1. Introduction

Tourism is an important driver of economic growth around the world, supporting an estimated 277 million jobs, generating US$7.6 trillion in indirect revenue, and supplying 9.8% of global GDP in 2014. The dynamism of the industry is not confined to traditional hotspots; while Europe remains the most visited continent in the world, accounting for 51% of all international tourist arrivals in 2014, Asia Pacific and Africa had the highest growth rates in visitors over the decade from 2005-2014. With its potential to spur development, the sector has been the subject of widespread attention.

Table 1: Global Economic Impact of Tourism in 2014

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>Africa</th>
<th>Americas</th>
<th>Asia Pacific</th>
<th>Europe</th>
<th>Middle East</th>
</tr>
</thead>
<tbody>
<tr>
<td>International arrivals (millions)</td>
<td>1,133</td>
<td>55</td>
<td>181</td>
<td>263</td>
<td>581</td>
<td>51</td>
</tr>
<tr>
<td>Average annual growth rate in arrivals (2005-2014)</td>
<td>3.8%</td>
<td>5.4%</td>
<td>3.5%</td>
<td>6.1%</td>
<td>2.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Direct effect on GDP</td>
<td>3.1%</td>
<td>3.4%</td>
<td>2.9%</td>
<td>3.0%</td>
<td>3.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Total effect on GDP</td>
<td>9.8%</td>
<td>8.1%</td>
<td>8.4%</td>
<td>9.2%</td>
<td>9.2%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Direct effect on total employment</td>
<td>3.6%</td>
<td>3.0%</td>
<td>3.7%</td>
<td>3.7%</td>
<td>3.6%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Total effect on employment</td>
<td>9.4%</td>
<td>7.1%</td>
<td>9.6%</td>
<td>8.5%</td>
<td>9.0%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Visitor spending share of exports</td>
<td>5.7%</td>
<td>8.0%</td>
<td>7.0%</td>
<td>5.2%</td>
<td>5.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Tourism investments as share of total investments</td>
<td>4.3%</td>
<td>5.9%</td>
<td>4.5%</td>
<td>3.7%</td>
<td>4.7%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>


With a wide array of large animals and picturesque landscapes available in many countries, Africa has long captured the imagination of international leisure travelers interested in exploring regions such as the Maasai Mara and the Serengeti. In more recent years, the diversity of experiences in countries such as South Africa has helped fuel a record number of arrivals; Africa’s 55.7 million visitors in 2014 were a historical apex. Table 1 above provides context for the contribution of tourism to Africa’s economy—its direct effect on GDP, its share of total exports, and its contribution to foreign direct investment (FDI) are all higher than the global average.

With tourism representing a very significant source of exports and foreign investment in Africa, the industry will continue to be a major economic engine moving forward. While there are opportunities, some characteristics of the global industry can impede Africa’s development if policymakers do not recognize and design strategies to alleviate many well-known constraints for firms and other important stakeholders.

This chapter explores the overall landscape of the tourism industry and how it influences Africa’s competitiveness. It uses the Global Value Chains (GVC) framework to first focus its attention on important global dynamics before elaborating the implications of those trends for

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1 The global and regional statistics cited in this section are compiled by the World Travel & Tourism Council (WTTC) and the United Nations’ World Tourism Organization (UNWTO). The WTTC data can be accessed from the WTTC website: http://www.wttc.org/datagateway/.
African actors. After identifying upgrading trajectories that have been observed in tourism GVCs around the world, it concludes by highlighting policy interventions that can be taken to eliminate the barriers that countries frequently face when attempting to improve their positions in the chain.

2. Global Organization of the Tourism Industry

The GVC methodology has been used to analyze the tourism industry in various regions of the world. While different types of travel have been described, this chapter is most interested in two broad categories that have unique actors and global characteristics: leisure and business tourism. *Leisure tourism* can be defined as any trip where the tourist travels internationally for recreation. Although there are a number of different types of leisure tourism (sun, sand and surf; environmental or eco-tourism; adventure; cultural; etc.), the term does not describe travel to visit friends or relatives. *Business tourism* involves travel internationally for professional reasons. It includes visits to see clients, scouting trips for potential investment opportunities, and travel for conferences. The conferences segment—Meetings, Incentives, Conferences, and Exhibitions (or MICE)—of business travel includes actors and governance that create a separate sub-sector, although for purposes of this chapter, it is included in the business tourism GVC.

Certain features of the leisure and business tourism GVCs have pronounced relevance for African stakeholders. The “Package Booking” distribution channel that is outlined in the leisure tourism section is particularly prominent in Africa, with foreign visitors often accessing safari, eco-tourism, and surf and sand products through entrenched networks of actors that have strong ties to one another. The region also relies on business travelers to a higher degree than other locations, which elevates the importance of understanding the discrepancies between the two chains. The following sections outline the organization of both the leisure and business tourism GVCs before pivoting to an analysis of the African industry.

2.1 Leisure Tourism GVCs

Building upon distinctions outlined by Christian & Nathan (2013), the leisure tourism GVC can be divided into three categories of actors: consumers (or end markets), distribution intermediaries, and service providers. The identity, power, and linkages among these actors depend on the distribution channels that consumers use to access the product. Figure 1 below provides an illustration, tracing both the communication and flow of consumers’ money through the chain. The three shaded boxes in the center of the diagram depict the dominant distribution channels: direct (or independent), online booking, and package travel. The blue, purple, and red boxes under the “Distribution Intermediaries” and “Service Providers” headings highlight the actors who help produce tourism experiences. The shaded box under the “Service Providers”

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2 The GVC framework has been developed over the past two decades by a global network of researchers from diverse disciplines in order to understand how globalization has changed a variety of industries (Barrientos et al., 2011; Gereffi, 1999, 2005; Gereffi et al., 2005; Humphrey & Schmitz 2002; Kaplinsky, 2004, 2010). It provides a holistic view of how industries are organized by examining the structure and dynamics of different actors involved (Gereffi & Fernandez-Stark, 2011). The value chain describes the full range of activities that firms, workers, and supporting institutions perform to bring a product from conception through production to end use.

3 Michelle Christian, in particular, has published a number of research papers on the tourism industry using a GVC lens (Christian 2013; 2015; Christian & Nathan, 2013; Christian et al., 2011).
headings includes the most common inputs that help create leisure consumers’ experiences. While there are varying degrees of vertical integration between segments of the chain (e.g., many businesses provide services in multiple categories), Figure 1 is intended as a representative example at the broadest level.⁴

Figure 1: The Leisure Tourism GVC

![Diagram showing the Leisure Tourism GVC]

Source: Daly & Guinn, forthcoming.

Note: Information flows are represented by the thick black arrows at the top; communication travels from the consumers to the distribution intermediaries to the service providers. The solid and dashed lines with smaller arrows indicate the flow of consumers’ money through the chain. Direct flow of consumers’ money represents payments for services directly related to the consumers’ tourism experience. Indirect flow of consumers’ money represents back-end transactions where payment between companies is not based on consumers’ experiences.

⁴ In its 2013 annual report, Wilderness Safaris, a leading Botswana-based safari tour operator, noted the complexity of the global industry by highlighting the evolution of the profile of distribution intermediaries. “Wholesalers have increasingly operated in the retail space (and vice versa) and some inbounds have tended to act as outbounds (and, again, vice versa). … These changes have resulted in changes to the structure of the industry. This poses risk to operators who do not recognize these changes or respond appropriately” (Wilderness Holdings Integrated Annual Report, 2013, p. 8).
Lead firms in the leisure tourism GVC have the ability to assemble and package individual services into cohesive travel experiences. The power of lead firms derives from the ability to draw on the capabilities on large, global networks of service provider, while also having direct access to consumers or travel agents (Christian, 2013). Most often, these actors are the distribution intermediaries that populate the “Online Package” and “Package Booking” distribution channels, although in some cases, powerful individual service providers such as international airlines and hotels may act as lead firms by bundling and selling tourism products. Online portals, tour operators, and Destination Management Companies (DMCs) are among the most prominent lead firms. The primary actors in each distribution channel are outlined below.

**Direct Booking Distribution Channel**
Consumers may choose to bypass distribution intermediaries and book directly with service providers (see “Direct Booking” channel). Examples include leisure tourists who book vacations directly through service providers’ websites (Delta or Marriott, for example) or research excursions independently. In these instances, the flow of consumers’ money proceeds straight from the customer to international airlines and domestic transport, lodging, hospitality and excursion businesses.

**Online Package Distribution Channel**
The “Online Package” distribution channel accounts for the industry’s most dynamic growth in the last decade. The global industry is fragmented, with the largest 10 distribution intermediaries (measured by revenue accounting) for just 31% of what was an US$821 billion industry in 2014 (Euromonitor International, 2015a; Euromonitor International, 2015b). However, the emergence of online portals Expedia and Priceline has led to industry evolution. These two companies had combined sales of approximately US$100 billion in 2014 and have posted the highest growth rate of any intermediary in all distribution channels in the last five years. Their emergence has encouraged consolidation—in 2009, the top 10 distribution intermediaries controlled 25% of the global industry, with the leading company at the time, TUI AG, having a 4.2% market share of what was then a roughly US$620 billion industry (Euromonitor International, 2010). By 2014, Expedia had a 6.1% market share. That trend is likely to continue into the future, with Expedia announcing in 2015 that it planned to purchase rival Orbitz.

**Package Booking Distribution Channel**
The “Package Booking” distribution channel includes a network of travel agents, global tour operators, inbound tour operators and DMCs. Beyond questions of physical infrastructure and in-person communication, a key differentiator between online agencies and the traditional network of travel agents, tour operators, and DMCs is the latter’s ability to sell itinerary-based tour packages; thus far, online agencies have largely been unable to replicate this practice. Depending on the location, travel agents, tour operators and DMCs further distinguish themselves by assisting with visa applications and the acquisition of park permits. A brief outline of value proposition of the major distribution intermediaries follows, based partially on definitions offered by Medlik (1993).

**Travel agents** are the distribution intermediaries who interact directly with consumers, acting as retailers for products that tour operators put together. As the primary point of contact, travel agents’ most immediate value addition is communicating with the traveler, which helps build
trust the experience will conform to expectations. Depending on the outbound or inbound country as well as their level of experience, travel agents may sell individual services (airfares, hotels rooms, etc.) and cut the outbound tour operator out of the chain. Most often, however, travel agents are merely retailers; industry surveys indicate their largest sources of revenue and dependable commissions come from selling packaged tours (ASTA, 2014). Travel agents can pursue membership in different organizations to signal quality in the market, including the American Society of Travel Agents (ASTA), the African Travel and Tourism Association (ATTA), and many others.

**Tour operators** serve as both manufacturers and wholesalers and often capture the largest share of revenue. Together with DMCs, they purchase services from individual providers and assemble them into leisure tourism products. The tour operators’ most significant value addition is knowledge of the local market, which allows it to decide what products to sell and how to sell them while also wielding power over suppliers. Like travel agents, it can assuage concerns of consumers and manage risk, even providing a legal target in the event of fraud. While some of the largest companies have vertically integrated and sell directly to consumers, many opt to work through travel agents because of the reciprocal nature of the relationship.

The most prominent global tour operators have multiple brands that specialize in various tourism products (cruises, safaris, etc.). Some of the largest include Thomas Cook Excursions, TUI AG, and Flight Centre. In addition to selling directly to consumers, these companies also have offices in target locations that provide the same services as DMCs. The “global” designation refers to tour operators’ customer base; some of the leading companies may limit their geographic focus.

Global tour operators rely on DMCs to coordinate local services for tourism offerings. **DMCs** are typically based within the in-bound country; they may either serve as ground-handlers for global tour operators, or they may take a more active role in aggregating domestic services and selling them to foreign distribution intermediaries. DMCs are distinguished from **inbound tour operators** by the profile of their customers; companies where the majority of sales are directly to consumers are inbound tour operators, while DMCs are firms that rely on global tour operators to provide the majority of their clients. Inbound tour operators can either be nationally or regionally based—their focus is to provide leisure tourism services to consumers from outside the region. Outbound tour operators, by contrast, help domestic clients travel abroad.

Table 2 below summarizes the value addition and value capture activities of the critical distribution intermediaries in the leisure tourism GVC. The chart is organized vertically with the actors who capture the highest revenue at the top. The value capture distinctions are based on interviews with industry actors as well as reviews of relevant literature. “High” value capture implies profit margins in excess of 20% and/or significant volume of transactions; “medium” value capture implies profit margins of between 10-20% and/or moderate volume of transactions; and “low” value capture implies profit margins of less than 10% and/or low volume of transactions.

**Table 2: Characteristics of Key Distribution Intermediaries in Leisure Tourism GVC**

<table>
<thead>
<tr>
<th>Actors</th>
<th>Value Addition</th>
<th>Value Capture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Tour Operators</td>
<td>— Access to lucrative markets</td>
<td>High/Medium</td>
</tr>
</tbody>
</table>
Distribution intermediaries rely on service providers to provide many of the experiences that travelers associate with tourism products. The broad categories include international and domestic transport, lodging, hospitality, and excursions. In terms of unit costs, the most significant inputs are airline flights and lodging. The consumer usually encounters international and domestic transport first before engaging hotels, restaurants, and other destination-specific attractions. The individual service providers have ranges of quality and scale, as well as different degrees of vertical and horizontal integration. Some products and services fit into multiple segments; restaurants or food and beverage can be considered both hospitality and excursions. Many excursion experiences, especially related to eco-tourism, are offered through local guides.

Coordination between distribution intermediaries and service providers varies depending on the category of actors. American and many European airlines have generally stopped paying commissions to travel agents and tour operators over the last decade, which limits coordination between the leading companies and leisure tour operators/DMCs. As a result, international air is an ancillary component of the leisure tourism value chain. This stands in contrast to the business tourism value chain, where there is more explicit cooperation between leading airlines and important distribution intermediaries (see next section).

Distribution intermediaries and service providers are typically integrated in at least one segment of the chain, given that inbound distribution intermediaries—tour operators or DMCs—often begin as service providers, with a focus either on providing lodging or ground transportation (“wheels vs. beds” is how DMCs describe the model). Companies with lodges or resorts often use their DMC services to drive consumers toward their properties, while DMCs or inbound tour operators that focus on ground transportation offer itineraries with a broader network of hotels.

### 2.2 Business Tourism GVC

Business tourism GVCs can be divided into the same categories as the leisure tourism GVC: consumers, distribution intermediaries, and service providers. There is further overlap between the two chains, with many of the same service providers and some distribution intermediaries

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5 See Christian (2013), Christian & Nathan (2013), and Christian et al. (2011) for representative examples of the categories of service providers in previous tourism GVC studies.
active in both. There is also frequent spillover, with business travelers regularly extending trips to experience local sights.

There are important differences in the identity, characteristics, and value-addition propositions of the lead firms in both chains. The Online Package distribution channel is used less frequently in the business tourism GVC compared with leisure. Expedia, the distribution intermediary with the highest annual revenue in 2014, reported that 10% of its sales were for business travel against 90% for leisure (Travel Weekly, 2015).

**Figure 2: The Business Tourism GVC**

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6 A survey of 100 companies that have the largest business travel budget indicated that more than 90% used a corporate booking agent (Business Travel News, 2014a).
GVC bundle and sell experiences to their customers, the distribution intermediaries in the business tourism GVC distinguish themselves through travel management and analytical services that are designed to help clients reduce costs during trips and overall demand for travel.

The two chains are dissimilar in another way: expectations of the consumer. Whereas consumers in the leisure tourism GVC are individuals who experience the product and are interested in maximizing their travel experiences, the consumer in the business tourism GVC is the company or business that purchases travel products on behalf of their employees and hope to minimize expenses. Travel Management Companies (TMCs) are most adept at offering these services, providing reservation, ticketing and visa application assistance for multinational corporations, NGOs and governments. Compared to leisure, the global market is highly consolidated, with four leading TMCs as measured by annual revenue: American Express Global Business Travel, Carlson Wagonlit Travel (CWT), BCD Travel, and HRG Worldwide. Together, these four companies count 89% of the businesses with the largest global corporate travel accounts as clients and generated close to US$100 billion in revenue in 2014 (Business Travel News, 2014b; Travel Weekly, 2015).

Depending on demand for travel to a particular country, TMCs will either open wholly owned subsidiaries or joint ventures, or pursue partnership arrangements in new markets to manage clients’ travel. Partnership arrangements are the most common: American Express operates on a partnership model in 75% of its 135 locations; CWT has partners in 74% of its 157 markets; HRG Worldwide has partners in 78% of its 113 destinations; and HRG Worldwide boasts partners in 70% of its 97 markets (Daly & Guinn, forthcoming).

Historically, TMC competitiveness depended on a full inventory of airfares, which led to strong links with international airlines. More recently, airlines have eliminated the commission model that used to characterize the industry. With TMCs largely having access to comparable fares through General Distribution Systems (GDS) or negotiated rates with service providers, the leading companies instead try to distinguish themselves through travel management and data collection services that help clients formalize and comply with travel policies, reduce expenses, manage demand, and react to unforeseen circumstances while abroad.

There are three primary GDS providers—Amadeus, Sabre, and Travelport—whose combined annual profits are estimated to be more than double the global airline industry (The Economist, 2012). GDS have been called the “ineluctable middlemen” of the travel industry (The Economist, 2012). Online portals and travel agents use GDS to access the complete inventory of airfares and hotel rooms, while airlines and hotels use GDS to sell the majority of their products. While they are a supplementary feature of the leisure tourism value chain, GDS are a central

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7 The business model between TMCs and their in-country affiliates is characterized by a remuneration model, where the domestic partner compensates the TMCs for the right to use the TMC’s corporate brand on an annual basis (see dashed lines with arrows in Figure 2). The value proposition for the in-country partner is that they can use the affiliation with the TMC to increase demand for their services from local clients. Additionally, local partners receive shares of the transaction fees that the parent TMCs earns from the client for domestic services.
component of the business tourism value chain; a survey of corporate agencies reported that 100% of them used GDS to book clients’ travel (ASTA, 2014).  

The significance of GDS in the business tourism value chain is tied to the importance of airline reservations, which are purchased at a high volume and represent the largest travel cost for corporations. Instead of booking directly through airlines, TMCs and travel agents use GDS in most markets because of the relative ease of booking and comparing fares. Airline companies have attempted to cut GDS out of the chain by offering incentives both to travel agents and customers to book directly, but GDS have considerable leverage because of the volume of sales they provide.

While there is some overlap in the responsibilities of partner agencies and DMCs in the leisure tourism GVC, there are significant differences in the skill sets and licenses that are required for participation in the business tourism chain. To ensure adherence to company travel guidelines, TMC affiliates are expected to collect different kinds of information for the parent company, much of which requires some level of training. To ensure that potential partners accurately record such information, TMCs scrutinize certified financial records of candidates, prioritizing those that have a large number of business clients. Additionally, International Air Transport Association (IATA) certification is an obligatory step for TMC partners—IATA is the global trade association for the airline industry and represents over 260 airlines worldwide; airlines and leading GDS only issue international tickets to IATA accredited agents.

3. Africa and the Global Industry

The organization of the tourism GVC provides context for understanding how tourism may drive export growth in Africa and what steps can be taken to improve the continent’s position. Various characteristics of the African tourism industry vis-à-vis the global landscape are worth accentuating. These include the following: (1) The traditional “Package Booking” distribution channel has proven to be more durable in Africa than elsewhere; (2) low domestic demand for African tourism elevates the position of global lead firms; (3) business tourism constitutes a greater share of overall tourism receipts in Africa than in other locations; and (4) government policy encourages bottlenecks among critical service providers that impair African tourism. The following section addresses each dynamic in greater detail.

Durability of Package Booking

Itinerary-based travel remains an entrenched feature of African leisure tourism. Consumers are booking travel independently in greater numbers, and Expedia and Priceline have become the largest two companies in the industry as measured by annual revenue. However, neither Expedia nor Priceline are especially active in Africa. Depending on the country, Flight Centre and

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8 By comparison, only 58% of independent leisure travel agents and 20% of retail leisure travel agencies report using GDS, instead booking directly through airlines or hotels (ASTA, 2014). Independent leisure travel agencies are defined as one-person agencies with no other employees; retail leisure travel agencies have multiple employees and earn at least 70% of their revenue from leisure tourism.

9 Examples include when plane tickets were purchased, the reason for the timing of the purchase if it violated company policy, and the difference in purchase price versus the price available during an approved timeframe.

10 Although international receipts accounted for 41% of Expedia’s sales in 2014, the company’s market share among distribution intermediaries on the African continent was less than 0.1% (Euromonitor International, 2015a).
Travelstart are two online portals that have a significant presence inside Africa, although both companies are mostly geared toward booking outbound flights and not bundling domestic leisure tourism products.

The “Package Travel” distribution channel continues to be popular for multiple reasons. These include: the emphasis on itinerary-based travel in a region where wildlife and parks are attractive products; the general unfamiliarity of international tourists with the continent; concerns about the ability of inbound operators to deliver quality products; and the difficulties associated with organizing domestic transport and other services independently. Data on the experience of travelers in a cluster of East African Community (EAC) countries highlights this fact. A survey of visitors to Uganda reported that 21% of leisure tourists were part of packaged tours, with nearly 80% of those package tourists indicating that they preferred to travel independently when outside Uganda (World Bank Group, 2013). In Tanzania, a recent study of leisure visitors reported that 75.3% were part of packaged tours (Tanzania National Bureau of Statistics, 2015). In Kenya, packaged holidays accounted for 39% of leisure travel retail sales in 2013, which was the highest of any single category (Euromonitor International, 2015d).

*Elevated Position of Global Lead Firms*

With lead firms earning their position partially through their access to consumers, the source of demand has implications for the composition and characteristics of tourism value chains. Domestic consumers allow national or regional businesses to improve their position in tourism chains by eliminating the need to network and share profits with global distribution intermediaries. In a study comparing Asian and Africa markets, Christian & Nathan (2013) noted that tourists tend to use tour operators based in their home region because of trust issues (highlighted in the global section). “In Asia,” the authors wrote, “domestic tourists far outnumber foreign tourists, resulting in a stronger position for national tour operators, who do not have to rely on sub-contract relationships with global tour operators to receive clients (p. 15).”

**Table 3: Breakdown of Global Foreign and Domestic Visitor Spending, 2015**

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Tourism Spending</th>
<th>Foreign Visitor Spending</th>
<th>Domestic Spending</th>
<th>Foreign Visitor Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>4728.8</td>
<td>1308.9</td>
<td>3419.9</td>
<td>27.7%</td>
</tr>
<tr>
<td>Africa</td>
<td>123.7</td>
<td>46.7</td>
<td>77</td>
<td>37.8%</td>
</tr>
<tr>
<td>Americas</td>
<td>1493.1</td>
<td>297</td>
<td>1196.1</td>
<td>19.9%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1426.3</td>
<td>386</td>
<td>1040.3</td>
<td>27.1%</td>
</tr>
<tr>
<td>Europe</td>
<td>1552.5</td>
<td>506.7</td>
<td>1045.8</td>
<td>32.6%</td>
</tr>
<tr>
<td>Middle East</td>
<td>133.2</td>
<td>72.5</td>
<td>60.7</td>
<td>54.4%</td>
</tr>
</tbody>
</table>

Source: WTTC, 2016. **Note:** All figures US$ billions.

Africa’s tourism industry depends heavily on foreign demand. While foreign spending represents roughly 28% of tourism receipts around the world in 2015, it accounted for almost 38% of total tourism spending in Africa (see Table 3). In individual countries where there is a strong base of domestic tourism—such as China, Japan, Germany, Mexico, the United States, the United Kingdom, France, and Italy—foreign spending represents 10-30% of total tourism revenue.

Local tour operators in certain African locations are constrained by low levels of domestic demand for tourism. East Africa, in particular, is among the global regions most dependent on
foreign visitor spending (see Table 4). EAC countries such as Kenya and Tanzania have long been prominent destinations in safari circuits, with national parks such as the Maasai Mara in Kenya and the Serengeti in Tanzania receiving North American and European visitors in high volume. More recently, locations in Rwanda have become mainstays on the itineraries of high-end, luxury clients who consider the countries’ mountain gorillas a “bucket list” experience. However, the majority of these Western visitors use lead firms such as Abercrombie & Kent, Cox & Kings or Wilderness Safaris that are based outside the region.

Table 4: Percentage of Foreign Visitor Spending in Total Tourism Revenue by Region, 2015

<table>
<thead>
<tr>
<th>Region</th>
<th>Foreign Visitor Share of Total</th>
<th>Total Tourism Spending (US$, millions)</th>
<th>Foreign Visitor Spending (US$, billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caribbean</td>
<td>71.4%</td>
<td>35,659</td>
<td>25,455</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>62.7%</td>
<td>76,507</td>
<td>47,963</td>
</tr>
<tr>
<td>Central America</td>
<td>61.5%</td>
<td>22,279</td>
<td>13,706</td>
</tr>
<tr>
<td>East Africa</td>
<td>61.2%</td>
<td>19,227</td>
<td>11,761</td>
</tr>
<tr>
<td>Middle East</td>
<td>54.4%</td>
<td>133,225</td>
<td>72,518</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>43.9%</td>
<td>24,871</td>
<td>10,922</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>43.4%</td>
<td>365,818</td>
<td>158,929</td>
</tr>
<tr>
<td>Nordic</td>
<td>39.4%</td>
<td>83,058</td>
<td>32,721</td>
</tr>
<tr>
<td>North Africa</td>
<td>35.7%</td>
<td>50,499</td>
<td>18,045</td>
</tr>
<tr>
<td>Caucasus</td>
<td>32.6%</td>
<td>58,096</td>
<td>18,964</td>
</tr>
<tr>
<td>Central Africa</td>
<td>30.4%</td>
<td>6,662</td>
<td>2,027</td>
</tr>
<tr>
<td>Central Asia</td>
<td>29.7%</td>
<td>8,263</td>
<td>2,451</td>
</tr>
<tr>
<td>East Asia</td>
<td>27.6%</td>
<td>1,159,852</td>
<td>319,682</td>
</tr>
<tr>
<td>Oceania</td>
<td>26.2%</td>
<td>115,944</td>
<td>30,432</td>
</tr>
<tr>
<td>Western Europe</td>
<td>25.6%</td>
<td>961,185</td>
<td>245,871</td>
</tr>
<tr>
<td>South Asia</td>
<td>19.7%</td>
<td>141,314</td>
<td>27,820</td>
</tr>
<tr>
<td>North America</td>
<td>18.5%</td>
<td>1,201,742</td>
<td>222,911</td>
</tr>
<tr>
<td>West Africa</td>
<td>15.9%</td>
<td>21,208</td>
<td>3,366</td>
</tr>
<tr>
<td>South America</td>
<td>13.7%</td>
<td>229,596</td>
<td>31,445</td>
</tr>
</tbody>
</table>

Source: WTTC, 2016.

Central and West Africa have comparatively small shares of foreign visitor spending in total tourism revenue, but that is mostly a function of low overall demand for tourism rather than a sign of strong local sales. Central Africa has the lowest overall tourism revenue of any region in the world (see Table 4), while Nigeria is responsible for 63% West Africa’s tourism receipts all by itself. Nigeria’s tourism industry is skewed heavily toward domestic demand, which is a testament to the robust business travel within the country as much as leisure tourism.

Importance of Business Travel
Nigeria’s profile is not unique within Africa. Globally, 23.4% of the roughly US$4.7 trillion spent on tourism in 2015 was for business travel. Indeed, the figure was far higher in Africa than any other region in the world—30% of total tourism spending, compared to 25% in North America, 23% in Europe, 22% in Asia Pacific, and 18% in the Middle East. The significance of business travel becomes more apparent if one analyzes individual country data. Sixteen of the top 17 countries in the world with the largest shares of business travel in their overall tourism portfolio are African nations. Table 5 provides a list of the top 20 in the world out of 179 total
countries—in many of these countries, business tourism is a relatively significant source of revenue and capital investments, especially when compared to leisure tourism.\(^{11}\)

**Table 5: Largest Shares of Business Tourism Spending as Part of Overall Tourism Revenue, 2015**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Business Tourism Share</th>
<th>Domestic Spending Share</th>
<th>Total Business Revenue (US$, mil)</th>
<th>Capital Investments (US$, mil)</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Lesotho</td>
<td>89.5%</td>
<td>86.1%</td>
<td>200</td>
<td>47</td>
<td>Africa</td>
</tr>
<tr>
<td>2.</td>
<td>Guinea</td>
<td>80.6%</td>
<td>99.4%</td>
<td>187</td>
<td>19</td>
<td>Africa</td>
</tr>
<tr>
<td>3.</td>
<td>Central African Republic</td>
<td>79.6%</td>
<td>84.9%</td>
<td>66</td>
<td>8</td>
<td>Africa</td>
</tr>
<tr>
<td>4.</td>
<td>Swaziland</td>
<td>78.2%</td>
<td>92.4%</td>
<td>95</td>
<td>16</td>
<td>Africa</td>
</tr>
<tr>
<td>5.</td>
<td>Mali</td>
<td>78.0%</td>
<td>78.3%</td>
<td>582</td>
<td>108</td>
<td>Africa</td>
</tr>
<tr>
<td>6.</td>
<td>Sierra Leone</td>
<td>74.5%</td>
<td>73.6%</td>
<td>107</td>
<td>28</td>
<td>Africa</td>
</tr>
<tr>
<td>7.</td>
<td>Malawi</td>
<td>74.3%</td>
<td>90.4%</td>
<td>293</td>
<td>35</td>
<td>Africa</td>
</tr>
<tr>
<td>8.</td>
<td>Tonga</td>
<td>71.5%</td>
<td>7.8%</td>
<td>36</td>
<td>14</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>9.</td>
<td>Republic of Congo</td>
<td>64.1%</td>
<td>81.7%</td>
<td>206</td>
<td>176</td>
<td>Africa</td>
</tr>
<tr>
<td>10.</td>
<td>Niger</td>
<td>63.6%</td>
<td>72.2%</td>
<td>129</td>
<td>43</td>
<td>Africa</td>
</tr>
<tr>
<td>11.</td>
<td>Burundi</td>
<td>62.1%</td>
<td>97.5%</td>
<td>73</td>
<td>8</td>
<td>Africa</td>
</tr>
<tr>
<td>12.</td>
<td>Zambia</td>
<td>60.4%</td>
<td>48.3%</td>
<td>707</td>
<td>105</td>
<td>Africa</td>
</tr>
<tr>
<td>13.</td>
<td>Mozambique</td>
<td>60.0%</td>
<td>76.8%</td>
<td>506</td>
<td>182</td>
<td>Africa</td>
</tr>
<tr>
<td>14.</td>
<td>Senegal</td>
<td>57.2%</td>
<td>63.8%</td>
<td>768</td>
<td>125</td>
<td>Africa</td>
</tr>
<tr>
<td>15.</td>
<td>Rwanda</td>
<td>56.9%</td>
<td>22.8%</td>
<td>251</td>
<td>175</td>
<td>Africa</td>
</tr>
<tr>
<td>16.</td>
<td>Ivory Coast</td>
<td>55.6%</td>
<td>88.9%</td>
<td>926</td>
<td>81</td>
<td>Africa</td>
</tr>
<tr>
<td>17.</td>
<td>Togo</td>
<td>51.9%</td>
<td>31.6%</td>
<td>152</td>
<td>19</td>
<td>Africa</td>
</tr>
<tr>
<td>18.</td>
<td>Singapore</td>
<td>51.5%</td>
<td>35.9%</td>
<td>13,266</td>
<td>14359</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>19.</td>
<td>Malaysia</td>
<td>49.9%</td>
<td>49.5%</td>
<td>15,229</td>
<td>5267</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>20.</td>
<td>Sweden</td>
<td>49.6%</td>
<td>60.4%</td>
<td>18,026</td>
<td>2983</td>
<td>Europe</td>
</tr>
<tr>
<td>—</td>
<td>WORLD</td>
<td>23.4%</td>
<td>72.3%</td>
<td>1,106,800</td>
<td>774,700,000</td>
<td>—</td>
</tr>
</tbody>
</table>

Source: WTTC, 2016.

The demand demographics associated with business travel are generally domestically or regionally oriented (see “Domestic Spending Share” of total tourism revenue column in Table 5). This promotes the opposite dynamic as the one in leisure tourism GVCs—that is, the high local spending promotes the development of local and regional companies that offer a full suite of inbound and outbound services to business clients. Satguru is one of the more prominent examples. The TMC, which began in Kigali in 1989, has expanded its services to 43 African countries with more than 800 total employees and moved its world headquarters to Dubai. The company serves as a CWT partner in 19 countries in Africa (mostly in the western and eastern portions of the country) and accounts for more than 50% of airline bookings in multiple markets.

\(^{11}\) In some instances, the high share of business tourism is a symptom of small populations, general tourism malaise or political instability more so than robust travel for business. Burundi, Swaziland and Central African Republic, for example, had some of the lowest overall tourism revenues in the world in 2015. However, in other locations, business tourism is a relatively significant source of revenue and capital investments, especially when compared to leisure tourism.
**Government Policy Encouraging Bottlenecks among Service Providers**

The most prominent service providers are lodging and airlines. Each segment of the chain has supply constraints. Lodging has two distinct profiles in the leisure and business chains; where small lodges and camps close to national parks are prevalent in leisure, the lodging sector in the business tourism value chain is populated by larger hotel companies. The more notable regional companies include Serena Hotels, which is based in Nairobi, and Protea Hotels, which is a South African-based company that was recently purchased by Marriott.

While the supply of business hotels is generally sufficient, government policies sometimes restrict the availability of leisure accommodations. In a comparison between popular leisure tourist destinations in Kenya and Uganda, Christian (2015) noted that a liberal concession policy toward new properties allowed hotels to proliferate in Mombasa, while in Murchison Falls National Park in Uganda, tight control by the Uganda Wildlife Authority over distribution of new licenses favored the embedded power structure and created a scarcity of new development.

There are significant bottlenecks surrounding the airline industry, with government policy again playing a role. In a review of the EAC’s aviation market, Schlumberger & Weisskopf (2014) noted the emergence of low-cost carriers (LCCs) could bolster leisure and business tourism value chains by increasing usage of secondary airports, distributing traffic more evenly throughout the year, and offering lower off-peak fares. A critical step toward the development of new carriers is the deregulation of domestic and regional air markets. Although regions in Africa are broadly committed to the Yamoussoukro Decision to liberalize air travel, some rely on bilateral accords between states to accomplish the targets outlined in that agreement.

Amendments to Air Service Agreements (ASA) are generally not formalized in an expedient fashion, and Schlumberger & Weisskopf’s analysis of the bilateral regimes in the EAC specifically described them as being “restrictive.” Without expansive agreements, the fees and taxes on departures within the EAC are often exorbitant. Comparisons of flights between Nairobi-Dar es Salaam and Nairobi-Zanzibar indicated they were double or triple the rates of flights between similarly spaced Asian locations serviced by LCCs.

Although the possible emergence of LCCs could provide a boost both to the business and leisure tourism GVCs in Africa, Schlumberger & Weisskopf (2014) are pessimistic about their emergence, at least in the short term. Beyond liberalization of the market, a number of factors that have prevented LCCs in the EAC from replicating the upgrading trajectories taken by VivaAerobus in Mexico or Kulula in South Africa, including the following: (1) Prominent market distortions, including the preeminence of state-owned carriers and the restrictive bilateral agreements; (2) substandard air transport and air traffic control infrastructure; (3) mediocre safety and security records; (4) high input costs, especially fuel and airport taxes; and (5) low demand owing to minimal tourism consumption.

### 4. Upgrading in Tourism GVCs

Upgrading in the GVC literature describes how actors can increase benefits from participating in global industry. There are both economic and social dimensions to upgrading—economic upgrading describes how firms or countries can add value to production or move into higher-
value activities, while social upgrading encapsulates improvements in measurable standards (type of employment, wages, working hours, and social protections) and enabling rights of workers (rights to collective bargaining, freedom of association, and non-discrimination) (Barrientos, Gereffi & Rossi, 2011).

Economic upgrading includes a variety of different forms, including the following: product upgrading, which describes the shift into the production into higher value products or services; process upgrading, which includes improvements in the efficiency in the production systems such as incorporating more sophisticated technology; functional upgrading, which is when actors acquire new functions or abandoning existing ones to increase overall competitiveness; chain upgrading, which is when firms or countries move into new—but often related—production activities by leveraging existing capabilities (automotive parts manufacturers generating aerospace material is an example); and, finally, end market upgrading, which describes incursion into new market segments (Gereffi, 2005; Fernandez-Stark, et al., 2011; Humphrey & Schmitz, 2002).

The concept of upgrading provides a useful foundation as African stakeholders consider how to encourage the development of the tourism industry while recognizing some of the realities highlighted in the previous section since each form of upgrading can help improve the position of domestic actors. The following section outlines examples of upgrading that have been observed in Africa.

**Product upgrading**

Improvements to leisure tourism products that appeal to local customers can help empower the position of domestic distribution intermediaries by providing access to customers without having to rely on sub-contractual relationships with global lead firms. An instructive example can be found in Rwanda, where the Rwanda Development Board (RDB) formed a Public-Private Partnership (PPP) in 2009 with African Parks, which is a conservation NGO based in South Africa, to manage Akagera National Park. Since taking over, African Parks has implemented a number of product upgrades, which has boosted visitor traffic by 130%, mostly by increasing the number of Rwandans traveling to the park. Specific strategies and upgrades have included improving road infrastructure to ensure that visitors can see wildlife from their car (management believes that local residents prefer driving safaris), keeping the entry fee low for Rwandans and EAC members, and implementing an expansive marketing campaign. Instead of online advertising, African Parks used local print media, billboard and broadcast media inside Rwanda for a sustained marketing campaign. Data provided by the park for 2015 visitors indicated that it was on track to break its record number of total visitors and Rwandan visitors (Daly & Guinn, forthcoming).

**Process upgrading**

Given the durability of the “Package Travel” distribution channel in Africa, domestic distribution intermediaries must be able to forge relationships with global tour operators in order to access customers. While there is not one governance type that defines the industry, the low-volume,

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12 Christian (2015) argues that “it is the specific firms and institutional arrangements, not the tourism type per se, that dictates governance. Thus, different modes of governance arise in the same and different segments of the tourism chain at the same time.”
luxury brand of travel skews heavily toward the relational governance model. An important process upgrade for leisure tourism business is either to outsource marketing efforts to an external firm or to improve its internal communications skills. Outbound tour operators and DMCs connect most frequently through travel and tourism trade fairs or communication through email. In order to present their products in the most favorable light, inbound tour operators and DMCs sometimes hire external companies to help sell their products and improve websites. These marketing firms can be based inside the inbound country or the external market where consumers are based.

While there are only a handful of companies outside major African markets such as South Africa or Egypt that have the financial resources to outsource marketing to companies based in North America or Europe, there are alternative strategies. Five lodges in Uganda have banded together and formed the Uganda Lodge Collection to market their properties via a common website and social media profiles. Additionally, tourism boards regularly assist by contracting with outside marketing firms to create location-specific marketing products.

**Functional upgrading**

There are numerous examples of functional upgrading within Africa. Christian (2013) outlined the traditional trajectory in leisure tourism value chains—distribution intermediaries often begin as service providers (local guides) before becoming local tour operators and then progressing to DMCs and finally inbound tour operators. In the course of adding these responsibilities, they may also vertically integrate by adding lodges and/or restaurants. Services providers may functionally upgrade by adding capabilities in the other input categories; hotels and lodges can add restaurants (and vice versa) or offer tours to guests.

Steps taken by the Rwandan government provide a representative example of how countries can attract FDI that can facilitate functional upgrading, which can have the dual effect of increasing the value captured by domestic businesses while also increasing supply of key inputs. Wilderness Safaris, a Botswana-based tour operator that specializes in luxury safaris, entered into a Joint Venture agreement with Albizia, which is the parent company of Thousand Hills and Amber Expeditions, two DMCs and inbound tour operators based in East Africa. Together, both groups approached Horizon Group, an equity firm based in Kigali that is wholly owned by the Rwandan government, to provide financing for investments in Rwanda. Those conversations led to the formation of Imizi, a lodge holding company whose shareholders are Albizia, Wilderness Rwanda and Horizon Group. In 2015, Wilderness Safaris then announced that it planned on building two properties in Rwanda that will open in 2016. As part of the arrangement, Wilderness Safaris will provide sales and marketing assistance for Albizia’s tour operations (Thousand Hills and Amber Expeditions).

**Chain upgrading**

Accessing the business tourism GVC can provide reliable revenue streams for leisure tourism distribution intermediaries by serving as affiliates of TMCs. There are, however, potential barriers to entry for new actors. There is a high degree of monitoring and control exerted by TMCs over their domestic affiliates, especially in the early stages of the relationship. Whereas links in the leisure tourism value chain develop through marketing and networking efforts, relationships in the business tourism GVC depend on quantifiable data and certifications. In
particular, TMCs evaluate potential partners based on the following characteristics: (1) IATA certification; (2) high volumes of business traveler bookings through GDS; (3) certified financial records; and (4) access to finance.

The MICE sector also provides opportunities for diversification. In some respects, conference tourism is its own chain, with networks of conference specialists, conference associations, and Professional Conference Organizers (PCOs) serving as the primary distribution intermediaries to distinguish it from the business tourism chain. PCOs overlap in responsibilities to DMCs or the domestic partners of TMCs; however, there are skills that require additional training. One of the reasons for the divergence is the scale of conference events. Whereas distribution intermediaries in the leisure and business travel chains rarely deal with large groups, MICE events can attract hundreds if not thousands of delegates, which presents logistical challenges that are on a scale that is generally not encountered in the business or leisure tourism GVCs.

End Market upgrading
The ability to tap into North American markets represents end market upgrading for African countries, with tour operators in some cases charging more for American customers for similar packages. Asia can also represent an end market upgrade, despite the volume of Asian visitors in most African destinations for the following reasons: (1) China is the No. 1 source market for outbound tourists in the world and increased its spending by 27% in 2014 compared to the previous year; and (2) tour operators report that Indian and Chinese consumers often travel at different times of the year than European and North American clients, providing business during otherwise slow seasons.

5. Policy Recommendations

The tourism industry has been a popular topic among international organizations and academics, which has led to a wide universe of recommendations for policy interventions that focus on areas such as infrastructure provision; regulating markets such as aviation; setting quality, training, and environmental standards; developing border policy; and stimulating tourism demand and investment (OECD, 2014). Employing a GVC perspective to an analysis of the industry affords insights that both reinforce the traditional orthodoxies while also offering unique perspectives. Most immediately, attention should be paid to measures to improve the position of distribution intermediaries. Although service providers regularly offer the largest opportunity for employment in each chain, it is the distribution intermediaries that often control the sector’s upgrading potential by facilitating links with end markets.

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13 IATA certification allows travel agents to purchase international airfares. The application process is extensive, requiring interested parties to submit certified financial records, capital certificates, and banking records while also facilitating a site visit by IATA staff. It is also cost prohibitive for smaller travel agencies; African firms generally must pay application and entry fees of approximately US$2-2,500 in addition to smaller annual fees.

14 For instance, Abercrombie & Kent offered a “Signature Uganda” package on its US website in 2015 and a “Classic Uganda” tour on its UK website. The two offerings both featured stops in Kibale National Park, Queen Elizabeth National Park and Bwindi Impenetrable National Park, and three of the four lodging venues were the same. Although international airfare was included for British travelers while it had to be purchased separately for Americans, the quoted price for the US consumer was, depending on the season, at least US$139 higher per day.
Policymakers can play a role in helping to overcome barriers that can inhibit the upgrading described in the previous section. These constraints can be broadly aggregated into the following categories:

- **ACCESS TO CONSUMERS:** Distribution intermediaries in many regions in Africa are dependent on foreign consumers; travelers in these regions are most likely to use global tour operators to arrange packages in the region. This obstacle can be partially mitigated through both demand and supply-side strategies. On the demand side, efforts can be made to facilitate product upgrades that appeal to African travelers, such as the ones employed by African Parks at Akagera National Park after the RDB outsourced management to the group (see Product upgrading section). On the supply side, tourism boards can perform direct outreach to consumers in critical markets through travel and trade shows or concentrated marketing campaigns among African-focused travel agents. Tourism boards also play a role in boosting the communication skills of domestic tour operators or travel agents through professional development events and other training.\(^{15}\)

- **ACCESS TO FINANCE:** Distribution intermediaries must have the ability to pay upfront for service and wait for subsequent payment. African domestic tour operators and DMCs operating report limited ability to improve marketing strategies or hire outside consultants because of cost considerations. Tour operators hoping to enter the business tourism GVC are required to earn IATA certification, which allows travel agents to purchase international airfares. The application process is extensive, requiring interested parties submit certified financial records and pay application fees that exceed US$2,000.

- **SKILLS TRAINING:** Management, organization, communication and computer skills are critical for distribution intermediaries and service providers that seek to upgrade their position in the chain. There are international programs designed to teach these skills to students, with the UNWTO.TedQual certification program being perhaps the most prominent example. The certification process for UNWTO.TedQual targets hospitality institutions and evaluates schools based on the quality of their tourism instruction, training, and research programs. However, Africa only has two schools that have earned certification—Utalii College in Kenya and the Hotel & Tourism Training Institute Trust in Zambia. Governments can play a role in either exploring the creation of hospitality programs at existing institutions, or providing funding mechanism and scholarships for domestic students to study in Kenya or Zambia.

- **CONCESSION AND INVESTMENT POLICIES:** As Christian (2015) noted in her study of Kenyan and Ugandan tourism investment regimes, government policies can allow for varying governance models to take root. Minimal investment regulation has been observed in Kenya, which has encouraged overdevelopment in certain locations, thereby weakening the negotiating position of domestic service providers with distribution intermediaries. Kenya’s approach to tourism investments and concession

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\(^{15}\) Nimble marketing programs can also help distribution intermediaries respond to external shocks. Distribution intermediaries in many African markets reported sales slump in 2015 and 2016 because of circumstances outside their control, including the outbreak of the Ebola virus and security concerns prompted by attacks by extremist groups. With both of these examples, counter-narratives can be constructed to fight misperceptions.
areas contrasts with EAC peers such as Uganda and Rwanda. In Uganda, the Uganda Wildlife Authority exerts significant control over development in and around national parks, limiting the number of concessions agreements that are disbursed. While this reduces overall employment, it empowers the position of the service providers that are active in the country. In Rwanda, the government, through the RDB, takes an aggressive approach to cultivating public-private partnerships (PPPs) with conservation-focused organizations that have allowed Rwandan distribution intermediaries to functionally upgrade through agreements with global lead firms.

- INFRASTRUCTURE: Infrastructure throughout African markets is a well-known impediment. The constraints associated with air travel—prominent market distortions, mediocre safety records, high input costs, among others (Schlumberger & Weisskopf, 2014)—were highlighted earlier in the chapter, and the quality of roads also remain prominent concerns in many locations. Such logistical challenges restrict end market upgrading opportunities available to distribution intermediaries. The quality of Uganda’s infrastructure compares unfavorably with neighboring Rwanda (World Economic Forum, 2015), which constrains the country’s ability to access luxury customers because of higher input and opportunity costs. The drive from Kigali to see the mountain gorillas in Volcanoes National Park takes less than three hours on well-maintained highways; by comparison, visitors to Uganda must endure eight hours of travel in motor vehicles to see mountain gorillas in Bwindi Impenetrable National Park or use airplanes that depart once per day.

Conclusion
Despite a record number of international visitor arrivals in Africa in 2014, there are industry undercurrents that potentially undercut the continent’s participation in tourism GVCs. This chapter identified two distinct tourism GVCs—leisure and business—and divided both into three categories of actors: consumers, distribution intermediaries, and service providers. In both chains, there are separate distribution channels that determine the identity of the lead firms and their governance over downstream actors.

Lead firms in the leisure tourism GVC have the ability to manage these risks while also assembling and packaging individual services into cohesive tourism experiences. Their power derives from their ability to draw on the capabilities of large, global networks of service providers while also having direct access to consumers or travel agents (Christian, 2013). Globally, the market is somewhat fragmented, with the 10 largest distribution intermediaries controlling 31% of a US$821 billion industry in 2014.

While that dynamic is beginning to evolve with the emergence of online portals such as Expedia and Orbitz, the traditional “package booking” distribution channel remains popular for travelers to Africa because of the unfamiliarity of the market among many consumers and the priority on itinerary-based travel in a market where safaris and other eco-tourism options are primary attractions. The “package booking” distribution channel has the most robust chain of actors, from

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16 In Uganda, the country’s recent Tourism Master Plan noted that potential leisure tourism products such as the Mountains of the Moon (mountaineering), islands in Lake Victoria (weekend getaways), and Mount Elgon and the Virungas (hiking and climbing) remain largely unexploited assets because of poor access conditions (UNDP, 2014).
travel agents to global tour operators to DMCs to service providers (transportation, hotels, excursions, etc.), with potential for domestic businesses to enter the chain and benefit from meaningful participation in the GVC. However, the low levels of domestic demand for tourism in Africa requires domestic actors to rely on global tour operators to provide customers, which provides those companies with a high degree of market power.

Although Africa remains an intriguing destination for many Western leisure travelers, the importance of business tourism should not be underestimated. The percentage of business tourism revenue as part of overall tourism revenue is greater in Africa than in any region in the world. This chapter has analyzed how the business tourism GVC differs from leisure—lead firms differentiate themselves through reducing travel costs and ensuring adherence to systematic travel policies, not by building memorable experiences. The corresponding priority on data collection and full access to airfare inventories presents a significant barrier to entry for distribution intermediaries based in Africa, which must have IATA certification, experience working with GDS, and certified financial records to enter the chain.

Policy interventions can be constructed to eliminate these challenges. The recommendations offered in this chapter centered around four barriers to economic upgrading often seen in the tourism GVC: access to consumers, access to finance; access to training; and concession and investment policies. Alleviating these constraints can allow domestic businesses to improve their position in the chain, even if many of the features of global industry remain entrenched for the foreseeable future. With tourism likely to remain a critical source for African exports and FDI, understanding the dynamics associated with the global industry and how it links with local actors is an important consideration for improving the overall competitiveness of the domestic sector.
References


