

Tourism as Economic Development
A Brief Guide for Communities and Enterprise Developers

Addendum to consultant's final report to the
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Summary : Guide

This paper was written by Robert E. (Bob) Glover to serve both the community seeking enterprise and economic development opportunities. Targeted are those enterprises that serve travelers or are of interest to people seeking leisure-time activities.

Enterprise developers are business people who have decisions to make about starting-up new ventures, relocating, or expanding existing operations. They are business decision makers who need factual and useful information as well as other resources.

It's up to those places seeking opportunities to cooperate with prospects and furnish what they want. Savvy, responsive, chambers of commerce and economic development organizations are important. It is most important that community tourism marketers and economic developers understand and respect each others' work. Their dialogue is key to success in approaching tourism as economic development.

An enterprise and economic development glossary was developed by the author of this resource. Today it is part of the Enterprise and Economic Development Network. To learn more about *The Network* go to <http://www.findmehere.com/network/introduction.htm>. Go to http://www.economicdevelopment.net/tourism/glover_tpd_98.htm for access to definitions of terms in the glossary that can be used to expand the learning experience of this paper.

Community leaders seeking to develop infrastructure to attract tourists as part of an economic development effort are welcomed to make use of this paper. Please acknowledged this paper and its author as source in the event that you quote or reproduce anything from it.

This paper has been revised several times since 1998. At one point its opening paragraphs about what might be the place where tourism came into existence were borrowed and paraphrased by the author for the writing of *Enterprise and Economic Development; A Beginning* at <http://www.economicdevelopment.net/search/dictionary/e/ed.htm#search>. Also, The International Development Research Council once published a webpage for the author as an IDRC Associate. The page remains online today and is kept up-to-date. Refer to it if you want to contact Bob Glover: <http://www.sitelocationassistance.com/slan/macstogo.htm>.

Eight guiding statements are provided as a summary at the end of this paper.

There is limited use of asterisks. Footnotes they refer to are at the end of the document.

Somewhere centuries ago a community decided to celebrate, and a festival was born.

Vendors sensed that people would gather and be in a mood to buy their wares. Townsfolk realized that visitors from afar would need places to rest. Someone knew enough to organize the event and, if that person was a visionary, he knew that revelers would pay to watch the sun go down, that is if accompanying food and music were provided.

Visitors beat new paths to the community. Paths turned into roads. Vendors decided that the festival was sustainable, so they stayed on, calling the place where they gathered to do business the market. The community now had a commercial center. Dwellings that offered hospitality became inns and eating-places. The sun was reliable in its setting. This was the place where tourism was born.

The scenario is unchanged as a simple model of tourism development. Add the production of the goods that the vendors offer for sale; then create a strategy for community development that includes local manufacturing; and the process of economic development, as we know it today, becomes definitive.

Tourism developers are marketers. The elements of their marketing activities include recruiting, as well as the creation of products that entice visitors to linger and seek leisure activities that will part them from their money. For all practical purposes, tourism development and tourism promotion are the same things. Promotion is an element of marketing.

Economic developers are marketers also. In areas of the world where the Industrial Age has ended, there is only a semantic distinction between tourism developers and economic developers, in terms of how they function to serve prospects. In fact, industrial developers in North America only began to change their identity to "economic developers" about 25 years ago. Most people worldwide still think of economic development in terms of industrial development.

Economic developers oriented towards industrial development often refer to themselves as community developers when they are engaged in activities related to building local infrastructure. Economic developers often refer to themselves as product developers when they are oriented towards tourism development and similarly engaged in readying their communities. Separating economic development activities into "industrial" or "tourism" is of little importance until it causes confusion for those who own opportunities and have decisions to make that affect locations or expansions and start-ups. The smaller the community, the more important it is that the local economic developer be capable of addressing the needs of all types of prospects.

Entrepreneurs are more likely to be involved in tourism-related product development than are corporate executives responsible for relocating or expanding operations. Entrepreneurs are also more likely to be unfamiliar with the nuances of the economic development process as it relates to finding resources and assistance. In addition to entrepreneurs, investors and property or project developers are generally what make up a "whole" tourism-related prospect.

During the times of industrial development opportunity, communities promote and recruit for prospects that come neatly prepackaged, as compared to times of development opportunity for tourism product, which are primarily commercial opportunities. Industrial prospects

generally challenge a community with a standardized set of criteria that place it in a competitive position against other communities. Commercial prospects generally challenge a community to produce evidence of market potential. In essence, a community competes with itself in commercial development. If entrepreneurs seek assistance from economic developers, it is generally because they want help in putting their packages together so that they can become a whole prospect. When they call upon economic developers they often want assistance in finding sources of capital (investors) and people who can make a concept work (developers).

In order to find a starting point for guiding those who want to maintain their communities in a position to grow as commercial centers, as well as for guiding those who are business leaders with opportunities to bring to communities, I wrote this paper as a recap of what I recently learned about tourism product. The time of my learning surrounds the 1996 Summer Olympic Games, which took place in Atlanta, Georgia, USA. The "Atlanta Olympics" was my opportunity to be exposed to all facets of tourism-related product at one time. It was a time in my career as an economic developer when I participated in the greatest variety of projects. I was on the scene before, during and after the event as a consultant with product development responsibilities that extended beyond the metropolitan area of Atlanta throughout the state of Georgia, and into the whole region of the Southeastern United States as well. I was involved with prospects interested in capturing the market created by the event in Atlanta, as well as prospects interested in developing permanent markets in rural areas. I was forced to define tourism product and carefully consider its process when confronted with any opportunity that would affect its development.

What is Product Development?

All of the definitions of tourism-related product that I have yet heard have an obvious common thread. A promotional brochure has been defined to me as product. An event, such as a family reunion, has been described to me as product. Organizing tours to give city people an opportunity to experience rural life is regularly suggested at tourism conferences as a product worthy of development. The common thread woven through all of these points is that product must appeal to travelers and people seeking leisure-time activities.

Alvin Rosenbaum of the National Center for Heritage Development (formerly the National Coalition for Heritage Areas) said, "Tourism product supported by public agencies is a blend of conservation, community and economic development." He said this at the annual meeting of the American Association of Museums in 1997.

Earlier at a Cultural Tourism Leadership Forum in Chapel Hill, North Carolina, Jerold Kappel raised the issue of how to define product. Mr. Kappel, who is the American Association of Museums' (AAM) director of development, included a need to interpret what product is among five challenges to its development. In later correspondence to my wife and business partner he explained and emphasized the importance of considering product development within the context of the whole community. He wrote that tourism product is community-based. He wrote, "...what makes cultural tourism unique is that people go to absorb and experience the culture of a place." He earlier defined "place" as a destination with a story to tell to a visitor. Both the imaginary model that introduces this paper and the Atlanta Olympics model can be identified as "market models." The first was presented as a permanent market that formed from an event. The latter was an established market that was enhanced by an event. Market

is critical to product development. In Atlanta, it was necessary to build a sports infrastructure to support the Olympics. The right product in the right place, at the right time, is critical to turning a commercial development opportunity into a reality.

Prior to the 1996 Summer Olympic games, Atlanta developed an infrastructure to appeal to sports fans. That infrastructure was tested for its market potential, long before the Olympics came along. The state provided the city with a conference and trade show center that was the foundation for building an infrastructure to accommodate the business traveler. The movie, *Gone With The Wind*, gave Atlanta its major historic theme, and support from people who made money from successful Atlanta based businesses such as Coca-Cola helped build a foundation for its appeal to visitors with cultural interests.

If you analyze Atlanta from a historic point of view, you arrive at a point in time when there was a rural community in its place. If you analyze Atlanta from a cultural point of view, you see that, at exactly the right time in its development, it embraced all the elements of its culture and heritage.

If you analyze Atlanta from the standpoint of its most recent landmark event in tourism development, the 1996 Summer Olympic Games, you see that its cultural and heritage position had to be established ahead of time. The fact that an infrastructure for sports-related tourism had to be created in recent times is more obvious than the fact that government and business working together in partnership was the key to making the event, itself, successful in its chosen location.

Atlanta and the State of Georgia, including its influential economic development allies, made assumptions about tourism and economic development ahead of the 1996 Summer Olympics Games. Programs were developed around these assumptions and a lot of money spent. Unfortunately, there was little direct economic development return to the city and, especially, the state. This would be difficult to prove, however, due to the fact that a winner's spin was put on reporting so that investors in the programs could feel good about them. This paper was not written to address negative issues regarding the matter, but its author feels that facing up to failure is the right thing to do so that experience can be gained - and passed on.

Scaling the Atlanta Olympics model back in its application as a model for even a small, rural community, makes a clear case for establishing a tourism market based on heritage and cultural appeal. Consider the fact that Atlanta's Olympic heritage is now a part of its history.

At the beginning of the third chapter, "Product Development: Increasing Attractiveness to Tourists," of her book, *Partnerships for Prosperity—Museums and Economic Development*, Dr. Peggy Wireman wrote these words: "From the point of view of economic development, a museum is a product - something that attracts visitors ..."

Relatively few traditional museums are operated as "for-profit" enterprises; nevertheless, they are important as economic development entities that complete the formula for success in attracting visitors to most communities. Dr. Wireman's definition of product from the cultural and heritage point of view, coupled with Mr. Kappel's suggestion that product is a place of interest to tourists, helps underscore what my imaginary model is meant to convey—the whole community must be given consideration as a product to develop. Consider the fact that Walt Disney World ** is a master-planned community, designed as a whole, to be nothing

more than a tourist attraction. There are many facets to its success, not the least of which is its unified presentation as a community.

Using what I learned from Dr. Wireman and Mr. Kappel, I stress another important point that is directly aimed at the practice of economic development. Practitioners, professional and volunteers alike, must be willing to take on projects for not-for-profit cultural and heritage-related operations, such as museums, if they are to play a role in preparing their communities to attract visitors.

My point is strengthened by the example of the site selection project for the Mighty Eighth Air Force Heritage Museum near Savannah, Georgia. The museum was opened in early 1996 as a 90,000 sf facility and an investment of more than \$12 million—a location prize by comparison to any comparable manufacturing project. It is a noteworthy example also because the location project was a national site search conducted with the assistance of the American Association of Museums (AAM).

The Mighty Eighth's site search team targeted one community where the local economic development office simply showed no interest, apparently because it was not oriented towards assisting with the location of museum projects. I learned about the situation directly from a member of the site selection team, but it was later borne-out by my personal experience in the same community where there was inept handling of a second museum project. As of the writing of this paper, the latter project is still active with four locations under consideration, so I have chosen not to identify it. My point is to stress the importance for communities to orient their economic development towards the full spectrum of opportunities.

In order not to weigh my pursuit of a definition for tourism product totally towards the cultural and heritage interests, I turned to Bill Hardman, Sr., former president of the Southeast Tourism Society, and asked the question, "What is product?" He first defined tourism as the movement of people from one place to another for the purpose of occupying their leisure time in combination with the "...art of entertaining; the promotion of points of interest; and, accommodations for (those) seeking recreation and pleasure." In 1995 Mr. Hardman stated that "tourism product is whatever is put into the promotion." His examples of tourism product ranged from fulfillment pieces to trade shows. He also mentioned that it could be a whole community or an individual facility, such as a park (a site) or a hotel (a property). His definition included events as well as individual efforts to be hospitable and ranged from natural settings to man-made attractions and from public conveyances to pathways.

Mr. Hardman indicated those efforts to put tourism product in place, such as finding a site or property and developing it, are not product development! He said that, instead, "Once the product is in place, the efforts to promote it and put it to use in accordance with [his] tourism definition is product development." He emphatically stated that economic development is the process used to put product in place.

Gail R. Trussell,* a commercial development specialist with the University of Missouri Extension Service, once defined tourism product as a place in a community where a cash register rings because a visitor from out-of-town has brought in money. After giving consideration to what various people, including those named above, have said and written about tourism product and its development, I concluded that it is what interests travelers and people seeking leisure-time activities. I also divided product into five categories, which are

defined as follows:

events ... current and historic or cultural

locations ... man-made and natural environments
(places with all their components sufficiently in place to attract the visitors)

properties ... sites and facilities

materials ... guides, books, maps (fulfillment pieces and promotional give-aways)

operations ... controlled functions and activities that attract and/or accommodate people

Product development is the progression from idea to the realization of any one of the categories listed above. My definition incorporates the activities that take place before a product is actually in place; therefore, for practical purposes it includes all of the elements that make it the same as economic development. Expanding on what Mr. Trussell said, tourism product development is setting up and getting ready to ring a cash register with new dollars brought into a community by visitors.

Product development must certainly include the kind of enterprise development that leads to economic development. Additional development terms come into play, for example, commercial development, community development and industrial development.

The whole community is important as location, location location. If there is an area of the a community that turns a visitor or prospect away, the problem of it not being a part of whole is clear. Likewise, the same true if there is a segment of a community' population that drives off visitors or prospects. Tourism or any other sought after activity that is expected to add to the potential for enterprise and economic development in a location requires a holistic commitment and approach. Savvy prospects will certainly examine the whole location.

Those who build consensus within a community and guide its approach to seeking enterprise and economic development are urged to determine what is wanted and needed for themselves rather than copying others. Agreeing on how to define tourism as economic development for practical use is an important first step. Job descriptions for tourism marketing practitioners as well as area and local development representatives should be framed around a definition applicable for the local economy. One useful reference is *About Economic Development* (http://www.economicdevelopment.net/ad_n/about.htm). It lists operative words for defining economic development based on review of the best available sources.

“Site selection is a process of enterprise development” – a quote from its definition in the Enterprise and Economic Development Glossary (<http://www.findmehere.com/glossary/>). From the standpoint of tourism product development, site selection means that a business decision maker goes about searching for the best possible location to take advantage of a market opportunity while taking into consideration the cost of setting up, starting up, and operating profitably for a projected or set duration.

Infrastructure is made up of places and things that are the components of accommodation. It may be something that the visitor doesn't notice or see, unless it is missing – the same things

that attract economic development prospects, such as reliable utilities or good roads. Infrastructure is what a visitor senses as he makes his decision to linger or return. Security and hospitality are two critical infrastructure components that someone passing through a community must sense before he will consider conversion to tourist.

The visitor makes the rules. In other words, if the attraction is tempting but doesn't match what the visitor is willing to buy, the cash register will not ring. It seems too obvious to write such a statement, but my point is to underscore the fact that the visitor is the decision-maker.

Business leaders who redirect troubled production processes and deploy quality functions have, for a number of years, used the term "voice of the customer" to alert employees to what is most important for the future of their jobs with their companies. The same alert is applicable to communities that want to build their product development infrastructure and attract more tourists. Hearing what the visitors have to say about what they want and what they are willing to pay for, as well as understanding their meaning of words like hospitable or convenient or inviting or accommodating, is essential for converting the tourism development aspirations of a community into economic development realities.

From the standpoint of the economic development practitioner there are two voices that must be heard, and understood. The first is the voice of the visitor. The second is the voice of the prospect -- the entrepreneur, investor or developer. (Much of what I have learned about "voice of the customer" comes from the works of Dr. John Hauser, a marketing professor of the Massachusetts Institute of Technology's Sloan School of Management.)

There is yet another voice that can be important -- the voice that comes through an association. Associations, such as the International Association of Amusement Parks and Attractions (IAAPA) can be valuable from the standpoint of developing resource allies.

My advice is that communities look to their allied area or regional economic development organizations to take care of maintaining resource contacts through organizations such as IAAPA. Many industry associations in North America have an interest in economic development and welcome associated memberships from state and provincial development organizations.

The fact that the National Association of Industrial and Office Properties (NAIOP) featured a list of economic development contacts throughout North America in the Summer 1998 issue of Development is an example of the importance associations place on their participation in the economic development process. NAIOP says that Development is "The Official Magazine of the Commercial Real Estate Industry." Its statement, along with the placement of the "Guide to Economic Development Programs" in its most recent issue of the magazine underscores the recognized need for economic developers and real estate professionals to work together for the good of the community.

I once heard the expression "walk-around area" in a meeting of the Urban Land Institute (ULI). The expression essentially refers to a mall or a place for visitors to stop and linger in a community. A mall as such is an inviting environment, perhaps one as a themed commercial area or revitalized main-street. Visitors walk around looking for things to discover.

Returning visitors are often attracted by an ambiance. Providing an infrastructure, walking areas and convenient parking, to move visitors around as pedestrians is a recognized technique for converting visitors to tourists.

Of equal importance is the provision for easy access to cultural, heritage and recreational

attractions. Convenient access is essential; also, the streets and paths that lead to and from all attractions must be safe, clean and inviting. ULI has served me in various situations where I have been asked to guide communities to resources that help them develop their tourism-related infrastructure.

In my experience the business people who are most likely to become prospects for new tourism product start-ups are either already a part of the community they are interested in, or they are nearby! Owners and developers of tourism product in an area are likely to be members of a local chapter of an association that serves their specific industry segment, such as a restaurant association. Also, there are many local and regional associations for businesses and organizations that want to work together to advance the hospitality and travel industries in a general way.

The International Council of Shopping Centers (ICSC) is an example of an industry specific association that offers valuable resources to the tourism product development process in communities. ICSC is constantly on the move with active local chapters that serve all of the major tourism markets of North America. All tourism product that I know about has a retail component either directly or indirectly tied to it. ICSC focuses on retail. The association offers various networking situations through local and regional chapter meetings that can be valuable to community efforts to recruit new commercial business start-ups.

The term "loss leaders" is often applied in retail marketing to describe products that businesses don't actually make a profit from, but are displayed to entice consumers to shop and buy other products. The community that attracts tourists has loss leaders also. A loss leader may be a museum or a cultural center. A loss leader may be a business placed behind a historic storefront and given incentives to operate there for the good of the overall area's ambiance. A lost leader may be public accommodations and conveyances that make lingering in the community convenient and enjoyable.

It is not uncommon to find new markets opened by pioneering entrepreneurs who fail in their businesses, only to be followed by a second-wave entrepreneur who casts out the mistakes of the first and adjusts to the level the market will bear. Given the fact that tourism-related businesses are local-market-sensitive and must be highly competitive, economic development organizations should not expect much information from successful entrepreneurs that will aid in recruiting new businesses; however, it is reasonable to expect that they will cooperate with community development efforts.

Even if an economic development organization decides to be aggressive in recruiting "brand name" businesses from the outside, the chances are that it will take a local entrepreneur's involvement to complete the deal. Many brand name businesses that appeal to tourists are franchise operations. Today's tourists, although they may be looking for adventure, also look for the security of things familiar, such as the McDonald's "golden arches" or the "Great Sign" of Holiday Inn. Franchisors recruit prospects, and the good ones are capable of evaluating local markets with more objectivity than economic developers who have responsibilities to sell their communities.

Although pioneering entrepreneurs are "high-risk" prospects, communities should organize their economic development efforts in a way that can serve them. In many cases they are the best hope for communities to break through to new market potential. Economic developers should guide entrepreneurial prospects to resources, such as small business development services (available throughout North America as extensions of colleges, universities and technical institutions). Small business development programs and agencies can provide the

valuable service of helping entrepreneurs increase their chances of success.

In many cases small business development programs are where entrepreneurs learn about the odds they face in carrying out their business plans, and the true value of such a program often ends up in its discouragement of someone who cannot successfully implement an idea. The reason so many of small business development programs are housed on the campuses of educational institutions is because of the fact that aspiring entrepreneurs are likely to need access to a variety of academic resources, including returning to the classroom to shore up their management skills.

One of the most useful services an economic developer can provide to an entrepreneur is a simple checklist of things that must be done to go into business. Such a checklist might be titled "How To Start-Up A Business in (community name)." It should contain guidance about taxes, regulations and licensing agencies, and it should provide names and addresses of all cooperating organizations that have resources and detailed information to offer. The entrepreneur should expect that he has to do the legwork and learn to use the process.

Because new markets are forming all the time, the first to discover one at the community level will most likely be a local entrepreneur. A red flag of warning: The assumption that an economic development effort should aggressively recruit for tourism product development prospects outside the community is wrong! Recruiting for new tourism product is more akin to a program for serving existing industries within a community, than it is a program for recruiting industrial prospects. There must be a distinction, however, between recruiting for entrepreneurial prospects and recruiting for resource prospects. Resource prospects, including franchisors, investors and developers, may have to be recruited from the outside.

In the absence of a local entrepreneur, a community that believes in its market potential may want to consider offering to form a public/private partnership. In the early 1990s Norfolk, Virginia, was able to move forward on its 10-year-old effort to build a conference center and hotel downtown by forming a such a partnership with an outside developer/operator who had to work for another year to find the investor needed to complete the deal. In this case, the community was the entrepreneur -- the risk-taker -- that found a developer who, in turn, found an investor. The project was named the Norfolk Waterside Marriott Hotel and Waterside Convention Center. Its developer later indicated that local individuals in business -- entrepreneurs -- were not willing to take the risk because it appeared to them that the market to support such a project was not there.

The above example shows that patience and tenacity was needed to stay focused on a tourism product project concept over an extended period of time. In the final analysis the community not only took the risk but also helped to start a hotel developer, Stormont Trice, on a course of working with public/private partnerships throughout the United States in both urban and rural areas.

My advice to entrepreneurs and business leaders with decisions to make about commercial projects is to seek out local economic development practitioners who are willing to work with them. As we move further away from the limited focus of communities on industrial development, services are becoming easier to find; however, business decision-makers may have to take the lead in some communities and help them strengthen their programs that serve the needs of entrepreneurs, investors and commercial developers.

During the course of the transition from industrial development to economic development in North America, the real estate industry has handled the bulk of commercial location and start-up projects. Savvy local real estate professionals have served as conduits between

prospects and community leaders interested in developing tourism product infrastructure. Real estate developers and consultants have added to the process. In communities where the relationship between real estate and economic development professionals is working, there is no need to change. For business decision-makers considering the start-up of a new venture in a community, my best advice is to find out who has a record for getting things done.

Experienced area and local development representatives prepare regional and community profiles as well as location packages for their prospects using information categories matching typical site selection criteria. Likewise, well designed economic development websites generally list a set of location data elements and links to categorized information.

8 Point Summary Guide:

The following points make up a quick reference for community leaders and economic development practitioners to use to in building programs and setting strategies.

- [1] The whole community must be developed as a tourist attraction.
- [2] Understanding the market and its potential is critical to tourism development.
- [3] The most likely prospects for enterprise development are at the local level.
- [4] Entrepreneurs become true prospects when their investors and developers are involved.
- [5] First-time entrepreneurs and those opening new markets are high-risk prospects.
- [6] Public/private partnerships put communities into the prospect development game.
- [7] Nonprofit enterprises or attractions can be prospects just like any other.
- [8] Build an ally network of organizations and business suppliers outside the community

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* Gail Robert Trussell when first met by the writer was with the Tennessee Valley Authority (TVA). The database for the Global Registry of Contacts has the following information:

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** The question of who was the site selector for Disney came up when this paper was first presented. The answer can be found at ...

<http://www.findmehere.com/search/infohelp/whodunnit.htm#price>