development****Developing new tourism destinations for greater value added in the Palestinian territories**

Growth, and with it added value, can be generated by providing new offerings to existing target groups. This strategy has, for example, been applied in exemplary fashion as part of a project operated by the Mosaic Centre Jericho with the Italian NGO Associazione pro Terra Sancta.

The starting point was the fact that tourist activities and the related value added focused almost entirely on the Bethlehem region, despite growing demand elsewhere. The aim was therefore to open up other regions by developing basic tourist structures for existing target groups. This strategy was implemented by setting up networks of tourism providers at various locations in the Palestinian territories (community-based tourism).

This gave rise to tourism offerings that are spread out over a large area and consistently designed with an eye to sustainability. This includes linking up local producers, e.g. from agriculture or the crafts sector, with the tourism value chain. The 'Mosaic Tourism' brand now combines these different offerings and has found a market thanks to targeted marketing activities. The outcome is that a range of demand-driven services has been added to the existing spectrum in the Palestinian territories, and has enhanced the value added of tourism.

**For more information: [www.mosaictourism.ps](http://www.mosaictourism.ps)**

## Impetus 6: Promoting digitalisation

Development cooperation can provide particularly effective impetus in the field of marketing and distribution by helping actors at the destinations (tourism organisations and companies) to tackle the challenge of digitalisation. Development projects can address this topic **holistically and systematically**, starting with a situational and needs analysis and going on to planning and implementing solutions, as outlined in the following table. Or they can focus on selected key projects such as the **promotion of digital distribution channels** (see good practice example [www.awake.travel.com](http://www.awake.travel.com)) or the **development of training programmes** that enable SMEs to market their services online using state-of-the-art websites.

Objectives	Possible procedure
<ul style="list-style-type: none"> <li>• Enhancing guest satisfaction by improving the availability of data on the tourism services offered</li> <li>• Increasing turnover from tourism by professionalising digital marketing</li> <li>• Target group: Tourism organisations, tourism companies</li> </ul>	<ul style="list-style-type: none"> <li>• Status analysis related to digitalisation (what is the status quo of the destination and of the service providers?)</li> <li>• Determining the need for action in terms of training and data infrastructure, digital products (e.g. apps) and digital marketing tools (e.g. stakeholder platforms)</li> <li>• Planning and implementing targeted measures in cooperation with the actors</li> </ul>

## Good practice

### Growth through communication and marketing



#### Online platform for sustainable travel in Colombia

Small and medium-sized tourism providers in developing countries and emerging economies are often out of their depth when it comes to finding the right marketing channels on the internet. They have no way of standing out among the huge range of services offered by the large booking platforms, and the commission fees charged there also present an obstacle.

The Colombian platform [www.awake.travel](http://www.awake.travel) is an award-winning start-up project that managed to get off the ground with support from development cooperation actors. It is geared to the needs of small companies and provides targeted support for sustainable services. It sees itself as a market place for sustainable travel that combines authentic and individual experiences of nature, where travellers can book such services. It gives the hosts uncomplicated access to the internet. At the same time, by focusing on sustainable service offerings and cooperating with non-governmental organisations, it provides impetus for sustainable tourism development. Hosts without internet access can also be booked via [www.awake.travel](http://www.awake.travel). In this case, communication takes place via SMS or a call system.

**For more information:** [www.awake.travel](http://www.awake.travel)

# Afterword



Development cooperation organisations can use sustainable and responsible tourism in a variety of ways as an instrument for achieving sustainable development. One key approach presented in this manual is the active shaping of value chains at tourist destinations in partner countries. In this afterword we would like to add a few interesting thoughts to accompany you in your next steps.

### **Same, same, but different!**

The challenge when writing this manual was to give a general introduction to an issue that concerns very specific locations. Each development project operates in a highly individual context, especially in terms of partner structures and possible products for applying the value chain approach. For that reason, alongside a generally applicable structure, we have added a wide range of practical examples to offer you as many entry points as possible. By systematically analysing the steps in the customer journey and placing your own objectives within the wider value creation system of tourism, you should still be able to see the proverbial wood despite the number of trees.

### **Sustainable development through tourism is multi-faceted and works in practice.**

This manual provides a basis for understanding the structures and modes of operation of the tourism value creation system, and offers suggestions and guidance on how to design expedient interventions. As the examples presented have shown, there is a huge range of different services, products and interventions (e.g. value links) that can contribute to sustainable development and to achieving the goals of the 2030 Agenda within and through tourism. Apart from the value links approach, which starts by addressing systemic obstacles in the policy area or polity in order to promote sustainable and inclusive economic development, we also consider it expedient to integrate supply chains into development projects. Since the potential products and services are especially wide-ranging in this context, this manual can only hint at issues such as narrative branding, packaging or pricing. We expressly encourage you to continue exploring such concepts.

### **If at first you don't succeed, try, try again!**

Generally speaking, the value chain approach calls for an open-ended (product) development process that should be designed using creative and lean innovation methods, especially at the interface between tourism and development cooperation. The tourism sector is currently evolving from a mainly logistical industry towards a sector that is driven by technology and innovation. Many developing countries and emerging economies are currently leapfrogging ahead with highly innovative product approaches. Development cooperation actors are also increasingly trying out agile approaches, as the new terminology shows. Design thinking, rapid prototyping, kanban, fail fast & forward, narrative branding and sandboxing are cases in point. These concepts pop up at several places in this manual too. They are particularly recommended in order to use tourism effectively as a development-policy instrument.

We will be interested to hear how you use the tourism value chain for the purposes of development cooperation after reading this manual.

Team “Sustainable Development through Tourism”,  
Sector Project Cooperation with the Private Sector

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## ACRONYMS AND ABBREVIATIONS

BMZ	German Federal Ministry for Economic Cooperation and Development
DMO	Destination Management Organisation
GIZ	Deutsche Gesellschaft für internationale Zusammenarbeit
GSTC	Global Sustainable Tourism Council
SME	Small and medium-sized enterprise
UNEP	United Nations Environment Programme
UNWTO	United Nations World Tourism Organization
WTTC	World Travel and Tourism Council



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