



Business Models and Solutions for Sustainable Tourism Development

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1. SCOPE

This section examines business models utilized inby tourism businesses in the Orinoquia and options for the development of sustainable tourism development. It will note specific characteristics of businesses in the region and their impact potential impact on sustainable growth. The section concludes with a review of the business solutions common across the range of businesses required for continued competitive and sustainable tourism in the Orinoquia.

2. BACKGROUND

The development of the Orinoquia region has been significantly constrained as a result of the ongoing conflict. As the region prepares for increased development and economic growth, it will be necessary for enterprises to adapt to changing conditions in order to prosper. The anticipation of strong growth is attracting micro/small businesses with entrepreneurs keen to ride the wave of growth. This is particularly for tourism related businesses. The expectation that pent-up demand will stimulate visitor growth is strong.

A range of businesses engage in tourism in the Orinoquia. There is a base level of accommodation meeting the needs of business and government related travel. The sector can be expected to growth in line with general economic growth. Indeed, in some regions hit by declining productivity in the oil industry, there is some excess capacity of rooms that is stimulating market development activity in leisure markets. The GHL hotel in Yopal is an example of a lodging provider actively participating in the leisure travel cluster. In addition to this business travel foundation, there is a small base of tourism related products targeting the leisure travel market. The growth of leisure travel in the Orinoquia is the focus of this report.

Tourism businesses catering to the leisure market include businesses that provide tourism product directly to tourists including accommodation providers, guides and transportation providers. In addition, there are tourism-related businesses cafes and restaurants. The region also hosts tour

operators specializing in the region. Enterprises supporting tourism indirectly include artisans and locally sourced food providers.

3. BUSINESS MODELS FOR TOURISM IN THE ORINOQUIA

In general, there is a portfolio of business models in place in the Orinoquia. Several models, including social enterprises operated by foundations and community based tourism, are noteworthy as they focus on achieving both social and/or environmental goals in addition to economic benefits.

Micro and Small to Medium Enterprises - The majority of businesses in tourism are characterized as small to medium enterprises. This is true in the Orinoquia.

Supplemental Business – Farm Tourism -It is noteworthy that many of the businesses rely on tourism as a supplementary income source. This is particularly evident in the agriculture sector, with farmer seeking additional, non-traditional sources of income. The phenomenon has been observed across rural communities in both the developing and developed world. Many of the issues facing farm owners in the Orinoquia are similar to those faced in rural communities in the United States. The typology of these operations will be discussed in the next section.

The development of farm based tourism is an important development in the region. It is important to note that farm tourism utilizes several business models. The destination has a range of agritourism products including:

- **Farm Stays.** Farms providing accommodation and in some cases activities. These products tend to be located on larger farms and provide basic accommodation for birdwatchers, wildlife tourists and nature tourists. These products may provide activities in addition to accommodation providing a complete tourism experience. Alternatively they may work with local guides, tour operators in order to provide a complete visitor experience. While the relative importance of tourism to agriculture from a financial perspective differs significantly, these farm stays provide important hubs of tourism activity – stimulating economic benefits for the farm and its tourism supply chain. La Pedregosa (Vichada) and La Esperanza (Casanare)

It is noted that linear programming models discussed in this report address the potential attractiveness of supplemental farm tourism activities in flooded savannah.

- **Small Farm Visits:** In a number of locations across the region, small farmers are seeking to attract visitors. In areas including San Juan de Arama (Meta) and Agua Zul (Casanare), small operators are keen to provide tours of their operations and provide access to nature viewing. These farmers face significant product development and marketing challenges as they work to identify ways to integrate farming activities with their tourism based activities. In order to achieve their goals these businesses must cluster to provide attractive product offerings. Fortunately, many of these operators recognize the importance of collaborative activity. Groups of product are working together in Agua Zul to combine a variety of small farm

experiences with nature based tourism, local food suppliers and guides and create attractive “packages” suitable for market.

- **Farm-based attractions.** Villavicencio, with its relatively easy access to Bogota, has a small number of farm-based attractions. These businesses are focused on tourism with limited agricultural production. These products showcase farm life with a focus on Los Llanos and the Llaneros.

Larger Enterprises - There are limited examples of larger tourism enterprises operations in the Orinoquia. Several hotels chains operate in the larger municipalities of Villavicencio and Yopal. Engaging larger organizations in the tourism development process can have significant benefits. The role of GHIL in the development of the “Expedicion Cassanare: Una Ruta al Corazon del Llanos” is significant. GHIL’s established relationships with key intermediaries, including Aviatour, and familiarity with tourism packaging, were significant contributions to the development of the program.

Social Sector (Foundations, Non-Government Organizations and Not for Profits) - The role of foundations in the delivery of tourism in the region is an important. Foundations act as both social enterprises (Day & Mody, 2016) and traditional not-for profits in the region and both business models have significant influence on tourism offerings. Social enterprises achieve their mission using techniques traditionally used by for-profit organizations. As an example, a social enterprise may support conservation of turtles or caiman by offering nature tourism products to consumers. La Palmarita and Fundacion Orinoquia are examples of foundations using tourism related social enterprises to promote environmental actions.

Foundations are also developing tourism related activities to achieve social goals. In Guaviare, the Fundacion Holistica- Kolibri, is developing a range of products with the goal of empowering women, particularly women impacted by violence in the region. Products range from baskets produced in a traditional way unique to the region, to guiding and hosting visitors.

Even when not engaging directly in tourism, the social sector is making significant impacts of the tourism system of the Orinoquia. The role of conservation organizations in encouraging the preservation of natural ecosystems is ensuring these important tourism assets are available for future generations. The social sector is also providing important training and capacity building in the region that support positive social and economic outcomes. For instance, La Palmita is providing training and business coaching to microbusinesses looking to supply to the tourism industry.

Community Based tourism - Community based tourism (CBT) is a form of collective tourism in which the community works together to provide tourism services. The governance of community tourism is typically organized through a community network and functions are shared by community members. An analysis (Armadita & Day, 2017) shows that community based tourism is characterized by a focus on ensuring triple bottom line (social, environmental, economic), incorporate network based governance and tend to be located in rural settings. Community based tourism is evident across the

Orinoquia. An example of a traditional CBT is the Garcitas located adjacent to El Tuparro national park. The Garcitas provide home-stay based accommodation to visitors to the national park. The 34 families working together to provide this service have undergone training and product development exercises to ensure they provide acceptable product to visitors. CBT are typically social enterprises, with a strong emphasis on the distribution of the benefits of tourism through the community and as such contribute to sustainability goals. CBT also create authentic experiences that are memorable and so of high value to visitors. As such, CBT tend to contribute significantly to destination competitiveness.

4. TOURISM DEVELOPMENT MODELS IN REGION

Leveraging the supply chain - One of the primary strategies for maximizing economic and social benefits of tourism is ensuring the benefits remain within the community. Sourcing product from the local community minimizes “economic leakage”. There is a clear focus on sourcing products from within the community. This focus on local sourcing can have broader cultural/heritage benefits as well. For example, In San Luis de Palenque, tourism operators use local bakers and food providers to ensure visitors have the authentic tastes of the region. Incorporation of local cultural groups including musicians and dancers also ensures money stays in the community and local cultural heritage is celebrated. Many businesses express a strong desire to source their supplies locally.

Hubs, Networks and Clusters of Enterprises - The delivery of tourism experiences typically involves services provided by a number of organizations. The development of networks or clusters of product working collaboratively is an important factor in the success of many destinations. It is important to note that clusters are not merely a product development technique. Clusters can be formed for mutually beneficial reasons including sales and marketing activities, capacity building and to access funding mechanisms to name a few. While some clusters are convened by DMO’s or some other destination leader to meet a specific needs, such as accessing government funding, many of the most effective tourism networks are self-organizing. Clusters are typically not bound by contractual relationships but work cooperatively to mutual benefit. They are not hierarchical and common characteristic of effective clusters is shared leadership. Cluster members take the lead when appropriate and allow others to lead when their skills match the specific task.

The successful maintenance of these collaborations can be challenging. Clusters require social capital – including mutual respect and trust – to be sustainable. Deliberate efforts to ensure the effective functioning of the cluster is necessary. Creating the conditions for the cluster to operate to reach high levels of performance may require deliberate strategy. Creating small wins through which trust and respect is developed may be necessary as a preliminary step in cluster development.

Levels of competitiveness in the destination can have significant impact of the effectiveness of cluster development. In Puerto Carreno, competition between operators, particularly sports fishing

operations, stalled the development of the cluster. It is noted the Puerto Carreno cluster is currently engaging in mutually beneficial action in the nature tourism market.

In addition to providing clients with complete tourism experiences, the emergence of clusters provides important support for capacity building. Clusters play an important role in knowledge transfer and skills development. Cluster members learn from each other.

Across the Orinoquia clusters and networks are forming. Some of these groups have already achieved high levels of functioning and are achieving significant goals. The cluster in Yopal has achieved several significant activities including hosting international familiarizations and catalyzing a tourism package. Effective clusters will often “seed” additional clusters. For example, while participating in the Yopal region cluster, the tourism manager for San Luis de Palenque also leads a local network of tourism representatives.

From a destination perspective, destination managers must be conscious that clusters can create barriers to entry to the tourism system. Access to the benefits of the cluster may be inaccessible to new players or products excluded from the group.

5. COMMON ISSUES IN TOURISM DEVELOPMENT

Macro-environmental issues - Small businesses face common challenges. Infrastructure and technology issues are common across the region. Access to telecommunication and internet access are both important issues. For many small businesses websites and social media are critical marketing tools. Lack of internet access, poor internet speeds and lack of access to bandwidth have been identified as challenges to small businesses in rural areas across the world. This is certainly the case in the Orinoquia, particularly in rural areas.

Public Private Collaboration is evident across the region. In several locations, local tourism officers are seeking public funding opportunities to support enterprise level initiatives. For example, the tourism office in San Luis de Palenque contribute funding to improve road access to farm/museum product that highlights both indigenous culture and Los Llanos.

Enterprise issues - At an enterprise level, SME, community based tourism, and social enterprises face common challenges. These challenges can be organized into three inter-related categories:

- Business and Operational Issues.
- Marketing related issues including product development and promotional activities.
- Knowledge management and Capacity building.

Business and Operational Issues - SME face a number of significant challenges in initiating and maintaining businesses. These challenges include need for training and capacity building in business functions including business planning, basic accounting, and operations management. In addition to general business operations, tourism businesses may require specialist knowledge and skills. For

example, biosecurity can be an important factor in mixed agricultural/tourism businesses. Navigating regulations for the operation of small business can be challenging and can include requirements for certifications etc. that represent significant barriers to entry or development. In addition, access to financing including micro-finance sources is a significant hurdle for many businesses.

Marketing issues - Marketing is the “art and science of exploring, creating, and delivering value to satisfy the needs of a target market at a profit.” (Kotler, Bowen, & Makens, 2015). The identification of target markets is critical first step in any marketing activity. To date, there is a paucity of information on the characteristics of domestic Colombian travelers or international markets. Undertaking market research to identify the characteristics of the target market is a critical first step in improving marketing effectiveness.

Tourism businesses apply elements of the marketing mix to create value for their consumers – and generate profit for their businesses. The most common categorization of the marketing mix is the four “p’s” of marketing. They are:

1. **Product.** The development of product experiences is a critical component of the marketing mix. Many small businesses lack a consumer focus in presenting their products, focusing on product attributes rather than consumer benefits. Creating customer experiences that are memorable for the consumer and profitable to the provider is an important step in developing a sustainable tourism business.
2. **Price.** Establishing pricing appropriate for the target market and the value created – as opposed to the cost of production. Understanding the needs of the distribution network in terms of commissions and pricing is an additional consideration for small/micro businesses.
3. **Place (distribution).** Tourism products are unique in that the consumer travels to the product. As such, distribution requires small business to reach consumers in an effective way either directly or through an established distribution network. Direct marketing requires digital marketing skills. Working with the distribution network – tour operators, wholesalers, and travel agents – requires knowledge and skills
4. **Promotion.** The promotion of products far from source markets requires a specific set of skills including a basic level of digital marketing capacity. Assisting small businesses to promote their product to key markets is a critical issue in the growth of these markets.

Knowledge management and capacity building - Building capacity in business operations and marketing, particularly product development and promotions requires a range of activities to ensure that members of the destination system receive the support they need. It has been noted that although small business often have access to resources and training, they often lack access to coaching and mentors. A comprehensive plan to increase the capacity of the industry in the region must include:

- Access to resources and tools

- Training and education
- Coaching and mentorship.

6. **BUSINESSES SOLUTIONS FOR THE ORINOQUIA**

Tourism businesses in the Orinoquia are predominantly SME. Many are mixed businesses, combining tourism with other activities, primarily agriculture. In many ways the portfolio of business models is well suited to meet the goals of creating a sustainable and competitive destination. Community based tourism (CBT) and social enterprise are expressively created to enhance triple bottom line outcomes. Destination clusters and DMOs exhibit a strong commitment to maximize local sourcing of production inputs to maximize economic and social benefits of tourism.

While the product portfolio is supportive of achieving sustainability goals – and improving the wellbeing of the destination communities – it is important to recognize that the dominance of SME means that it is critical to provide support for the development of organizations. That support must include support at both the destination level and for specific business development.

Destination Level Support - Creating an environment that supports entrepreneurial activity is a critical role of destination leaders and policy makers. Practical support that can be provided includes:

- **Provision of Enabling Infrastructure:** Provision of enabling infrastructure including roads, air access and internet connectivity provide practical support for emerging enterprises. Master Planning for the Orinoquia includes significant advances in infrastructure that will support local competitiveness.
- **Business Development Support Programs and Policies:** Programs and policies that enable small businesses to navigate regulatory requirements and reduce barriers to business development. Support in accessing resources, including funding sources, and capacity building opportunities. Seed opportunities, including cooperative marketing activities that reduce costs of participation in market development activities.
- **Collaborative support:** Programs – including access to resources, training and coaching - to equip networks to collaborate effectively. These programs recognize the importance of collaborative action and empower cluster activities across the destination

Enterprise Level - Capacity building programs at the enterprise level, including CBT and Social Enterprises, should include the following:

- **Business Development:** Business planning, business skill development, funding programs
- **Marketing Development Programs:** Product development; distribution development and promotion skills development including digital readiness.

The pilot projects presented in this report take into account the business models evident in the Orinoquia and the business solutions required to meet the needs of the businesses.

References

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