

Business survival issues for small scale tourism operations in Papua New Guinea



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This paper addresses a number of issues of concern about the post-pandemic survival and recovery of small scale tourism businesses in rural areas of Papua New Guinea and introduces a training workshop designed to address some of the long-standing growth barriers facing local tourism entrepreneurs.

SECTION 1 - INTRODUCTION

Like most other South Pacific countries, the tourism industry in Papua New Guinea comprises a mixture of hotels, resorts and dive operations some of which are foreign owned plus a range of smaller scale enterprises mainly operated by local individuals, families and community organisations.

Key attractions in PNG include resorts, scuba diving, snorkelling, volcanoes, rainforest, surfing and paddle boarding, bird watching, fishing, traditional art and crafts, village stays, wildlife conservation, remote hideaways and ethno-photography.

The well established resorts and dive shops and inbound tour operators attract the lion's share of tourist arrivals booked through travel agents and online portals, while the small scale accommodation, attraction and day trip operators compete for the smaller number of independent tourists often seeking a more candid, intimate and adventurous experience of PNG.

Small scale operations owned by Papua New Guineans include accommodation (village home stays, beach huts, bungalows, eco-lodges and guest houses), natural and cultural attractions (museums, galleries, marine and forest parks, cultural villages, dance troupes, festivals) and local tours (day trip organisers, freelance guides etc).

The smaller scale enterprises are mostly located in the rural areas and therefore play an important role in supporting the local economies of individual provinces and the micro-economies of village communities, not to mention the national balance of payments since tourism is an export industry and it brings in foreign cash from overseas.

Unfortunately the number of small scale operators currently exceeds the demand for "alternative" tourism products which leaves many small scale accommodation, attraction and day tour operators struggling to survive.

On top of this existing problem of empty village guest houses has come the suspension of international travel for two years during the COVID-19 pandemic which has had a devastating effect on the national tourism industry in PNG and the other South Pacific Islands. While some of the resorts have been able to survive on a trickle of domestic tourism most of the small scale operators – from freelance guides to village homestays – have had to fall back on other means of survival during the period of border closure.

However the two year closure has also presented an opportunity for operators and administrators to take stock and consider how to best prepare for the gradual return of tourist arrivals to pre-pandemic levels - or better – now that PNG has re-opened its borders.

Now that inbound tourism has resumed, most of the well-established tourism businesses that have survived the period of border closure will slowly claw their way back from the brink. These operators will still have connections with their overseas agent and marketing networks plus their databases of former clients and guests that they can call on for exposure and support. They will have the resources required to mount social media campaigns and take advantage of co-op marketing initiatives offered by the national tourism office and other COVID-19 recovery programs including financial support packages. Once confidence in the industry returns, banks will resume lending to established tourism businesses against their assets and projected incomes, which will give them working cash to help them clean up and rejuvenate their operations.

For the small scale tourism entrepreneurs however, survival and recovery will be a much bigger challenge. Apart from adapting to the COVID-19 situation the smaller operators are still be faced with the same old problems that have dogged small tourism “setups” in PNG for many years even before the pandemic ie:

- insufficient tourist numbers
- small market share
- lockout from the travel distribution system
- liability insurance unaffordable
- lack of packaged product
- no access to capital
- limited conduits for marketing and promotion

Indeed some small tourism start-ups will not survive. “If you build it, they will come” villagers are told by well-meaning tourism proponents but many South Pacific countries are already littered with abandoned village bungalows and beach huts. These failed setups are largely victims of poor planning, poor promotion and tough competition for the number of tourists booking community-based products. Some failed ventures should never have been started in the first place if they had done a proper “SWOT” analysis.

But poor planning is only part of the problem. Community based operators also need specific training in small scale tourism operations in order to give their businesses the best chance of survival so that they can help drive community development, provide opportunities for unemployed youth and boost more people above the poverty line.

The PNG Government through the TPA and some provincial governments have invested heavily in support for small tourism operators including tour guide training, hospitality courses, minimum standards, marketing support and the establishment of Associations. However but the ongoing problem of “empty guest houses” indicates that more help is needed.

Running a successful tourism business in rural areas of a niche-market destination like PNG requires a specific skillset including:

- (a) Conceiving a profitable business concept and model with manageable overhead costs
- (b) Identifying stand-out attractions (eg nearby waterfall or custom place) and selling points (eg environmental sustainability)
- (c) Adhering to minimum quality standards for customer satisfaction
- (d) Designing clearly defined product (eg accommodation-only, bed and breakfast, day trips, 3 night packages)
- (e) Distribution and marketing of the location, the business and the available products

The missing link for many small scale tourism operators may be the last two points above ie the design and distribution of defined or packaged product. We see so many websites and Facebook posts showing pictures of smart village guest houses with lovely beaches, waterfalls and wildlife but not enough information available about how to book, pay and go there, and what is included in the price.

This paper argues the need for industry-driven training for small local tourism operators on how to design attractive tourism products and how to package, promote and sell their products both directly to consumers and through overseas travel agents.

SECTION 2 – SOME ISSUES FACING SMALL SCALE TOURISM OPERATORS IN PNG

1. Project mentality
2. Over-emphasis on standards and awareness
3. Insufficient market demand – accommodation over supply.
4. Limited benefit from destination marketing
5. Lock out from the travel distribution system
6. Shortage of packaged product featuring smaller operators
7. Lack of public liability insurance cover
8. Community disputes - the “J Factor”
9. Impact of COVID-19

ISSUE 1: Project mentality

One common mistake that some small operators make is *regarding their setup as a temporary project instead of a long-term business*. A tourism venture must be approached as a sustainable, ongoing business with a product to sell, not a short term activity to achieve a political or environmental goal or just to fundraise for a new village church.

Sometimes NGO’s and political donors encourage or fund tourism “projects” to further their own agenda (eg protecting wildlife, gaining favour with voters) with scant attention paid to business planning and financial sustainability.

According to the CEO of the South Pacific Tourism Association, Chris Cocker, speaking at the Pacific Update Conference in 2017:

“Most Pacific ecotourism projects are short term because they are driven by purely conservation concerns while neglecting profitability”
and
“when economic imperatives are ignored an ecotourism project cannot possibly claim to also be a “sustainable tourism” project”

(The Good Tourism Blog, June 28 2017).

Small scale tourism and ecotourism ventures, even those funded by donors with an agenda, need to be supported with profit-oriented small business skills training.



ISSUE 2: Over-emphasis on standards and awareness

The failure of small scale tourism ventures is often unfairly blamed on poor accommodation, village food and the operator's lack of tourism and hospitality training. Village bungalows, local style "resorts" and jungle lodges in PNG are sometimes criticised by their own people for being not up to overseas standards.

But although minimum standards are needed, it's not true to generalise that local style accommodation is not good enough for tourists. Staying in a rustic beach hut, a bush-material eco-lodge or a mum-and-dad village bungalow may not be every tourist's cup of tea but "soft adventure" travellers who book tourism experiences in the provinces know very well what they are signing up for. They don't expect luxury when they stay at a village guest house, and often they don't want it.

What eco-tourists DO want is a candid interactive experience with Papua New Guineans, who are well known to be some of the world's most welcoming, friendly and generous people. In my thirty years of selling eco-tours in the region I found that tourists are always so utterly overwhelmed by the village stay experience that they happily accept the basic accommodation and graciously forgive small discomforts and occasional inconveniences like glitches in arrangements.

"Local style" in PNG is actually a highly desirable eco-tourism product that can be a money spinner for village communities if packaged and promoted in the right way to the right market.

"Village stay is not cheap accommodation for backpackers. It is a top shelf ecotourism product".

Unfortunately when small local tourism ventures are failing the blame seems to fall on poor standards and lack of preparedness. Failing operators are sometimes lectured that they need more tourism awareness and quality training because tourists will never come or will never come back again unless their "set-up" is 100% up to standard and everybody involved is 100% prepared. This has been going on for many years in PNG and other Pacific Islands countries – a lot of preaching awareness and preparedness and not enough teaching *practical tourism business skills*.

Although awareness has its place and is particularly useful in very remote areas where people are suspicious of outsiders, most PNG people are absolute naturals at hosting guests and I believe that some of the emphasis on awareness and standards would be better focused on addressing the real reasons why small tourism businesses fail.

What I have learned from running inbound tours in PNG and the South Pacific islands is that the failure of small scale locally owned tourism ventures usually has very little to do with the accommodation standards and quality control side of things. Rather, it has everything to do with inadequate tourism business skills (product planning and packaging, promotion etc) and insufficient market demand and market share ie too many operators competing for a fixed number of tourists. The simple solution to this problem is to create increased demand by (1) attracting more "eco" tourists who prefer local style tourism experiences to come to PNG and (2) marketing local style tourism experiences to PNG's existing inbound tourist market and encouraging them to try this alternative product ie increasing market share of current tourism arrivals.



ISSUE 3: Imbalance of supply vs demand

Currently the number of tourists coming to PNG is not enough to satisfy the interest of the many local tourism related businesses. Most village guest houses are empty, most day trip operators and freelance tour guides wait months between customers, most cultural villages rehearse their dances and ritual demonstrations continuously but rarely perform for a paying audience.

This is partly because the tourism industry in Papua New Guinea is very small and there are not enough tourists to satisfy the demand from the many local tourism businesses. Mass tourism destinations like Bali get millions of tourists each year. PNG gets only 25,000 and tourism brings in only about 2% of PNG's export income.

However tourism is an important industry for the rural areas because:

- It brings in money from overseas
- It offers a large number of village-based Papua New Guineans the opportunity to generate a cash income and improve their lifestyles
- It can be a major source of employment for village youth, thus keeping them busy, cashed up and out of trouble
- It does not destroy the environment or local culture - in fact it enhances the conservation of both.

Therefore it's not surprising that there are a lot of rural people trying to run tourism related businesses.

In 2019 we conducted an internet-based desktop census of tourism related businesses across PNG's twenty provinces and counted approximately 1000 businesses listed or mentioned online, including hotels, motels, resort, lodges, dive operators, tour operators, freelance tour guides, cultural villages, cultural groups, wildlife management areas (WMA), village guest houses and homestays, handicraft and souvenir sellers and miscellaneous tourist attractions with pay-per-entry.

More than half of all these businesses and attractions that we found were located in the rural areas.

We also estimated that after allowing for:

1. businesses and attractions that we didn't find, plus
2. micro-operators without any paper or internet presence

there were probably around 2000 large, small and micro scale tourism related business operators touting for business in Papua New Guinea in the year before the pandemic.

While 2000 might sound like a lot, when you consider that there are only 25,000 holiday tourists coming into the country each year the ratio of 25,000 tourists divided among 2000 tourism businesses (ie 12 tourists per business) indicates that the current customer base is far too small to support the number of operators seeking a slice of the inbound tourism pie.

While the total visitor arrivals for 2019 was around 210,000, when you read the fine print it turns out that the number of bona fide holiday tourists was only 12% of this total ie about 25,000 (not counting cruise ship passengers, who only stay for a few hours), and the rest of the visitor arrivals were not holidaymakers but business travellers, people visiting friends and relatives (VFR), visitors coming for sports, medical, religious, study, and short-term work purposes like fly-in fly-out mining/forestry workers, and even transit passengers waiting for a connecting flight. Another problem with the way visitor arrivals figures are compiled is that overseas visitors who make multiple visits each year such as foreign aircraft crews, travelling sales reps and short term contract workers are all counted as a unique visitor each time they enter the country which gives a misleadingly inflated impression of visitor numbers if we are counting the number of arrivals as equal to the number of visitors, which is incorrect.

What makes the situation even worse is that due to issues outlined in sections 2.4 to 2.7 below ie bias in destination marketing, lock out from the travel distribution system, shortage of packaged product featuring smaller operators and lack of public liability insurance cover, the majority of inbound holidaymakers (probably 80%) is feeding into the small number of upmarket resorts and hotels that are preferred and sold by travel agents with only a small number of self-booking tourists finding their way into the small scale local ventures.

These figures show why there were so many discouraged local entrepreneurs sitting in empty guest houses, even before the impact of the pandemic.

The only way to increase market share for the smaller operators is to attract more “eco” tourists who are specifically interested in the “alternative products” offered by the locally-operated village guest houses, beach huts, cultural villages, WMA’s and so on.

Responsibility for attracting more eco-tourists interested in alternative product must be left up to the tourism marketing experts because there is not much that individual small operators can do to attract more overseas eco-tourists to Papua New Guinea.

But in the meantime the small operators can at least be taught how to “stand out in the crowd” and attract market share by promoting themselves online and offering a unique holiday experience that is easy to book and pay.

Empty tourist bungalows: “If you build it, they will come” is a sad untruth for many village tourism start-ups



ISSUE 4: Limited benefit from destination marketing for small operators

Another “elephant in the room” which nobody seems to acknowledge is the limited effectiveness of overseas destination marketing when it comes to bringing more tourists into the hands of small operators.

Overseas promotion to attract more tourists in to the country is the primary responsibility of the national tourism organisation and marketing funds largely come from government grants ie domestic tax revenue.

Unfortunately however, destination marketing tends to benefit mainly the larger more upmarket tourism businesses sold through the travel distribution system, some of which are foreign owned and may end up sending their profits offshore.

This bias in destination marketing outcomes is not intentional but is an artefact of traditional destination marketing methods.

For a start it's normal for tourism promoters to show off the country's “best side” when marketing to a global audience in a 60-second TV advert, a two page magazine spread or a social media post with limited space. This means only the most beautiful scenes, the best resorts and the most popular and exotic cultural attractions and tourist activities are featured. There is no room to show the smaller less attractive accommodation and lesser known activities.

Secondly, only the larger properties and operators have enough budget to contribute to what is called “co-op advertising” where resorts, hotels, and airlines share the cost of a destination advertising campaign with the national tourism office in return for having their properties and services highlighted in the adverts.

Most small operators can't afford to participate in co-op advertising or other promotional activities like attending overseas trade fairs, so you'll never see a mum-and-dad village guest house represented at the South Pacific Tourism Exchange for example, as only the bigger resorts, the airlines and the dive companies can afford to take part.

It also appears that larger tourism businesses are “accidentally” favoured by government-funded destination marketing when it comes to consumer response. When potential visitors and travel agents overseas are influenced by tourism advertising or promotions about PNG and they start searching for more information on the internet, the top Google results for keywords like “holidays in Papua New Guinea” are always the websites of the biggest online travel portals, hotels, resorts and tour companies – not the little eco-lodges, beach huts, “village resorts” and freelance tour guides. You have to scroll down to about page 20 to get to some of those small local listings. Also, many of the smaller operators advertise on Facebook but Facebook pages often do not get listed in Google search results

Likewise if holidaymakers in overseas countries visit their local travel agent and ask about trips to “New Guinea” they will mainly be offered holiday packages featuring the more upmarket tourism resorts and operators that the travel agent wholesalers have sales contracts with. Even if clients ask for a smaller property or alternative product the travel agent is trained to encourage the customer to book a week in one of the resorts in their brochure so that the agent will receive maximum sales commission and the trip will be quick and easy for the busy travel agent to book.

Tourism promoters need to put their heads together to figure out ways to modify current overseas marketing programs to better benefit the smaller operators offering alternative product who now form the largest bloc of the PNG tourism industry. Finding creative ways to market alternative product and generate bookings for these hundreds of little community based properties and attractions is well within the skillset of good tourism promoters and is surely the responsibility and obligation of the national tourism organisation. Continued spending on promotional campaigns that just funnel more tourists into the same-old upmarket resorts and tourist lodges would be disappointing to see.

Growing tourism in PNG should not just be about boosting visitor arrival figures, bums on airline seats and the gross national income. It should also be about facilitating the participation of small locally-owned tourism ventures in order to drive rural development, provide opportunities for the unemployed and push more Papua New Guineans above the poverty line. Government dollars spent on tourism marketing needs to more effective in promoting the small rural-based tourism enterprises.

ISSUE 5: Lockout from the travel distribution system

Most small tourism operators in PNG are currently locked out of the travel distribution system and do not receive bookings from overseas travel agents and booking websites, thus leaving them at a great disadvantage.

While the larger tourist resorts typically receive most of their bookings through travel agents and online booking websites, the smaller operators rely mainly on direct consumer bookings because they cannot meet the operational, financial and technology requirements for promotion and sales via overseas travel agents, wholesalers and booking websites.

This is a serious problem because research shows that nowadays the majority two thirds of travellers book their overseas trips through travel agents in their home country because they desire the consumer protection and travel insurance cover offered when they book through a travel agent ie they will more likely get their money back if something goes wrong.

Only one in three tourists now book their own overseas holiday arrangements via airline and hotel websites, internet booking “engines” like Expedia and by direct contact with operators in the destination country.

In PNG the proportion of holidaymakers arriving on travel agent bookings is even higher, probably over 80%, because this part of the world is still seen as a relatively “unknown” destination and holiday makers – especially families and the elderly - appreciate the convenience and “safety” of booking through a travel agent who hopefully has some knowledge of the destination.

And when it comes to scuba diving over 90% of all dive holidays are still booked through travel agents.

Barriers preventing small scale operators getting their product listed and sold through overseas travel agents include:

- Lack of communication technology eg running their business from a mobile phone rather than a laptop
- Lack of online marketing know-how
- Lack of commissionable pricing
- Lack of public liability insurance coverage
- Limited payment methods offered eg bank transfer or Western Union only
- Low agent commissions due to low priced products
- Trust issues with reliability, quality, refund policies etc
- High competition in such a small destination market and “limited shelf space”
- Limited travel agent destination knowledge (travel agents sell many countries and for each destination they prefer selling a few tried and tested properties and products they are familiar with)

Some of these issues can be addressed by small operators themselves with the right tourism business skills training. Small operators can be taught how to make themselves more “travel agent friendly” by:

1. Having a website and printed or PDF brochure (smartly presented but not too slick)
2. Offering commissionable pricing (tax free for overseas sales if applicable)
3. Offering their own all-inclusive accommodation or day-trip packages that yield worthwhile margins for travel agents
4. Offering convenient payment methods
5. Offering clear cancellation rules and quick refunds
6. Offering reassurances about safety, security and reliability
7. Providing good clear communications using correct industry terminology

Nevertheless there are still going to be some barriers that cannot be resolved by the small operators themselves and must be addressed by the national tourism office, in particular the shortage of alternative wholesale packages featuring small operators, and public liability insurance cover, which are further mentioned below.

ISSUE 6: Shortage of alternative packaged product featuring smaller operators

So there are two ways in which small local accommodation and tour operators can still be brought to the attention of overseas travel agents. One is having an online presence and the other is getting included in inbound tour packages.

Both consumers and travel agents use the internet to research overseas trips so being “findable” on the internet is essential if small operators are to be contacted by travel agents and well as consumers doing their own arrangements.

An *online presence* might include

- A website and/or Facebook page
- being listed on tourism info websites
- being listed on online booking sites that specialise in small accommodation such as AirBnB, Homestay.Com, Hipcamp.com and villagehuts.com

Small operators with a cheap laptop and reasonable internet connection can typically set all this up themselves with the help of an internet-savvy wantok.

Another way in which small operators can be promoted and sold via overseas travel agents is by partnering with an inbound tour operator to *get included in packages* which are offered to wholesalers, travel agents and the general public.

Inbound tour packages are typically designed by *inbound tour operators* and may include airport meet and greet, hotel transfers, domestic flights or ferry fares, daily activities and stays at one or more different accommodations during the course of a one or two week itinerary, all in one price. The inbound tour operator not only designs the tour package but usually also coordinates the tour when the tourists arrive and does the airport meet and greet etc. Some inbound operators like PNG Japan and PNG Trekking Adventures are based in-country while others like PNG Holidays are based overseas and contract a local company to handle their in-country meet n greets, trip monitoring and coordination.

The inbound operator adds their margin (10% or whatever) and offers the package to a *tour wholesaler* who specialises in PNG or the South Pacific. The wholesaler then adds their margin and “publishes” the tour package ie circulates it to their network of retail travel agents via an email blast, by listing on their travel-agents-only website and sometimes including the tour in a printed brochure. When a *retail travel agent* has a customer asking to go to PNG for a holiday the agent checks their brochure racks, the wholesaler’s website and the wholesaler’s email blasts for available packages and tries to sell one of these packages to the customer at a further marked-up rate which is the retail price.

Travel agents prefer to sell complete tour packages to customers because:

- (a) everything is included in the package so it’s quick and easy to book
- (b) the travel agent receives a guaranteed commission from the booking
- (c) all the ground arrangements for the trip are handled by the wholesaler and inbound operator at the destination
- (d) the travel agent does not have to worry about the bona fides, quality and reliability of the accommodation and tour providers in the itinerary because they have all been verified and guaranteed by the inbound operator and wholesaler.

Some of the wholesalers and specialist travel agents currently offering holiday packages to PNG (excluding diving) include:

- PNG Holidays
- PNG Value Tours
- Niugini Holidays
-

Most of the PNG tour packages currently offered by these wholesalers and travel agents are single-property packages featuring some of the more upmarket resorts and hotels like Tufi Resort, Tawali Resort, Madang Resort and Ambua Lodge. Some single-property packages are very simple with only flights and accommodation. Other single-property packages may include meals, transfers and day tours.

One reason why most of the packages sold by overseas travel agents are one-week stays at the more upmarket properties is economics. Hotels and resorts offer special deals and good commissions to attract multi-night bookings so struggling travel agents tend to encourage their clients to book such packages that offer the agent a decent profit from handling the sale.

Another reason is limited demand. With such a small market of only 25,000 holiday tourists visiting PNG each year it's not feasible for travel agents with limited "shelf space" to offer a wide range of products for such a low demand destination.

A third reason why the same old same old single-property packages are sold by overseas travel agents from year to year is familiarity. Travel agents feel confident selling products they know are reliable and popular. Also there is typically a high staff turnover in the travel industry and it takes time for new people to gain knowledge of product available in "way out" places like PNG, especially alternative or niche product.

However if PNG small scale tourism operators are going to survive and thrive in future we need to find ways to increase the range of "alternative" package product available in the market that offers multi-stay tour itineraries featuring and benefiting multiple small operators.

Tourists who just want "beach and palm tree" holidays or fishing holidays or scuba diving holidays might be happy to stay in one resort for the duration of their visit and "do their thing" but "soft adventure" and cultural/eco tourists will be very interested to book well designed and well organised "island hopping" itineraries featuring multiple alternative properties and tours because they want to see more of the country and get "close up and personal" with the people and the villages. They don't want to be stuck in one resort for their whole time in PNG.

Research shows that ecotourism and community-based tourism experiences are in high global demand at present and alternative product can attract niche-market holiday visitors to PNG through the travel distribution system if it is professionally packaged, distributed by wholesalers and promoted by the national tourism organisation.

However there are currently a very limited number of multi-stay inbound packages available in the market and only a few inbound operators offering such alternative product so it's up to the PNG inbound tour operators to design and promote more island-hopping package itineraries featuring alternative properties.

Most of the overseas wholesalers are not going to do it themselves because they are happy selling their current one week resort packages which bring in the best commission money.

The weak link in the chain at the moment is the limited number of tour operators in PNG with the capacity and interest in designing and publishing alternative inbound packages.

By "inbound tour operator" we generally mean tourism businesses that:

1. are registered companies
2. know how to deal directly with overseas wholesalers, travel agents and consumers overseas using standard industry terminology and procedures
3. have sufficient product knowledge to plan and book a client's arrangements throughout the whole country (ie not just one local area) including a combination of travel, accommodation and daily activities
4. are able to provide clients with pre-arrival destination information and assistance with obtaining visas
5. have the flexibility to offer pricing with either itemised invoices or commissionable package quotes
6. have the capacity to monitor and manage client tour arrangements throughout their time in the country from arrival to departure
7. have the technical knowledge required to design all-inclusive holiday itineraries with one overall selling price ie packages

Designing a unique package for each new client is laborious and time consuming, although sometimes necessary for those clients who need special arrangements. However there is no point in “re-inventing the wheel” for each new customer so there is considerable time and effort to be saved (and impulse sales to be clinched) by inbound operators that have a range of suggested itineraries and fixed price packages “on the shelf” (ie on their websites and/or listed on travel portals like TripAdvisor) that are available for instant sale or for modification to suit the individual customer’s requirements.

Current inbound tour operators in PNG may benefit from some additional training in packaging in order to encourage them to design and offer more fixed price packages for direct sale and for the attention of wholesalers, specialist travel agents and online portals, especially packages featuring alternative product.

Some of the smaller local tour operators may also have the potential for stepping up to the next level and functioning as inbound tour operators if they are given appropriate training.

To become inbound operators, capable local tour operators would need to gain:

- a comprehensive knowledge of available tourism products available in PNG
- sufficient travel industry know-how to be able to design and manage a complete tour package experience starting from the meet and greet at the airport through to the final departure farewell
- sufficient knowledge of market demand and what appeals to conventional tourists vs eco-travellers so they can design inbound packages appealing to the different markets
- know-how for designing unique packages offering “special” properties, attractions and excursions that are difficult for travellers to book direct
- the mathematical skills to calculate complex pricing for all-inclusive packages with airfares, ferry fares, accommodation, meals, excursions and bed tax – together with commission margins, discount margins, pricing for different group sizes, pricing with tour group leader free of charge, single supplement and so on.

Boosting the number and capacity of inbound tour operators based in PNG will increase the range of multi-stop alternative package product available in the market, and attract more “eco-minded” tourists to stay in local style accommodations and experience key nature and culture based activities in rural areas of the country.



ISSUE 7: Lack of public liability insurance

Another issue biting at the heels of small tourism operators in PNG is the lack of **public liability or death and disability insurance**.

While most travellers pay for their own personal travel insurance which covers them for hospital treatment during their travels, such travel insurance generally does not usually compensate for death or permanent disability. So if a tourist falls from a coconut tree and breaks his spine and becomes paralysed, or if a day-trip operator's car is involved in a smash and the tourist is killed, the question arises of who will pay the compensation to the victim or the next-of-kin, which often runs into millions of dollars.

If the local operator has public liability (PL) cover the insurance company will pay the compensation. If the operator is not covered and cannot afford to pay the compensation from his own pocket, the victim's lawyers will often try to push blame onto the travel agent who booked the trip to make the travel agent's insurance company pay. Accordingly many travel agents will not book clients into accommodation and tours overseas unless the local operator has their own public liability cover.

For small operators the cost of a PL insurance policy is around PGK 5,000 per year depending on the size and type of business. This is quite out of reach for small scale entrepreneurs with limited capital and fragile cash flow so the PL insurance has become another issue that locks small local operators out of the travel distribution system and prevents them from competing with the bigger operators who can afford insurance.

A simple solution to this problem would be for the national tourism office to negotiate a blanket insurance coverage of all registered small operators and for the government to pay the annual premium for the group policy.

ISSUE 8: Community disputes - the "J Factor"

Jealousy is a big problem when setting up any tourism venture in this part of the world. It is human nature everywhere to be jealous of our successful neighbour and bring him down by criticizing, initiating a dispute or even conducting sabotage. However while villagers usually don't mind if their neighbour starts a village canteen or chainsaw hire business, you can be sure that disputes will rise up as soon as anybody starts tourism. This is partly because tourism is seen as a very desirable industry that affords contact with foreigners and their money and some neighbours will be just plain envious. But disputes also arise because village based tourism involves bringing outsiders into the community which can impact on the privacy of other village residents. Just as tourists don't like to be stared at by locals, some villagers may not appreciate being fish-bowled by tourists roaming around in the village either.

Accordingly when setting up a new tourism venture in the community, the operator needs to plan ahead and come up with ways of countering potential nay-sayers. In our experience, if the tourism operator can donate part of his profits to the village school, church or women's group this usually keeps the village people on-side. Other ways of spreading the tourism dollars around include buying garden food from the neighbours, hiring village dancing groups and paying kids to go fishing, climb for green coconuts etc.

One significant spin-off benefit of ecotourism in the rural areas that village based tourism entrepreneurs should pitch to their neighbours is *community development aid donated or organised by visiting tourists*. Before arriving in rural areas it's quite common for tourists to inquire about bringing something to donate to the village school, clinic or host family when they come. Upon concluding their tour and observing the needs in the community they sometimes go back to their home country and raise funds to support a village project like buying water tanks, school books, medical supplies, gear for the women's group etc. "Voluntourism" placements in particular often lead to much bigger aid projects.



ISSUE 8: Impact of COVID-19 pandemic

The rollout of COVID-19 and flu vaccinations especially in Australia and New Zealand brings hope for a solid reopening of tourism in PNG and the South Pacific Islands. Although the COVID-19 crisis has been a huge drain on Aussies and Kiwis family budgets due to business closures and job losses, the impact of being cooped up by social distancing measures and travel restrictions has made people hungry for holidays. Travel is now high on the agenda of individuals, couples and families as restrictions ease and borders open.

I predict more Australians and New Zealanders are likely to vacation close to home for the next few years at least, with many preferring to holiday either within their own country, “across the ditch” (Tasman Sea, ie going from Australia to NZ or vice-versa), or in South East Asia and the South Pacific Islands once all borders are open and normal flight schedules have resumed.

Europe, Africa, Central Asia and the Americas will likely remain off the travel menu for many Aussies and Kiwis until COVID-19, the Ukraine conflict and its impacts are under better control in those destinations, although aviation experts predict that long-haul airfares will never return to pre-pandemic prices and outbound tourism from Australia to those distant continents will probably never recover.

So contrary to naysayers who are foreshadowing a long term glut in the South Pacific tourist trade, I believe a strong tourism recovery is possible in PNG and other destinations that normally rely heavily on tourism from Australia/New Zealand. Once all borders are open and COVID restrictions have eased, the number of holiday arrivals from these source markets may even exceed pre-pandemic figures.

On the other hand those Pacific Islands countries that traditionally rely heavily on inbound tourism from Europe and America such as Marshall Islands and French Polynesia will probably experience a very slow recovery in arrivals from these markets. Europeans and Americans will be very budget-conscious during the pandemic recovery period, with the added social and economic pressures caused by the war in Ukraine, and are also more likely to vacation closer to home.

This means PNG also can expect lower numbers of European and American travellers in the next few years, which is likely to have a particular impact on diving operators.

The likely refocusing of many Aussie and Kiwi travellers on holidaying closer to home and the reduction in arrivals from Europe and America therefore suggests that in the short term PNG should focus promotional efforts on Australia and New Zealand. Apart from general destination marketing it would be prudent to design and promote local tourism products and packages that appeal specifically to Aussies and Kiwis in order to compete effectively with similar tourism destinations like Vanuatu and Solomon Islands.

SECTION 3 - ADDRESSING THE FIVE “P” PROBLEMS

Setting aside issues that small local operators have very little immediate control over (such as destination marketing, liability insurance and COVID-19), five main problem areas that small local operators can rectify include:

1. Poor **Product design**
2. Inappropriate **Pricing**
3. Limited **Payment methods**
4. Failure to use **Packaging and value adding**
5. Inadequate **Promotion**

These five “P” problems can all be addressed by appropriate training in tourism business skills and form the basis of the one week program of our “5P BUSINESS SURVIVAL WORKSHOP FOR SMALL SCALE TOURISM OPERATORS” (see Section 4)

Each of these five problem areas, and suggested solutions, are looked at below:

1. PRODUCT IDENTIFICATION, DESIGN AND DEVELOPMENT

Some small scale tourism operators devote a lot of their Facebook page, website or brochure to promoting their business or property instead of offering actual products for sale. Indeed some operators don’t seem to be clear on what their on-sale products are. Are they trying to sell their lodge or sell trips to their lodge?

Product identification and development first requires doing your homework ie proper market research and SWOT analysis in order to set up a venture that

- (a) caters to actual market demand as opposed to what the operator “thinks” tourists might enjoy
- (b) offers a product that is sufficiently unique, rare or different to enable to operator to compete effectively with other locations/other properties

Tourism, even “niche market” tourism, is a supply-and-demand industry so it’s important to first research the market and find out what kind of experiences tourists are currently looking for and try to create and sell a product that will cater for the demand.

Otherwise new tourism operators are in danger of “putting the cart before the horse” ie thinking up their own idea of what they want to offer then trying to attract tourists to come and experience what the operator has planned for them.

Sometimes the entrepreneur dreams of building a guest house in the village and attracting tourists to come and stay for a week and “experience village life and learn about our culture”. But this fishbowl-type cultural immersion “village study” experience was popular 20 years ago and is no longer in great demand. Nowadays tourists will not come all the way to a remote area just to stay in a nice leaf house and do nothing.

These days tourists – even eco-tourists and cultural tourists – are more interested in activity based holidays that involve *doing* and not just *seeing*:

"There is (now) a worldwide trend towards activity based adventure holidays, and adventure tourism is one of the fastest growing sub-sectors of world wide tourism.

The advantages for operators of offering activity based tourism include:

- *Activity based tourism is generally less susceptible to negative publicity regarding security;*
- *Activity based tourism is less price sensitive;*
- *Activity based tourism activities are increasingly being combined together by travellers (eg trekking + rafting);*
- *Activity based tourism provides a focused marketing target, with clearly identifiable promotional and distribution channels and therefore a cost effective target for marketing purposes."*

(PNG TPA Tourism Master Plan 2007-2017 p.44).

Examples of physical "doing" activities that tourists might enjoy in PNG include:

- hiking to scenic viewpoints, waterfalls, tambu places, war relics etc
- jungle walking to see native plants and animals
- bird watching / bird photography
- beach walking
- paddling native canoes
- swimming in waterfalls, rivers and streams
- rubber tubing (floating down a river on an inflated car tyre tube)
- rafting (paddling down a river in an inflatable raft – guests will bring their own)
- snorkelling (guests can bring their own gear)
- skin diving / free diving
- exploring caves
- playing village games like beach cricket and touch football
- learning how to plant and harvest endemic local vegetables like yam, taro and kaukau
- learning how to cook local style food dishes like cassava pudding and pitpit
- learning how to do leaf and grass weaving
- learning how to do traditional dancing
- learning how to sing a tokples song
- learning how to do traditional tattoo designs on the body using marking pen or clay only
- making and flying kites
- wind sports like windsurfing, kite-boarding, paragliding, hang-gliding (guests will bring their own gear)

Operators should also try to offer activities, attractions and experiences that are **unique or unusual**. Any village can offer leaf house accommodation, village lifestyle, local food, traditional dancing, tambu place, tours of the gardens and so on, therefore it's important for each small operator to identify, develop and promote unique or rare attractions and activities in their local area that cannot be experienced in many other places. Unfortunately identifying and developing unique attractions is often overlooked while too much time and effort is spent worrying about making the guest house perfect.

A big advantage of offering unique attractions or activities is avoiding or reducing direct competition with other operators. When you can offer experiences that are either unique or not offered by many competitors, you will get:

1. Monopoly pricing – you can charge the highest price that tourists will tolerate
2. Lower marketing costs – you don't have to spend so much on advertising. Much promotion is by word of mouth as people talk about your unusual or unique product.
3. High interest from the media – you get more free exposure from the media when you have unusual or unique products
4. Freedom to be creative - you can develop your products in your own way without any expectation to follow other tourism operators who have the same product

To summarise: small scale tourism operators need to be taught how to develop unique tourism products that:

- (a) Suit the available natural and human resources in the area
- (b) Are in high demand in the worldwide tourism market
- (c) Are fairly unique and not already offered by many other operators in the area
- (d) Are relatively cheap and easy to set up and operate
- (e) Are manageable in the remote context
- (f) Will not degrade the local environment and culture
- (g) Will allow as many community people as possible to participate and benefit
- (h) Are less likely to cause jealousy and social conflicts

Suboko Village on north east Guadalcanal has an excellent Facebook page clearly focusing more on their activities and attractions than their accommodation. This place looks so exciting I would not even care about the standard of accommodation – I would gladly even sleep in a tent to go there and try all these cool activities!

VISIT SUBOKO
2hrs drive out of Honiara,
East Guadalcanal
Activities include;
Cave visit
Deep in the cave's pool
weaving
motu lunch
Refresh in the cool river
Bonfire night
& more fun stuff
\$250 per head for day trip & \$350 per head for overnight.
For bookings call 7105092 or email debzluk@gmail.com
Explore the magical forest of the Guadalcanal highlands



2. PRICING AND COMMISSIONS

Pricing

Another step towards success and profitability is getting pricing right. Clear, sensible pricing is important for consumer confidence. Tourists feel comfortable if they are sure they know how much they will be paying and that there won't be any hidden costs or "surprise" price changes when they arrive.

Too many small scale tourism operators in PNG are setting their prices **too low** because:

1. they think their lodge, guest house or sightseeing tour is only worth a low price
2. they think they will attract more customers if their product is cheap

This is misguided thinking and operators need to understand the reasons why it's wrong. They need to be taught how to assess the market value of their product and set fair, competitive pricing and learn how under-pricing can backfire and ruin the business just as much as over-pricing can. Operators also need to be taught the mathematics of *currency exchange* so they can offer pricing in AUD and other currencies without losing money on conversion, and how to use *price discounting* to secure bookings from hesitant customers.

Commissions

Offering commissions is one of the ways to make a tourism business "travel agent friendly". Travel agent friendly means making tourism products easy for travel agents to book and on-sell to their customers. Travel agents generally avoid booking accommodation and tours that don't offer commissions.¹

A **commission** is a discount or payment that a travel agent receives from the operator when they book the operator's product on behalf of a guest. In this case the guest pays the full advertised price to the travel agent (also known as the gross rate, rack rate or commissionable rate), the travel agent then deducts the allowed commission (also known as the agent margin or agent profit) then pays the rest (also known as the "nett") to the operator. The percentage of commission offered (also known as the commission level) is usually between 10% and 30%.

Commission is a private deal between the operator and the agent and usually the customer does not know how much the agent is deducting for commission.

So for example if Mary's Lodge normally charges K200 per night for a room without any commission margin that means both direct-contact customers and travel agent customers will pay the same price K200 but travel agents will not receive any profit from handing the booking. In this case most travel agents will avoid booking this lodge for their clients and the owner will not get many travel agent bookings.

If Mary's Lodge wants to attract more bookings from travel agents she needs to advertise a higher commissionable rate, say K250 a night and allow travel agents to deduct 20% commission ie K50 per night and pay Mary K200. Hopefully this K50 per night commission will motivate travel agents to offer Mary's Lodge to guests interested in staying in budget accommodation or eco-accommodation.

Not offering commissions is a major problem for small operators in PNG at the moment because much of the tourism market going to PNG are travellers who usually do their bookings through travel agents.

Accordingly small operators are currently missing out on travel agent bookings. Small operators mainly seem to be surviving on direct-contact bookings from travellers who are confident to research their own travel on the internet and deal direct with operators in an unknown country like PNG.

FOOTNOTE 1: Commissions are not the only way that small property owners and day-trip operators can make their products "travel agent friendly". Other measures might include:

- Having a website and printed or PDF brochure (smartly presented but not too slick)
- Offering all-inclusive packages that are quick and easy to book
- Offering easy payment methods
- Offering clear cancellation rules and quick refunds
- Offering reassurances about safety, security and reliability
- Good communications: fast and clear response

So the small operators need to be educated about the travel agent commission system and decide whether they want to set their prices a bit higher in order to include a travel agent commission, or not. The advantage of commissionable pricing is that it will attract bookings from travel agents. The disadvantage of commissionable pricing is that it pushes the advertised price higher which could be a turn-off for guests who make their own direct-contact bookings with local operators.

(But “there’s a trick in every trade” as they say and there are ways of using higher commissionable pricing to not only attract travel agent bookings but also to secure direct-contact bookings. These tips will be shared with operators in the 5P workshop introduced at the end of this paper.)

However commissionable pricing is something that all the small operators need to discuss together and agree on a policy because if some of them make the move to commissionable pricing and others don’t it will make some lodges look like they are more expensive than other similar lodges for no reason which may be turn off for customers. On the other hand the non-commissionable lodges advertising cheaper prices may then look more price-attractive but still won’t get travel agency bookings because of no commission.

Why is offering commissions now more important than ever before?

Many years ago before the world wide web came into being, international flight ticketing commissions were a lot higher and travel agents used to receive up to 20% in commission from the airlines for selling international flights. This meant that travel agents didn’t mind booking some non-commissionable ground products for their customers at the destination without charging any extra booking fees because the agent was already making good profit from the client’s air tickets.

However when the internet was invented and the airlines started selling tickets direct to customers through their own websites they reduced the commission margin offered to travel agents down to 10% or less and travel agents started to rely more on the commission from ground products like accommodation and day tours in order to make their profit.

In the 1990’s some travel agents started to charge their clients an extra booking fee for booking non-commissionable accommodation and tours and most customers didn’t mind paying a small booking fee for the convenience of having the travel agent make the arrangements.

But nowadays the travel industry is super-competitive and if any agency tries to charge customers extra booking fees the customer will probably just go to a different travel agency. So it’s hard now for travel agents to charge extra booking fees to their clients and instead they tend to simply avoid booking non-commissionable products and they don’t recommend “non-comm” or “unfriendly” properties and products to their clients.

As of 2022 airlines have reduced their ticketing commissions even lower.



Travel agents ticketing “short haul” flights out of Australia now make very little profit on the tickets:

AIRLINE	SHORT HAUL INTERNATIONAL TICKETING COMMISSION
Qantas	1%
Jetstar	A\$ 5 flat fee
Virgin	2%
Air Vanuatu	5%
Fiji Airways	3%
Air Niugini	6%

This situation where airline ticket commissions are now very low means that travel agents won't be interested in handling tourist bookings to PNG any more unless they can make some decent commission from also booking the customer's ground arrangements ie accommodation and tours. So this is why it's now imperative that small operators wanting to attract travel agent bookings must offer commissionable pricing.

Further, because of the relatively low price point of the setups run by small scale operators the commission levels offered must be at least 20% in order to yield a decent cut for the travel agent. A small percentage like 10% of a low value product like one night in a village guest house @ K150 yields just a tiny commission of K15 which is only enough to buy a travel agent's morning coffee whereas a 25% commission on the same room rate will yield K37 which is enough for lunch and glass of wine ☺ and is a much better incentive.

Most of the hotels and resorts in PNG are offering commission levels between 10% and 30% so the commission profit for travel agents from selling one night at a hotel or resort is between AUD 50 and AUD 150 for one night. *Travel agents will automatically push their clients towards these larger properties unless the smaller properties can also offer reasonable commissions.*

3. PAYMENTS AND CANCELLATIONS

Overseas tourists and travel agents are usually happy to pay an initial booking deposit and pay the rest on arrival. Often they don't like to pay in full before they arrive in case their plans change and they can't get a refund.

But booking and paying small scale tourism operators in PNG can be a problem because the operators can't accept credit card payments or other forms of online payment. Most small operators don't qualify for "card merchant facilities" from their bank and the main online payments "gateway" for small operators, Paypal, does not facilitate payments to PNG bank accounts.

Accordingly travellers and travel agents who try to make bookings with small local operators are often asked to make advance payment by bank wire transfer (TT) or Western Union transfer, or pay cash on arrival. All these options are considered inconvenient and troublesome compared to online payment with card.

For a start tourists don't like to carry large amounts of cash with them in case they lose it or get robbed, trying to run a tourism business on a "cash payment on arrival" basis isn't going to work.

And the problem with Western Union payments is that:

- a) You need a drivers licence or passport or other government-issued photo ID to collect the money and many mums and dads running small village based businesses might not have this type of ID
- b) BSP is now the only agent for Western Union and you need a BSP bank account to receive payments
- c) Western Union is primarily designed for personal remittances between friends and family, not business transactions, so if you receive too many payments (or send too many transfers to "unusual" places like PNG you can get blocked by Western Union so it's not a long term payments solution.

So the "how to receive payments" issue is a problem for small operators especially in the provinces.

Fortunately TT payments done through internet banking are quite cheap these days (eg ANZ Bank in Australia charges only AUD 7 for a TT to PNG sent through internet banking) so it is now fairly easy for Australian customers to send an advance bank transfer for booking deposit and another transfer for the balance when they arrive (if there is internet access at the destination).

Also there are work-around solutions for receiving credit card payments through Paypal or through a local booking agent and these will be shared with operators in the 5P training workshop.

One way or another all operators need to have a bank account. If possible the operator should register a business name for their setup and open a business bank account because tourists get nervous about sending money to private bank accounts even if it's the business owner.

But small businesses still need working cash to operate with especially in the rural areas so even if customers are able to pay money into the operator's bank account through TT or Paypal the operator is still left with the problem of travelling to town to withdraw cash. A solution to this problem may involve Digicel's Cellmoni network.

Cancellation is also big issue for both tourists and travel agents. "If I can't go, will I get my money back? How quickly will I get my refund?" Two things really matter here:

- (1) having clear *terms and conditions* including a fair cancellation and refund policy
- (2) advertising the terms and conditions in advance so that customers know the policy before they book and pay.


Small operators need clear training in this area including examples of suggested wording for terms and conditions, cancellation policy and procedures for refunding.

4. PACKAGING AND VALUE ADDING

For those intrepid visitors to PNG who do make it as far as the “ABC Eco-lodge” or “XYZ Village Resort” in the provinces, they are often faced on arrival with a menu of prices for room, meals, airfield transfers, canoe hire, fuel price per gallon, traditional dance, various daily activities and day trips around the area, tambu fees and other costs. They are asked to pay cash on the spot for each item, individually, “as selected”.

Some very low budget tourists and backpackers may be happy to pay-as-they-go for each individual cost in small cash amounts, but most holidaymakers do not like the inconvenience of pulling their wallet out every five minutes to pay separately for each meal, activity and fee. They do not like to carry large amounts of cash around with them for security reasons and they prefer to make a single payment in advance to cover most of their accommodation, meals and activities and just carry a small amount of cash with them to cover drinks, souvenirs, tips and unexpected extras.

The typical tourist also likes to know in advance what activities they will be doing during the stay. They don’t want to be faced with a menu of twenty different activities like “bush walk” and “tambu place” after they have already arrived and be expected to judge and decide instantly which activities to do, without any chance to think about it, ask advice or read reviews from past visitors. In most cases tourists who know nothing about the place would prefer that the operator select the best or most popular experiences for them in advance and combine these “best of” experiences with the cost of accommodation, meals, transfers and other normal costs of a visit. This is called **inclusive packaging**: the combining of multiple products and services into one price, such as this example from Driftwood Resort:

[Home](#) [About Us](#) [Experiences](#) [Accommodation](#)

We offer an all inclusive package;
\$200 AUD per person per night (min 2 pax)

It includes:

- *Twin or queen rooms with private en suite
- *Three meals per day including daily freshly caught fish, lobster, *fresh juices, coffee, tea and unlimited coconuts.
- *Private boat driver, village guide, a private cook, house keeper and full laundry service.
- *Boat transfers return to Seghe airport,
- *Two 2-3 hour boat adventures per day
- *Canoe ride or daily land adventure
- *Unlimited use of ocean equipment - kayak, SUP, snorkel gear

And this example from Noguna Island Homestay:

A STANDARD 5 DAY TRIP INCLUDES:



- A traditional welcome
- 2 Island day trips
- A traditional tool and weapon workshop
- A village tour and bushwalking
- A traditional send off with feasting and performances

All of the above including accommodation, traditional style food and sauvanao boat transfers is only \$2000 AUD per couple!

The advantages of packaging include:

1. Increasing sale volume and margin (encourages longer stays with more inclusions)
2. Offering a more worthwhile commission for booking agents
3. Providing guidance for consumers on what the best features of the product are
4. Presenting a more attractive, sellable product
5. Providing a more well-rounded, fulfilling and enjoyable experience for the guest
6. Making it easier for tour operators and travel agents to handle one price, one payment
7. Hiding the cost of individual items that guests might think are unnecessary or overpriced like transfers
8. Making the guest purchase some essential items or activities (eg traditional welcome dance) that they might not have selected if given the choice but are important for the viability of the product (eg to spread the tourist dollars around and keep the community happy)

Value adding is packaging's "best friend". Value adding means offering "free" extras to make a product or package look like a better deal. These extras are usually items or services that do not cost much for the operator to provide but look attractive when offered as free add-ons, for example:

- ✓ "Complimentary (free) bowl of fresh fruit in your room on arrival"
- ✓ "Unlimited free coconut juice during your stay"
- ✓ "Free use of paddle canoes during your stay"
- ✓ "Free bottled water during your sightseeing tour"

Sometimes these "free" extras are not really free at all because their cost is included ("buried") in the package price. But value adding makes the product or package more attractive and more sellable for a comparatively low extra cost to the operator because it enables the use of the world's most powerful marketing word: "free".

Noguna Island Homestay provides a good example of value adding. Notice how the free activity is listed at the top to attract the eye!

ACTIVITIES

- Village day trips and garden - hike free
- Fishing trip (have to bring own gear)
- Snorkelling (have to bring own gear)
- Island day trips to Rapita and Pelopeka islands
- Surfing
- Traditional performances
- Tools and traditional weapons workshop
- Keu collecting (mudshells collecting and scenic boat ride)



So why haven't small property owners and local tour operators in PNG been offering all-inclusive packages with value adding? Why are eco-lodges and village guest houses still asking guests to "pay as they go" in cash one by one for meals, transfers, excursions, custom fees and extra services?

And why are local day trip operators still stopping at restaurants for clients to "buy your own lunch", and asking tourists to pay tambu fees and pass-through fees in cash direct to landowners wherever they go? How can local tour operators and freelance guides be encouraged to offer all-inclusive day trip packages? They are missing out on revenue by not including these items in packages and charging a mark-up on each one.

For small scale property owners, day trip operators and freelance guides, some reasons they don't offer inclusive packages:

- Don't realise the benefits of packaging to the operator
- Don't realise the convenience of packaging to clients
- Worried that package prices will look too high and be a turn-off to customers
- Don't have the know-how to design and price packages
- Not sure which activities and services that visitors will prefer to be included in a package
- Worried that they will lose money by offering "free" value add-ons in packages

Of course these issues and concerns can all be addressed with the right training and advice. Small scale operators also need to be shown how to avoid the pitfalls or "dangers" of packaging, for example:

- ✗ Offering accommodation or touring packages that are too long, too restrictive or too "prescriptive"
- ✗ Offering accommodation or activity packages that are too inclusive and therefore too expensive.

Operators can be taught how to design packages that strike the right balance. Packaging techniques are covered in detail in our 5P tourism business survival skills workshop.

A day tour package offered by a small scale operator in the Philippines

Samal Island Hopping Getaway
for as low as **P850/person**

Inclusions:
Whole day exclusive use of boat
Buffet Lunch
Stop over at Dayang Resort.
Babu Santa & Coral Garden
Life Vest
Docking fees & permits
Stand by Crew

CALL US NOW! :)
FLIGHT-YSA TRAVEL & TOURS (082) 300-4093

5. PROMOTION

New tourism entrepreneurs in PNG often spend most their initial time and resources on setting up their property or attraction, attending tourism meetings and going around “looking for money” from banks, politicians and donors while paying little attention to promoting the business until very late in the process.

However, new local tourism businesses that leave their promotion too late tend to run into a cash flow crisis down the track when they have already used up most of their capital, technical help and goodwill from friends and wantoks, and have lost their “business establishment momentum”. By this stage they have run out of the money and the “huff and puff” that will be needed for promoting the business.

Promotion of a new tourism business needs to start early, even before the venture is fully set up, because

- (i) it takes time for information to disseminate and reach the target market of potential tourists
- (j) most inbound tourists plan their trips many months ahead of travel and there is a long “lead time” between booking a trip and actual arrival of the guests. If you wait too long to advertise, your new guest house may go rotten before your first guests arrive.

One tip that we offer in our 5P workshop is that early promotion of small scale tourism ventures can bring in booking deposits that can be used as working cash to help the financial survival of the new business. Some setup spending like buying new bedding and kerosene fridge to achieve quality standards is important but does not generate income immediately and can safely be left until a bit later once the business has its first bookings lined up. Spending money on promotion, on the other hand, will bring in booking deposits which can then be used to finish off the set-up before the first guests arrive. Taking advance bookings and deposits before a new tourism business is officially opened may seem risky but in fact tourists usually book several months ahead so there is plenty of time to finish setting up before the first guests arrive.

Another tip is that small scale tourism operators in PNG should not spend money on advertising in local print media like newspapers and yellow pages. Instead they should mainly promote themselves to the overseas market by:

- having a good business name
- having an online presence (website, Facebook page or both) that is find-able on Google
- doing e-mail marketing
- getting marked on Google Maps and TripAdvisor maps
- getting listed on internet booking websites and online travel agencies
- having a preferred booking agent
- networking with other tourism businesses, and
- partnering with a local inbound tour operator

Teaching these promo skills to small operators is included in our 5P workshop.

During our 2019 survey of small scale tourism operators in PNG we found that some small operators still do not have their own Facebook page or website and are relying on word-of-mouth, public noticeboards and listing on other tourism websites for exposure. And for those operators that do already have an online presence, most are only promoting their property as a destination and don't advertise particular products, packages, prices or payment methods ie *they are just advertising the shop instead of advertising what's on sale inside the shop.*

Nowadays all small tourism operators need to have their *own little website or Facebook page* to promote and sell their products. Without a “find-able” website, it's not possible to attract overseas tourists. Advertising in other media like newspapers and printing paper pamphlets is just a waste of money for small scale tourism businesses in rural areas.

Having your own website or FB page is not only important for promotion but if travellers can make direct bookings with you by emailing you or messaging you from your website instead of booking through a travel agent or online booking website you will make more profit by avoiding payment of agent commissions.

Travellers researching their trip prefer to find *simple, smart websites* that load fast on a mobile phone, have some good pictures and useful information including prices, how-to-get-there and an e-mail address or Message button for making bookings. On the other hand a website that is too flashy and expensive-looking can be a turn-off for eco-tourists who want to stay in local style accommodation owned by genuine local people.

A business website or Facebook page does not have to be expensive to design and construct. It *can be done cheaply* by a friend, wantok or freelance designer from India on the internet. Facebook pages are free to run but site visitors who are not Facebook members may not be able to message you. Free website hosting is available on the internet if you don't mind some advertising appearing on your site.

After setting up a business website or Facebook page there are steps you must take to get your page shared around on Facebook or get your website listed on the internet search sites like Google and Yahoo, so that travellers can find your page or site when they research their trip. It's important that keywords that describe your business appear frequently on your site (or are hidden within your site) so that when travellers search for key words like "village tours in New Guinea" or "war relics in Rabaul" your website will come up somewhere high in the list of search results if that's your product. This is called *search engine optimisation (SEO)*.

You can also draw attention to your website by *e-mail marketing* - sending emails to travel agencies, travel journalists and tourism officials in your country and invite them to visit your website or FB page, and by *getting your business location marked on online maps operated by Google, Yahoo, Bing, TripAdvisor, Open Street Maps and others*. It's free and all you need is a mobile phone and an internet connection – we'll show you how.

Being listed on one or more of the *internet booking websites* is also essential. Also known as *internet booking engines*, these "online travel agencies" will take bookings for your business in return for deducting a commission fee when a sale is made. Some of the overseas booking engines that accept listings from small properties include TripAdvisor, Booking.com, Agoda.com, AirBnB.com, wego.com and HotelsCombined.com

Most of the small scale operators in PNG are not yet listed on overseas booking engines but many have found a home on the local booking site VillageHuts.com which is operated by PNG Trekking Adventures.

Having your business listed on an internet booking website not only generates bookings from the website (which is usually run by an online travel agency) but also drives *direct sales*. Properties listed on booking engines are seen by consumers to be trusted businesses and many "responsible" tourists who like to see all their money go into the pocket of the property owner will go to a booking site listings of suitable properties and then search on Google for the property's own website so they can make a direct booking and save the property owner from paying commission to an online travel agency.

Establishing a business relationship with a *preferred booking agent* is a good move. The booking agent can be overseas or a local travel agent in PNG. If you want to receive bookings from customers who are not confident to send money direct to your bank account and maybe want to pay by credit card, you can refer them to your preferred booking agent to book and pay. Your preferred booking agent will deduct a commission for each booking and will also promote your property to their own customers.

Networking with other tourism businesses is often overlooked as an important part of marketing. In a tough sales environment, operators often become insular ie they keep to themselves. On the contrary it's important to join associations and be Facebook friends with as many other tourism businesses as possible, even another guest house next door that is in direct competition. Other tourism businesses can give you advice, inform you about industry meetings and activities, refer customers to you, and tell you about travel agencies and other industry contacts they know of. Working together, tourism businesses can grow the national tourism industry better than if they ignore each other and don't cooperate.

Partnering with an inbound tour operator. Most tourists do not want to come all the way from overseas just to stay in one remote guest house that they saw advertised on a Facebook page. During their one or two weeks visit in the country they often want to stay in several different places to enjoy a variety of experiences. Rather than make 5 separate booking arrangements with 5 different guest house owners they will often prefer to book a package trip through a tour operator who can offer a multi-stay itinerary featuring visits to a number of different provinces and staying in a number of different

guest houses. Small tourism businesses including guest houses, cultural groups, motor canoes for hire, owners of attraction sites etc should partner with an inbound tour operator who can include their products in package itineraries..

Our 5P workshop will cover all these steps to promote a small tourism business including:

- How to choose and register a suitable business name
- How to set up a smart but modest website or FB page at minimal cost and get it shared on Facebook and listed on Google and third party tourism websites including search engine optimisation
- How to do a basic e-mail marketing campaign
- How to get the business location marked on Google Maps and listed as a local attraction on TripAdvisor
- How to get bookings from online travel agencies and internet booking engines
- How to network with other local and regional tourism businesses
- How to partner with a booking agent and/or an inbound tour operator

