

Economic Development: Going Beyond Trickle-down

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Diesen extra für TourismusWissen quarterly verfassten Beitrag mit dem Originaltitel „Tourism and Local Economic Development: Going Beyond Trickle-down“ belassen wir in englischer Sprache. Harold Goodwin ist einer der weltweit führenden Wissenschaftler, die sich mit verantwortungsvollem Tourismus auseinandersetzen. Er ist unter anderem Director of the Responsible Tourism Partnership, Gründungspräsident des Internationalen Zentrums für Responsible Tourism (2002) und Berater des World Travel Market (WTM) in London, Kapstadt, Dubai und Sao Paulo für diesen Bereich. Neben vielen weiteren Funktionen ist er Mitglied der IUCN's World Commission on Protected Areas.

Im nachfolgenden Beitrag analysiert Goodwin, dass der bezeichnet die These, dass der so genannte Trickle-down-Effekt, nach dem Wirtschaftswachstum und allgemeiner Wohlstand der Reichen nach und nach durch deren Konsum und Investitionen in die unteren Schichten der Gesellschaft durchsickern würden, auf den Tourismus nur bedingt zutrifft.

Der hier beschriebene Prozess des Nachdenkens über eine Intervention entstand aus den Erfahrungen, die im Rahmen der Partnerschaft für Tourismus in die ärmsten Staaten im Entwicklungssektor gesammelt wurden. Die Möglichkeit zu Interventionen werden abschließend als 14-stufiger Prozess, der flexibel eingesetzt werden kann, dargestellt.

domestic tourism are both growing rapidly in the age of cheap fossil-fuelled transport as peoples' leisure time and disposable income increase they have a high propensity to travel. Tourism is described by the World Travel & Tourism Council (WTTC) as one of the world's largest economic sectors; their research identifies the sector as accounting for 10.4% of global GDP and 313 million jobs, or 9.9% of total employment, in 2017. Based on their research, they conclude that: "Over the past ten years, one in five of all jobs created across the world has been in the sector...". The employment figures include both direct employment 3.8%, of total employment in 2017 and indirect employment 6.1%. {in: World Travel & Tourism Council (WTTC) (2018) Travel & Tourism Economic Impact 2018 published March 2018. p.1}

When a Chinese or American tourist travels abroad they take spending power with them that creates additional demand in their destination, where goods and services purchased by them are exported. Those same exports are of course imports for the source markets. The UK has a significant negative trade balance on tourism, UK citizens spend more on their holidays abroad than international visitors spend in the UK. Domestic tourism has the same impacts as international, demand in the local economy, in the destination, is increased by the visitors who travel to the 'factory', the destination where their holiday experience is created. A shoe factory creates employment and may create some local sourcing of power and raw materials. By contrast a hotel brings employment, a broad range of local sourcing opportunities from bread and vegetables to maintenance; and the discretionary spend of the tourists on, for example, art and craft, souvenirs, attractions, local transport, guiding, hairdressers, cafes, restaurants and bars.

Much is made of the scale and importance of the tourism industry internationally. International and

There are many opportunities created in communities when tourists arrive. There are often negative impacts too, of course, land and housing costs may be inflated, and rises in commercial rents may drive out bakers and butchers as they are displaced by shops selling to tourists rather than the local community.

It is generally assumed that communities will benefit from tourism development through trickle-down.¹ Tourists are at leisure and often have greater discretionary spend potential than they would at home when they travel to economically poorer areas or countries they become relatively wealthier. Relatively little has been done to increase the contribution of tourism to benefit local communities, policymakers and investors have rather relied on trickle-down.

Shared Value

In the wake of the 2007/08 international banking crisis, in 2011 Michael Porter a business strategist based at Harvard² published with Mark Kramer an influential article on Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society. Shared value is defined as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the social and economic conditions in the communities in which it operates.” The focus is on identifying and expanding the links between economic and social progress. Porter and Kramer argue that companies tend to overlook the wellbeing of their customers; the depletion of natural resources vital to business; the viability of key suppliers and “the economic distress of the communities in which they produce and sell.” They argue that it is necessary to “reconnect company success with social progress”. It is important to be clear; shared value is not social responsibility, philanthropy or sustainability. Rather, it is “a new way to achieve economic success” by encouraging businesses to act as businesses rather than “charitable donors”.³ This creates mutual benefit through the creation of shared value, effectively the ‘cake’, the local economic benefit has been grown, rather than cut differently. In traditional corporate social responsibility (CSR) activity the business gives a slice of its earnings for community benefit. Through the creation of shared value the company works with others to create additional value in the local economy, benefiting the local community.

For example, a hotel might choose to source its soft furnishings from a local community craft workshop or sourcing its salads from a local farmer rather than a supermarket, though purchasing locally produced goods. Where a tourism business works with local

people to develop the capacity to produce, for example, table linen or furniture, funding and training, offering mentoring and guaranteeing a market for some of their production a significant local benefit may result. By increasing the pool of skills in the local community and helping local people to develop new businesses, tourism businesses can create shared value and contribute to developing a more vibrant local economy.

Leakages and Linkages

A common mantra in local economic development is “reduce leakages and increase linkages”. Linkages are the connections between the tourism sector and the local economy and refer to the link between the tourist expenditure and the source of the product they purchase. If a tourist consumes a cup of coffee in a local café or hotel and the coffee was produced locally (grown and processed) that is a linkage – if the coffee has been imported that is a leakage.

Leakages are effectively the money spent by tourists on imported goods and services – i.e. it does not stay in the local economy. This represents a loss of economic benefits to the local economy because the money is spent “outside”. “Outside” may mean overseas or the next region in the same country; the point is that the local economy – however it is defined – is losing out on that money being respent within it, recycling and staying within it. Internal leakage occurs internally, where tourists spend money in the destination, but the purchased goods and services are imported. There are also leakages which occur where the payment never reaches the destination county, for example, where accommodation is rented on Airbnb from an owner who does not live in the destination and where little or none of these earnings is respent in the local economy. As Christie and Crompton point out the “... extent of the leakage of foreign exchange is directly related to a country’s level of development, its economic diversification and the openness of its trade arrangements.”⁴

Much is made of the multiplier effect, the impact of extra expenditure introduced into the local or national economy as it recirculates in the local or national economy. Where leakages are reduced by increasing the linkages, the multiplier is increased. For those working to increase local benefits from tourism working to increase the linkages is more important than calculating the multiplier. Multipliers are calculated using input-output tables which enables calculations to be made of the interdependencies between different sectors of a national or regional economy. The multiplier reveals only the averages in an economy;

the multiplier cannot measure the benefit which derives from any particular intervention. Adopting a creating shared value approach enables tourism businesses to diversify and enrich the local economy, by creating linkages and removing the leakages business create and spread economic benefit by doing business rather than through philanthropy.

Cooperation or Competition

In the natural world, species have evolved to compete and co-operate within the local ecosystem. Human behaviour in the local tourism economy is no different; sellers compete and cooperate to secure advantage, capture value and maximise their earnings. Any new business venture has to consider its relationship to other suppliers as well as to the market. Small, medium and micro enterprises (SMMEs) will not have sufficient funding or presence to attract people as day visitors or tourists. They can only succeed by selling to those passing by and able to stop or to visitors in the destination.

It is important to think carefully about the market access issues. It is not possible to sell accommodation to people who have pre-booked and pre-paid accommodation. It may be possible to sell to those who are considering extending their stay or returning another time. However, it is not possible to market alternative accommodation through accommodation businesses. If the accommodation provider does not offer day tours or sell craft, then they may be willing for a commission to market craft, day tours or performances.

Local tourism businesses are often reluctant to cooperate, perhaps wanting to protect their own income streams and fearing loss of business to others. However, 'co-opetition' is invaluable. For example, cross-marketing can boost tourist spend in the destination overall and extend length of stay, growing the cake. Producers can work together to develop new locally produced goods and services or to substitute locally produced goods for those purchased from afar. Before developing an intervention, it is critical to decide whether to compete or co-operate. Shared value and opportunities for SMMEs are most likely to be successful where the goods and services they sell are complementary to the mainstream businesses in the destinations they share.

Community-Based Tourism

Community-based tourism or CBT, enjoys widespread and continuing support. It is seen as a good thing and rarely critically assessed. CBT should be judged by its impact but rarely is. For close to four

decades CBT has been promoted as a means of bringing economic development to rural communities, and it remains popular with donors. This is in part because it appears on the face of it to be a good idea, it is seen as philanthropy, it is enough that the lodge or community hall is built, and the photograph taken. It does not matter that the building can be maintained or bring economic benefit. The donation and the photograph of the building completed is sufficient to justify the donation

Richard Butler has argued "for rational, objective evaluation of the merits and problems of all forms of tourism" and pointed out that alternative tourism initiatives often "penetrate further into the personal space of residents" and "expose often fragile resources to greater visitation".⁵ Their proponents need to be able to demonstrate the positive impacts of the initiatives and to be candid about negative impacts. Butler's words of caution ought to be heeded. Most CBT initiatives fail to deliver sustainable livelihoods, and often the buildings fall into disrepair.⁶

Designing an Intervention

The language changes but the principles and mechanisms remain the same. I was asked by the UK's, Department for International Development to produce a paper on Sustainable Tourism and Poverty Elimination in 1998.⁷ The idea of eliminating poverty through tourism was from the outset too big an ask, DFID was in it radical phase. It is very difficult for the poorest in any society to engage with tourism other than through philanthropy. In the first decade of this century, the development industry's focus was on poverty reduction, and there was funding for the Pro-poor Tourism Partnership of Ashley, Goodwin and Roe.⁸ There were several initiatives funded through the partnership, and we were able to research and evaluate these and others.

The process for thinking about an intervention outlined here originated in the experience gained through Pro-poor Tourism Partnership the development sector – development banks, NGOs and government departments, Policy has moved on, and the focus is now on inclusive growth and inclusion. The pro-poor papers written a decade ago now appear dated but the processes for an intervention remain the same and apply to any form of local economic development through tourism. The pro-poor work was defined by its focus on benefiting the poor; the same processes apply to developing inclusive tourism where the focus is on the excluded. There is a review of the lessons learned from the pro-poor tourism work over ten years⁹ In the UN's Sustainable Development Goals

launched in September 2015 tourism was explicitly mentioned in Goals 8, 12 and 14 on inclusive and sustainable economic growth, sustainable consumption and production (SCP) and the sustainable use of oceans and marine resources.

The same process for developing a local economy through tourism can be used to benefit the economically poor, women, youth, minorities and the excluded. The beneficiary group changes but the process is the same. It is important to recognise that developing and implementing a successful intervention is far from a mechanical process, an intervention is an iterative process, the intervention needs to be tailored to meet local requirement on the demand and supply side.

Craft is a good example of complementary product. A craft seller in The Gambia may purchase craft from crafters in the villages who may have sourced wood or shells from another villager or village. They will then sell through the a craft market, from a stall beside the road, through a hotel shop or other established retailer or be invited to “set up shop” a few evenings in the season within a hotel or resort. Evidence from The Gambia suggests that this is the most lucrative option.¹⁰

This a 14 stage process, use it flexibly¹¹

- » Set SMART objectives with clearly defined beneficiaries and determine what benefits you are planning to help the beneficiary group achieve.
- » Consider potential negative impacts and how they can be managed and mitigated. For example schedule activities such as training and consultation so that (a) they do not take any more time than absolutely necessary and (b) so that they do not interfere with essential livelihood activities. Be sure that your expectations of what the beneficiaries can contribute to the initiative are reasonable in the context of their resources and the planned benefits.
- » Focus on the beneficiaries so that their particular capabilities and capacities shape the intervention and so that the impact on the beneficiaries can be measured against a baseline. Only if the impact on beneficiaries of these interventions can be reported can we expect donors to support them.
- » Think very carefully about supply and demand. Commercial sustainability is essential. If excess supply is created beneficiary earnings will be reduced by price cutting. Supply and demand need to be

matched. Beware of creating price competition between the beneficiaries of the intervention or between them and existing suppliers, the overall size of the cake needs to be grown.

- » Identify potential products. Make a cautious and detailed assessment or audit of the resources available locally for tourism; assess the local market for those products: goods, services and attractions; and market-test the ideas robustly.

- » Is there a viable market for the goods and services envisaged? Access to the market is of the utmost importance. A tourism product can only produce a livelihood if it has a ready market. There are two markets to be considered: tourism businesses and individual tourists. The form of the tourism and the ease and extent of access to the tourist consumers is critical. Do not overlook domestic tourists.

- » Use Ansoff’s ‘thinking about products’ matrix or the entrepreneur’s window , whilst developing goods and services which are “existing products sold to existing markets” but beware of creating competition that reduces prices. New products top existing markets is likely to be the optimal strategy.

- » As the idea for the intervention develops subject it to a rigorous SWOT analysis with particular attention to weaknesses and threats. Take a balanced view of the opportunity: take into account all triple bottom-line (social, economic and environmental) considerations as well as financial and market issues. The SWOT process should ideally be conducted together with the beneficiaries, government, industry stakeholders and others in a participatory way. Remember that if there is any significant risk, the beneficiaries should not be expected to invest time, finance or other resources.

- » Location is key. The product offering would need to be extremely attractive to expect visitors to travel very far off their usual routes, so think very carefully about this when developing products.

- » Consider capacity building needs. Tourism products and services should build on the existing capacity of individuals and groups within the community – this is at the heart of the livelihoods approach. Traditional craft skills can be adapted to produce baskets or carvings attractive to tourists; farmers can grow new vegetables or salads or provide guided tours of their fields and crops.

» **Market Access:** consider carefully how the beneficiaries are going to sell to tourists, can they secure a cooperative approach with tour operators and accommodation providers to facilitate market access. Hawking is the least attractive option. Identify the barriers to access and overcome them.

» Develop partnerships for market access, mentoring, and product development. If the mainstream businesses are involved in the intervention they are more likely to be assured of health and safety etc. It is important that partnerships are based on equitably shared risk and reward.

» Identify local people and organisations which can assist with implementation. Consider funding sources, micro-credit, Business Development Services, technical assistance and capacity building. This also facilitates skills transfer and capacity building, graft these on to what already exists and develop cross-sector linkages.

» Measure impact, evaluate and report.

As the beneficiaries were identified at the outset, the benefits which result from the intervention can be measured through simple bookkeeping. This is empowering for those who learn some very basic bookkeeping and may, for the first time identify their earnings and most profitable activities. There are good published examples from Tanzania and The Gambia. New jobs, new and additional livelihoods can all be reported using simple accounting processes. Interventions are preferred over projects because a local economic development initiative should start a process of local economic development which will continue to grow the local economy and benefit communities, long after the project ends. Skills development and transfer are an important part of the process. ■

Sources:

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- 2) Spender, J.-C., & Kraaijenbrink, Jeroen. (2011). Why Competitive Strategy Succeeds - and With Whom. In Robert Huggins & Hiro Izushi (Eds.), *Competition, Competitive Advantage, and Clusters: The Ideas of Michael Porter* (pp. 33-55). Oxford: Oxford University Press.
- 3) Porter, Michael E. & Kramer Mark R., *Creating Shared Value* Harvard Business Review; Jan/Feb 2011, Vol. 89 Issue 1/2, p62-77

4) Christie, I. & Crompton, D. (2001) *Tourism in Africa*. Africa Region Working Paper Series No. 12, World Bank: 15-16

5) Butler R W, 1994, *Alternative Tourism: the Thin Edge of the Wedge* in Smith V L & Eadington W R (eds) *Tourism Alternatives*: 31-46, Wiley, Chichester: 46 & 39

6) Goodwin H (2013) *Community-based tourism in the developing world: delivering the goods? Progress in Responsible Tourism* 3(1): Goodfellow: 31-56 available online https://www.goodfellowpublishers.com/free_files/filePiRT-31final.pdf

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8) Ashley C, Goodwin H, Roe, D (2001) *Pro-Poor Tourism Strategies: Expanding Opportunities for the Poor* Pro-poor tourism briefing paper No 1 April 2001 available online <https://haroldgoodwin.info/resources/51.pdf>

9) Goodwin H (2012) *Ten Years of Responsible Tourism: an assessment in Progress in Responsible Tourism* 2(1): Goodfellow available online [https://www.goodfellowpublishers.com/free_files/file123ProgressVol2\(1\).pdf](https://www.goodfellowpublishers.com/free_files/file123ProgressVol2(1).pdf) and an earlier paper Goodwin H (2009) *Reflections on 10 years of Pro-Poor Tourism*, *Journal of Policy Research in Tourism, Leisure and Events* 1 (1) March 2009: 90-94

10) Bah A & Goodwin H (2003) *Improving Access for the Informal Sector to Tourism in The Gambia* Pro-Poor Tourism, London available online <https://haroldgoodwin.info/resources/15gambia.pdf>

11) More detail of each of these stages will be available in Goodwin H (2020) *Tourism and Local Economic Development* to be published by Goodfellow, Oxford in May 2020

12) The Ansoff product/ market matrix is a tool that helps businesses decide their product and market growth strategy. There are plenty of examples of the matrix and its use available on the web.

13) See Bah A & Goodwin H (2003) op. cit for examples from work in The Gambia.

14) Goodwin H & Boekold H (2010) Chap 12, pp 181-196 in Jolliffe L *Coffee Culture, Destinations and Tourism* Channel View Publications, Clevedon

15) Goodwin H (2007) *Measuring and Reporting the Impact of Tourism on Poverty*, *Tourism Research: New Directions, Challenges and Applications* Airey D and Tribe J (Eds), Chap 5 pp. 63-75 & Bah A & Goodwin H (2003) *Improving Access for the Informal Sector to Tourism in The Gambia* Pro-Poor Tourism, London available online <https://haroldgoodwin.info/resources/15gambia.pdf>