



## Diversification as a key strategy for more innovation and competitiveness in tourism

A practical guide  
for development cooperation



Prompted by a global pandemic that brought the travel industry to a standstill, tourism service providers worldwide have started to diversify their products. However, diversification can achieve much more than simply cushioning the impact of a crisis. Understood as the comprehensive capacity to continually respond to existing challenges and opportunities by developing new ideas and marketable products, diversification is becoming a key strategy to enhance competitiveness in tourism. This handbook offers a holistic view of the subject, ideas for developing basic skills and a guide for systematic diversification in cooperative tourism.

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Registered offices:  
Bonn and Eschborn, Germany

Friedrich-Ebert-Allee 32+36  
53113 Bonn, Germany  
T +49 228 44 60-0  
F +49 228 44 60-1766

E [tourismus@giz.de](mailto:tourismus@giz.de)  
I [www.giz.de](http://www.giz.de)

**Responsible:**  
Sector project Private Sector Cooperation

**Authors:**  
Kai Partale & Dr Alexandra Partale (Benchmark Services)

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kipconcept gmbh, Bonn

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# Abbreviations

|               |  |
|---------------|--|
| <b>BMZ</b>    | German Federal Ministry for Economic Cooperation and Development |
| <b>CBT</b>    | community-based tourism  |
| <b>DEC</b>    | developing or emerging country                                   |
| <b>DMO</b>    | destination management organisation                              |
| <b>UNESCO</b> | United Nations Educational, Scientific and Cultural Organization |



# Introduction



## Turbulent times in tourism

Tourism is seen as an important tool for achieving sustainable development in developing and emerging countries (DECs). And for good reason: in recent years, tourism has been not only one of the most important economic sectors worldwide, but was also the fastest growing sector, with considerable potential for value creation and for reducing poverty. So far, the sector has proved to be fairly resilient in the face of crisis. Epidemics, tsunamis, financial crises and terror attacks have usually only had a temporary and local impact. The current situation in connection with the COVID-19 pandemic cannot be compared with any of this. The global reach of the pandemic, the magnitude of the consequent economic collapse and the duration of the pandemic have all been unprecedented. The impact of the crisis on the sector has been multi-dimensional, and what this will mean for the economy, society and the environment is hard to predict. There is, however, no doubt that, given their high reliance on international tourism and weak domestic markets, DECs have been hit particularly hard.

## Resilience as a new target

Driven by the current crisis facing tourism and by climate-related risks, in addition to the ever more rapidly changing tourism market environment and its unpredictable nature, the goal of strengthening the resilience of tourism destinations has gained tremendous importance worldwide. Resilience in tourism means the ability of a tourism system to provide a timely and flexible response at all levels in the context of extreme events, to adapt to change, and to shape the transition in a focused manner without putting people's prospects at risk. Besides developing early warning systems for impending natural disasters, optimising standards of hygiene and ensuring that crisis communication is effective, this is, above all, a matter of developing the extensive capacity required by tourism regions in times of drastic change to ensure sustainable management. A key factor here is to create an appropriate framework for addressing future risks and challenges as efficiently and effectively as possible. Cross-sectoral exchange and public-private cooperation provide the basis for risk-informed decision-making, and thus for a resilient and sustainable tourism sector.



## Diversification as a key strategy

As a way out of a crisis and towards achieving greater competitiveness, diversification is considered a key strategy because it enhances adaptability, reduces dependencies and protects livelihoods. It can thus create impetus for innovation and value creation. In a broad sense, diversification requires a destination or a tourism service provider to 'expand its base' by offering a range of different products, addressing different markets or establishing wide networks and partnerships.

This can be achieved at the level of a tourism destination or at operational level. This handbook deals with both aspects. However, it should be clear that diversification strategies in a sector as highly fragmented and interconnected as tourism can produce sustainable outcomes primarily through cooperation along the entire tourism value chain.

## The handbook's objectives and target groups

This handbook is the fourth in a series of handbooks on tourism as a tool for development policy. It provides general information, impetus and ideas for developing and implementing diversification strategies in tourism. In terms of content, it builds to some extent on the previous handbooks on the issues of destination management, the value chain and inclusion in tourism. Links have been provided in the relevant parts of the text. The handbook is meant primarily for GIZ personnel who plan and implement tourism-related interventions within the framework of projects implemented abroad. However, it is also a practical aid for local stakeholders in tourism and for tourism companies seeking to promote diversification in tourism.



## How the handbook is structured

The handbook is divided into five interrelated sections that build on each other:

|                      |  |
|----------------------|--|
| General information  | <b>Understanding diversification:</b> The first section explains why diversification is a key strategy in tourism to boost resilience and adaptability. To gain a better understanding of the task involved here in the context of tourism, the particular characteristics of the sector are discussed using the tourism value creation system, on the basis of which the requirements for developing tourism diversification strategies are identified. |
| Conceptual framework | <b>Categorising diversification:</b> The handbook presents a conceptual framework for the development and implementation of diversification strategies in tourism. In describing the objectives, design principles and core competencies required for successful diversification at the level of tourism destinations, it offers important orientation for the sections that follow.   |
| Insights             | <b>Gaining inspiration:</b> This section first describes and operationalises the objectives of a multi-functional tourism region. On this basis, different tourism diversification strategies are identified and explained using specific examples. Both the destination and the operational levels are discussed here.  |
| Approaches           | <b>Developing core competencies:</b> Specific examples are cited of core competencies that play an increasingly important role at a time of change and when dealing with the effects of crises, especially with a view to diversifying tourism destinations: efficient governance, ongoing knowledge management and appropriate support services for people and ideas.   |
| Guidelines           | <b>Realising diversification:</b> The final section contains a step-by-step description of the central process of diversification in the cooperative system of tourism destinations. The guidelines offer practical instructions using examples, tools and check-lists intended to support development cooperation actors or those responsible in the destinations in planning, supporting and managing the process in a focused manner.                 |

# General information: Diversification in tourism

1



# General information: Diversification in tourism

## Part 1: The point of diversification

There are many reasons to believe that the global tourism system will continue to change. On the supply side, market shakeout is currently occurring on an unforeseen scale. Destinations that rely heavily on individual markets have been hit particularly hard by the effects of the COVID-19 pandemic. On the demand side, there is a fundamental shift in needs. Not only is the sector acutely affected by a global pandemic, but it is also being shaped by major social developments such as demographic transition, the individualisation of society, advancing digitalisation and, not least, growing public awareness of the impact of tourism on climate change. Tourism regions worldwide exist in a market environment that is changing more and more rapidly and is hard to predict.

At a time like this, the ability to keep improving, or even to reinvent oneself, becomes a core competency – and diversification becomes a key strategy. Diversification here means to 'broaden the base' by developing a diverse product range and by exploring new markets.

### Example: Long-distance travel

In this connection, a pressing question for many tourism destinations in DEC countries concerns the prospects for long-distance travel. This issue has long been a focus of criticism because of the high CO<sub>2</sub> emissions generated by travel to and from a destination and has been particularly affected by regulations and by the uncertainty involved in travel planning.

What happens if people cut down on their long-distance travel in the future, too, because they are more aware of the impact of their travel activities or because even more regulatory measures are introduced?

Many DEC countries are facing this scenario. In this case, it is important to develop new concepts for the future to reduce dependence on international source markets and to facilitate sustainable travel.



Making diversification a fundamental strategy for tourism development is a good idea for the following reasons:

- **Diversification reduces dependence**  
The broader the range of products offered by tourism providers, the less they have to depend on individual target groups and markets. This is particularly true of tourism companies that have a second business line outside the tourism sector.
- **Diversification promotes innovation**  
When consistently implemented, diversification means always engaging with prevailing trends and developments and, on this basis, developing ideas for new and innovative products.
- **Diversification balances tourist flows**  
When more products are spread out geographically and over the seasons, it helps balance the number of visitors and eases the pressure on the region as a living space for the local population.
- **Diversification increases capacity utilisation**  
Capacity utilisation increases if visitors are distributed more evenly throughout the year thanks to new products. This has a positive impact on operating revenue and helps create year-round jobs.



## Part 2: Characteristics of tourism

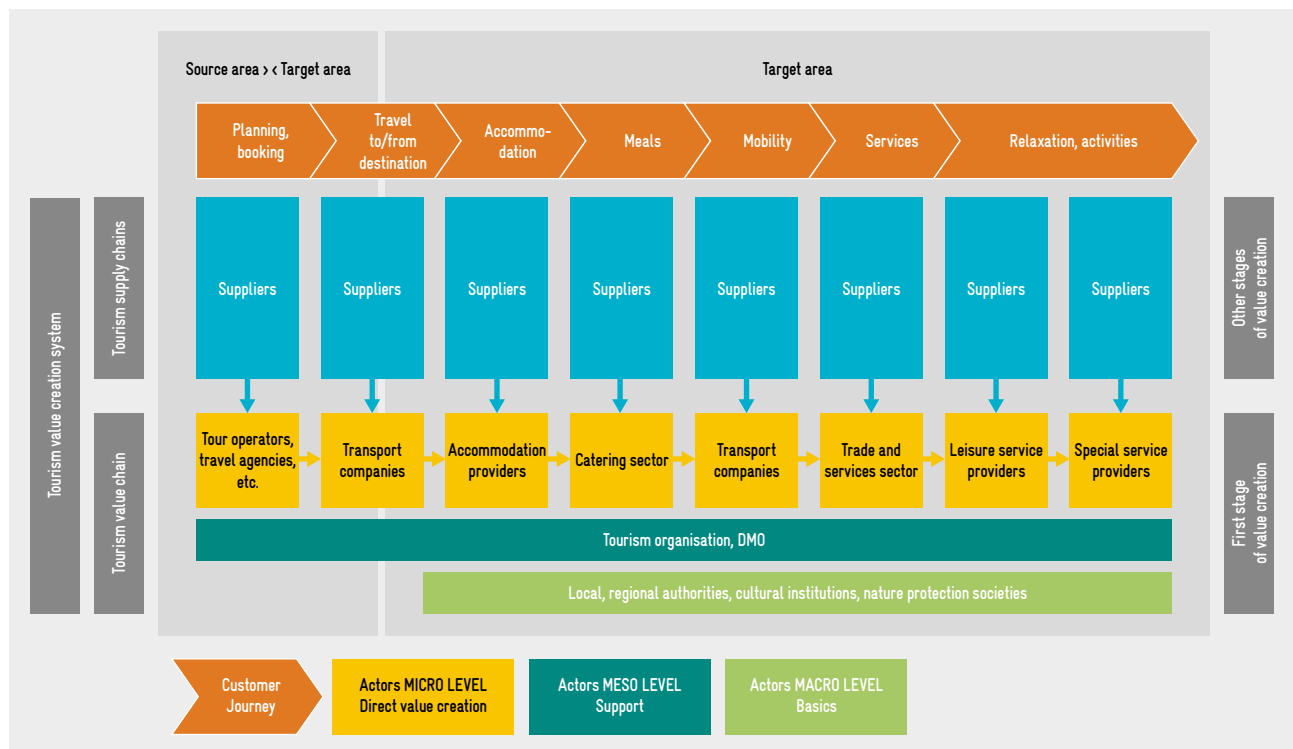
Tourism has a number of distinct characteristics that make diversification a demanding task. This refers primarily to its complex structure and to the numerous stakeholders and the many different interests. Nevertheless, these stakeholders have to work together to develop a tourism product. To understand this point, it is helpful to take a look at the tourism value creation system.

### Excursus:

#### The tourism value creation system

One of the main characteristics of tourism products is that they are made up of many different components and partial services that are provided or shaped by different stakeholders. Value is created only when a number of activities and services are connected. The tourism value creation system consists of the complex interaction between these services and the stakeholders behind them. [Figure 1](#) provides an overview.

Figure 1: Overview of the tourism value creation system





## Core elements of the tourism value creation system

The tourism value creation system includes not only the services connected in a sequence of processes along what is known as the customer journey (micro level), but also supporting functions (meso level), basic factors of supply (macro level) and services provided by suppliers.

### → Customer journey as the basic structure

Ideally, the activities and processes in the tourism value creation system are closely interrelated, resulting in customised travel experiences. From the point of view of the guest, this tourism service package can be described as a process that guests undergo during their travels, referred to as the 'customer journey'. It starts with planning and booking a trip and ends with the return home and with memories of the stay. In between lies the actual stay at the destination, which, in turn, includes several highly diverse sub-phases. Each phase is supported by services that guests use during the journey and by providers that deliver these services.

**Recommended reading:** The handbook entitled *The Tourism Value Chain* (GIZ 2020) offers a comprehensive analysis of the subject, with guidelines, checklists and case studies, along with suggestions for effective interventions by development cooperation.

### → Tourism value chain

The tourism value chain describes the process involving value creation activities when developing a tourism product, namely the trip.

This refers to the activities undertaken during a trip (e.g. overnight stay) for which clients are prepared to pay a certain price. Together, these services comprise the first stage of value creation. Within the tourism value chain, it is important to distinguish between different function levels:

- Actors at **micro level**, through their services, contribute directly to creating value, e.g. the taxi company that takes guests from the airport to the hotel and generates revenue in the process, or the hotel that sells accommodation services.
- Actors at **meso level** support micro-level actors in generating value, e.g. the tourism organisation through overarching marketing activities or an educational institution through tourism training programmes.
- Actors at **macro level** ensure that certain basic functions on which tourism depends are available, e.g. by developing infrastructure to open up tourist attractions or by maintaining a hiking trail network.

### → Tourism supply chains

For tourism service providers to be able to develop their products, they need to buy in many different services, e.g. souvenirs for sale in a retail shop or agricultural produce for use in the catering sector. These products and services, too, undergo a process of value creation. From the tourism perspective, these are supply chains. Together they comprise further stages of value creation at which tourism-related revenue is generated.

## Part 3: Prerequisites for diversification in tourism

The particular features of tourism give rise to a set of requirements for the development and management of destinations in general – and for the development of diversification strategies in particular:

### → Diversification

#### **is based on endogenous potential**

The main foundations for the development of tourism products are the natural and socio-cultural resources of a destination: landscape, climate, flora, fauna, architectural heritage, customs, traditions and much more. These attributes give a region its distinctive features and acquire a special significance when it comes to travel-related decisions. At the same time, they define the potential range of products in a region. Analysing the particular strengths and individual potential of a specific region is therefore the basis for successful product development in tourism.

### → Diversification

#### **is a cooperative task**

New products for diversifying tourism are always the result of interaction between different actors. These actors include all those who play a role in the tourism value chain and have certain needs or interests, be it a hotel, a tourism organisation, a nature protection society or a supplier. All stakeholders have a place in the system and all of them rely on networking and cooperation. The goal should therefore be to develop networks and cooperation systems that work together effectively. This also underlines the importance of adopting a participatory and collaborative approach to diversification in tourism.

### → Diversification

#### **requires shared objectives**

To ensure that cooperation between tourism actors is effective and focused, it is important to take account of and reconcile the existing interests. In this regard, shared objectives provide the necessary orientation. For sustainable and resilient tourism development, the relevant goals must be embedded in the system and compliance must be monitored.

Concept: Diversification  
as a development-related task  
for development cooperation

2



## Concept: Diversification as a development-related task for development cooperation

As an effective strategy for enhancing innovation and competitiveness in tourism, diversification is becoming an important task for development cooperation too.

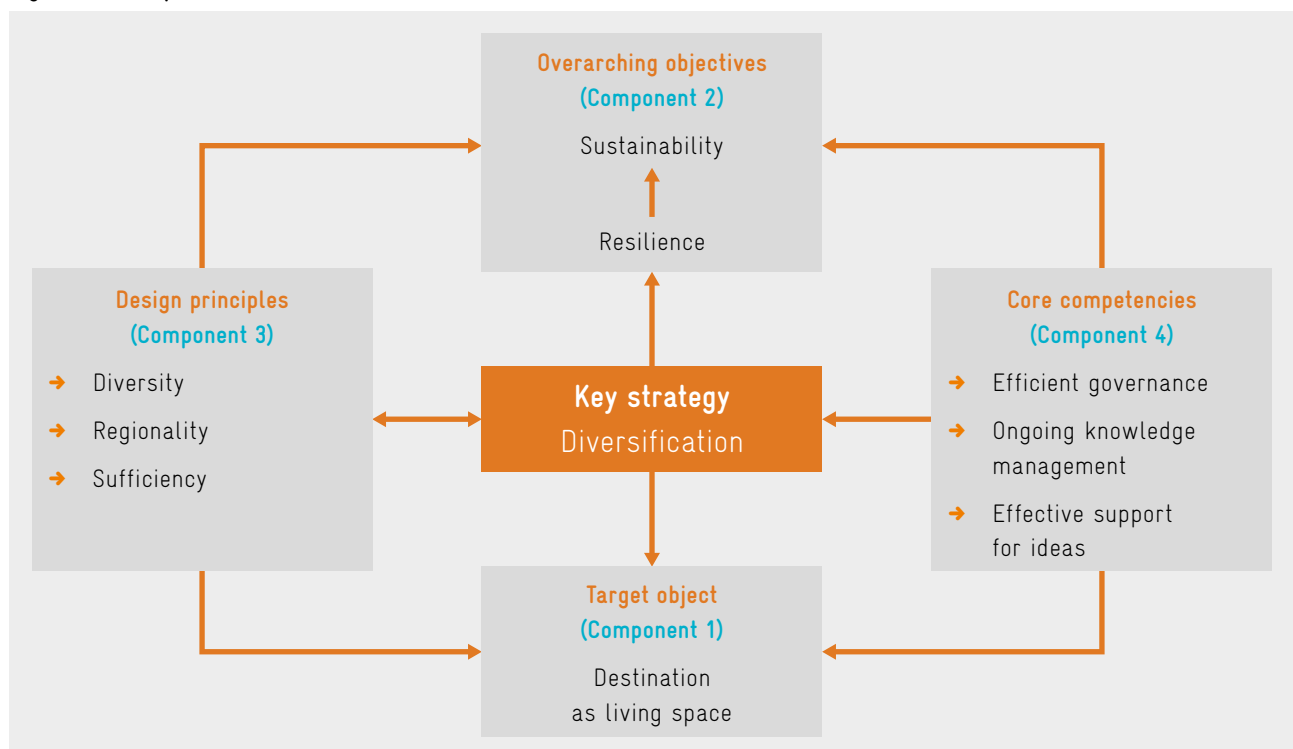
In this context, we need to look at how diversification strategies in tourism should be planned and implemented to ensure that they achieve optimal outcomes in the partner regions of development cooperation.

In terms of development policy, the objectives of sustainable tourism development help create a clearly defined conceptual framework with

- the tourism destination as the **target object**,
- sustainability, innovation and competitiveness as **overarching goals** and, consequently,
- diversity, regionality and sufficiency as **design principles**.

The typical features of tourism and the current challenges facing the sector also give rise to a range of **core competencies** for developing successful diversification strategies in tourism (see Figure 2).

Figure 2: Conceptual framework for diversification in tourism



The individual components of this conceptual framework for diversification in tourism are discussed in greater detail below.



## Component 1: Tourism destinations as the target object

Tourism as a cooperative system requires boundaries. Where does the system start, and where does it end? Defining the boundaries of a 'tourism destination' makes sense for several reasons:

- Tourism is strongly tied to the location. Tourism activities and the effects of all these activities occur primarily in the target area.
- The tourism destination offers its stakeholders a common and unifying basis for identification.
- Development cooperation interventions also usually concern one region in which development goals (e.g. access to good employment) are to be achieved.

The term 'tourism destination' here refers to geographical entities that, given their size and structure, offer the potential to develop a wide range of products comprising individual services that complement each other. They may also be smaller entities, as illustrated by the example of community-based tourism (CBT) (see Section 3, Box 2).

The exact limits of the area can be defined individually depending on the commission within the framework of development cooperation. It may cover an entire country, part of an area or a cross-border region.

## Component 2: Overarching goals

In order to develop intelligent diversification strategies, we need an objective. We must be clear about what diversification is hoped to contribute to in order to steer development supported by many different stakeholders.

Fundamental to the definition of overarching goals is the fact that tourism regions should also be seen as living spaces for the local population.

One of the main roles of tourism destinations is to enable the local people to enjoy a good quality of life in the long term. In other words, tourism is not an end in itself, nor is it a business model for a handful of companies, but instead it should be a tool for improving the quality of life for as many people as possible.

A better quality of life and satisfaction among all stakeholders is therefore a guiding principle in tourism development and consequently also in diversification strategies. These stakeholders include guests and entrepreneurs, tourism sector personnel and, not least, the local population.

**Note:** Aligning the interests of these stakeholders will have a positive effect on the satisfaction of all. Underpinning this is also the conviction that the satisfaction of the local population is a foundation for quality-oriented tourism and for high levels of guest satisfaction – and therefore also for economic success.

## Sustainability and resilience

While sustainability and resilience may be complementary, they are not identical.

**Sustainability** is required to meet the needs of all stakeholders in the long term – and has always been one of the guiding principles of development cooperation. It is essentially about the responsible use of resources designed for the long term. As a guiding principle, this plays a special role in tourism because the natural and sociocultural resources constitute the main foundation of tourism. Conversely, tourism has significant potential to create regional value in the economic, environmental and social sense.

Precisely for this reason, and because of the manifold influences on tourism, some of which are related to crises, such as the current COVID-19 pandemic, it is important to add the aspect of **resilience** to the overarching goals of sustainable development. This means, above all, understanding the goals in the context of risk-informed development.

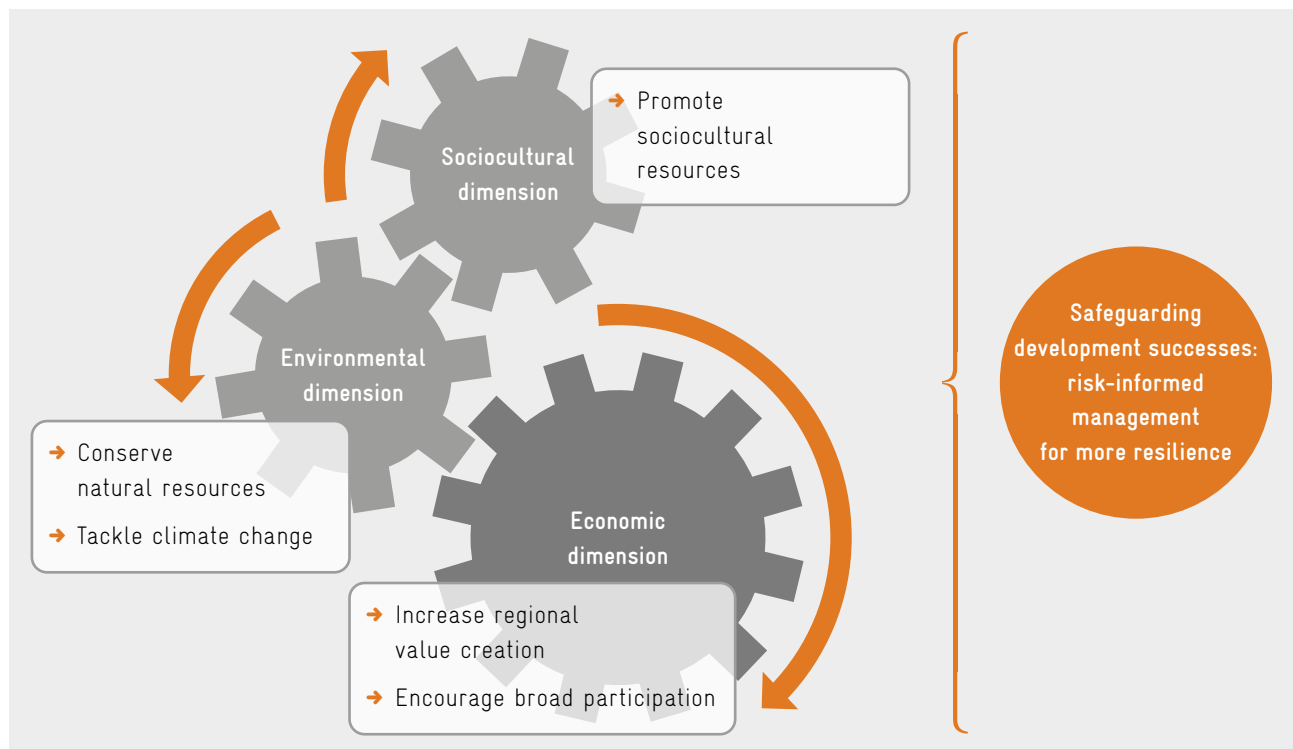
It is only when risks are fully understood and addressed accordingly that tourism destinations and all the stakeholders can secure development success and survive in a complex and volatile market environment.

**Successful sustainable development is thus only possible if a destination is resilient and adaptable over the long term. Support for risk-informed decisions enhances resilience and is therefore an integral part of the planning process for sustainable tourism.**

## The individual objectives

For a deeper understanding of the issue, the objectives of sustainable tourism development can be broken down further. **Figure 3** illustrates the connections. Economic, environmental and socio-cultural objectives should be realised in harmony with each other. Resilience is necessary to ensure that the impact of sustainable tourism is stable in the long term.

Figure 3: Overarching objectives of diversification strategies







#### → Strengthening resilience

Resilience refers to the capacity of a tourism system to provide a flexible response to an acute crisis, to adapt to change and to shape transition in a purposeful manner. It is important to be aware of risks at an early stage and to take relevant measures in order to be able to function effectively in the event of a disaster. This means nothing less than developing the wide-ranging skills required by tourism regions in times of drastic change for ensuring sustainable long-term management.

**Diversification is a key strategy for strengthening resilience in tourism, particularly because this reduces dependence on individual target groups and markets.**

→ **Enhancing regional value creation**

Regional value creation refers to the amount of money generated in the region through the profits, wages, salaries and taxes of regional companies; it contributes to prosperity and poverty alleviation in the area. The more money is spent by tourists and the more of this money remains in the region, the greater the regional value creation.

**When planning diversification strategies, it is therefore advisable to examine, on the one hand, the marketability of new ideas and, on the other, to promote a system of value creation that is as regional as possible.**

→ **Ensuring broad participation by the regional population**

The effect of regional value creation is all the more sustainable if more stakeholder groups benefit from the economic effects of tourism. Small and medium-sized enterprises in the tourism sector and fair wages make particular contributions in this regard. A special concern of sustainable tourism is also to facilitate participation by disadvantaged population groups, such as persons with disabilities, women and girls.

**Ideally, diversification strategies should make a contribution here by ensuring that as many tourism service providers as possible are involved and opportunities for including disadvantaged people in new value creation processes are harnessed.**

**Recommended reading:** For further information and practical guidance, please refer to the [GIZ handbook on Inclusion and Tourism](#) (2021).







→ **Conserving natural resources  
as a foundation of tourism**

Landscape, vegetation and biodiversity are some of the important foundations of tourism. This is another reason to conserve and protect these resources. Appropriate conservation strategies are required here, and the damage caused by travel must be minimised. This damage includes, in particular, damage to and destruction of landscapes and ecosystems caused by infrastructure measures and tourism-related activities, in addition to resource consumption and emissions caused by tourism. In the face of climate change, particular attention should be devoted to reducing CO<sub>2</sub> emissions.

**As far as possible, diversification strategies should contribute to the conservation of natural resources as a foundation of tourism and should avoid causing environmental damage. In particular, a concerted effort to target nearby markets as an alternative to long-distance travel can significantly reduce the damage caused by tourism.**

→ **Promoting and conserving  
sociocultural resources**

The sociocultural system includes the values, lifestyles, social relations and behaviours of the population. It is visible – and can be experienced – at architectural and cultural sites, through living traditions and customs, and through hospitality. For tourism, these factors constitute an important foundation, yet tourism also changes the sociocultural system of a destination. Sustainable tourism development aims to reinforce the sociocultural system and to promote its authenticity. Risk factors such as alienation or the commercialisation of traditions and customs should be countered with appropriate measures.

**Diversification strategies too must be developed in line with sociocultural objectives. The diversification of tourism products often automatically makes a positive contribution, because a more diverse product range will balance visitor flows and thus reduce signs of strain.**

## Component 3: Design principles

Diversification is one of many strategies for enhancing resilience in tourism. In exercising this function, it follows three central design principles:

### → Multi-functionality

Tourism destinations and tourism products should be developed and designed such that they are diverse in relation to their products and their target groups while being modular in structure. In other words, individual elements of the tourism system complement each other, can be combined flexibly and can replace each other (see [Section 3, Strategy 1: Diversity as a Guiding Principle in Tourism Planning](#)).

### → Regionality

Tourism destinations and tourism products should be developed on the basis of regional resources and should be designed by regional service providers. Cooperation with regional partners should be stepped up, and nearby markets should be targeted. This is designed to minimise dependence on international markets and to keep the environmental damage caused by global value creation processes to a minimum.

### → Responsible resource use

Tourism destinations and tourism products should be planned and designed such that guests can travel with a small carbon footprint. The fewer the resources that people need on their journey, the less the dependence on these resources. An eco-friendly journey to a destination can thus help reduce dependence on international fuel suppliers.

## Component 4: Core competencies

If we understand diversification in tourism as the capacity of a cooperative system to develop, modernise and extend the range of its products so that they are always aligned with the market, the following competencies become more important (see [Section 4](#)):

- **efficient governance**, or the ability to steer public, private and civil society stakeholders to ensure that shared goals are achieved (see [Section 4, Approach 1](#));
- ongoing **knowledge management** to enable the stakeholders of a destination to recognise the available opportunities and prevailing risks and to develop their own solutions (see [Section 4, Approach 2](#));
- **effective support for people with ideas** so that these ideas can be put into practice (see [Section 4, Approach 3](#)).



Insights:  
Diversification strategies  
in tourism

3



# Insights: Diversification strategies in tourism

## Multi-functional tourism regions as an objective

The discussion so far has shown that diversification in tourism means more than just developing new products for new markets.

**The objective is to create a multi-functional tourism region that is diverse in its tourism products, its target groups and its structures while also being modular. This means that the individual elements of the tourism system should complement each other and can be combined in a flexible manner. Ideally, they should also be able to replace each other.**

The more multi-functional a tourism region is, the less dependent it is on individual product factors, providers, markets, target groups or partners.

In specific terms, a multi-functional tourism region is characterised by the following features:

- the basic tourism-related resources and structures can be used for different products;
- the overall tourism structure is diverse and mixed;
- a diverse product range is offered that addresses the different target groups and markets; and
- entrepreneurs in the tourism sector have a second source of income outside the sector.

## Resulting diversification strategies

Two fundamental complementary paths to diversification in tourism can be identified based on the objective of creating a multi-functional tourism region:

- Firstly, **'diversity' should be mainstreamed as the guiding principle when planning tourism structures.**
- Secondly, diversification in tourism also means **developing new business areas**, i.e. combinations of products and related markets of strategic importance.

The development of business areas can be seen **from the perspective of the cooperative system of a tourism destination** and from the **operational perspective**.

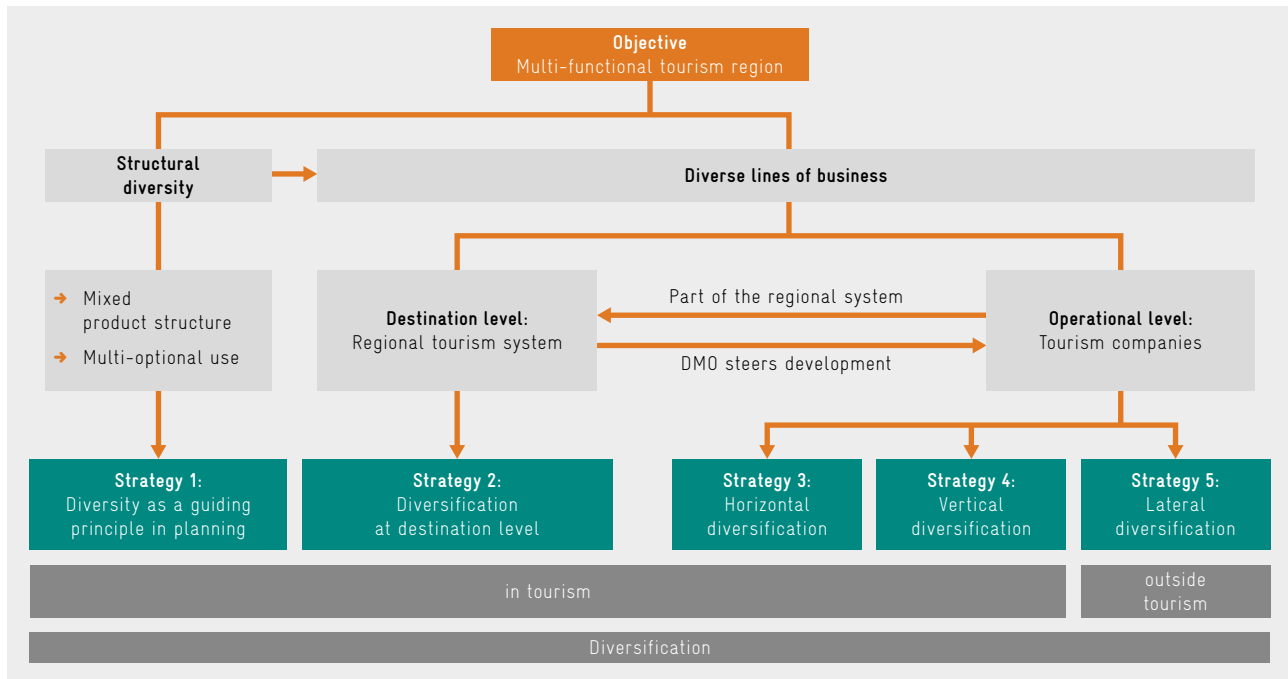
Both levels are closely interrelated and cannot be considered separately. As part of the tourism system, tourism companies rely on networking and cooperation to achieve business-related goals. At the same time, the destination needs tourism companies that participate in the system to enable it to function as a whole. At operational level, a distinction can be drawn between horizontal, vertical and lateral diversification (see [Box 1](#)).

**This makes diversification a cooperative task that should ideally be managed in a focused manner by a DMO (see [Section 1, Part 3](#)).**

This leads to five strategies for diversification in tourism (see [Figure 4](#)).



Figure 4: Diversification strategies for tourism



## Overview: How the diversification strategies work

Workations are journeys by individuals who combine travel with work during what is usually a longer stay. It is seen as a growth market and as particularly sustainable because the travellers, as ‘temporary locals’, can discover the region far more thoroughly. An additional factor is that the time-related aspect of a workation reduces dependence on a particular season.

Table 1 illustrates the five diversification strategies based on the example of the ‘workation’ segment.

Table 1: Diversification strategies in tourism

| Strategy  | Description   | Example   |
|---|---|---|
| 1. Diversity as the guiding principle in planning | Structural diversity as a target includes mixed product structures with small and larger providers, diverse priority products and infrastructure that can be used in a variety of ways. | The destination plans its basic tourism infrastructure such that it offers barrier-free access, and in doing so targets persons with disabilities, e.g. in the workation segment. |
| 2. Diversification at destination level           | Designing new cooperative value chains for new tourism target groups and markets.   | The DMO designs a new service package to target people who would like to combine a vacation with work (workation).  |
| 3. Horizontal diversification                     | Designing new product components for tourism value chains at the destination – at the same stage of production as before.   | A hotel provides accommodation for workation flatshares (shared accommodation).   |
| 4. Vertical diversification                       | Designing new product components for tourism value chains at the destination – at a different stage of production.  | A hotel creates a co-working space where people on vacation can work.   |
| 5. Lateral diversification                        | Developing new products to serve as a second source of income – outside tourism value chains at the destination.  | A hotel rents rooms to the operator of a medical clinic for patients in convalescence.  |

The different strategies for diversifying tourism lead to diverse starting points for interventions by development cooperation. The strategies will now

be examined more closely and explained using specific examples.

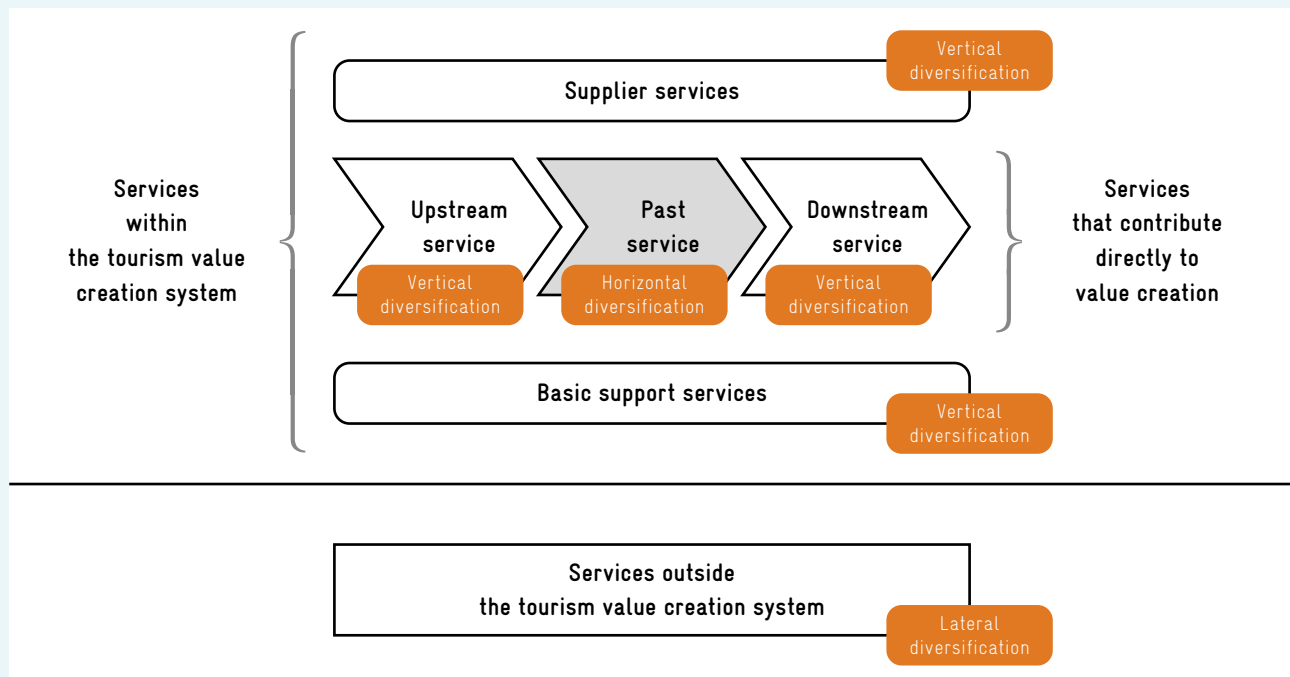
### Box 1: Diversification at operational level

Tourism companies have several opportunities to develop new business areas. At the same time, they are always part of the cooperative tourism system and their actions should support overarching objectives.

In the case of **horizontal** and **vertical diversification**, tourism companies develop new business opportunities *in* tourism. They continue to be connected to complementary services in the

tourism value creation system, and travellers are the end consumers that they target. **Lateral diversification** means creating new business opportunities *outside* tourism, in other words having a second source of income not connected with tourism. **Figure 5** indicates the position of the new business areas in relation to the different diversification strategies based on the tourism value creation system (see [Section 1, Part 2](#)).

Figure 5: Positioning company diversification strategies



## Strategy 1: Diversity as a guiding principle in tourism planning

The structural diversity hoped to be achieved includes mixed product structures with small and larger providers that focus on different priorities and have infrastructure that can be used in a variety of ways.

Examples of multi-optional infrastructure include:

- private rooms that are offered as accommodation;
- barrier-free infrastructure that is accessible to all;
- visitor centres that can also be used for conferences and workshops;
- hiking trail networks that are planned for different target groups;
- technical buildings that are developed into hotels;
- sport and leisure facilities with a multi-optional mix of products;
- barns that are used for events;
- lifts that carry skiers in winter and hikers in summer.

Structural diversity cannot be achieved overnight; it is the result of a long-term planning process in which diversity is mainstreamed as the guiding principle. Each project should be assessed in terms of its diversity and multi-optionality and should be planned and promoted accordingly. The community-based tourism approach offers an ideal strategy for supplementing diverse tourism products (see [Box 2](#)).

**Note:** Diverse, multi-optional structures create options for attracting other target groups and prevent dependence on single large-scale providers. At the same time, more providers and people benefit from the value created.

### Box 2: Community-based tourism as a contribution to diversification

CBT refers to a vacation in a smaller community, away from mass tourism, with the aim of coming into closer contact with the local population and learning about their lives, their culture and the environment.

Authentic diversity and modularity are key elements of this form of tourism because

- the existing small-scale structures belonging to private hosts are made available to guests as homestays;
- tourism products are developed on the basis of individual resources and skills;
- decentralised structures and self-organisation also enhance individual product development; and
- tourism is usually a second source of income, which helps support a diverse economic structure.

In addition, being participatory in nature, CBT has the potential to enhance social solidarity and community ties. Even if the process of initiating and supporting CBT-related processes in development cooperation is sometimes laborious and requires much persuasion, CBT is a suitable concept particularly for the development of rural areas and is compatible with the goals of sustainable tourism development.

### Good practice 1: Community based tourism, Rwanda



As part of the GIZ project on Promoting the Economy and Employment in Rwanda (Eco-Emploi), a comprehensive diversification strategy was developed for Rwanda in collaboration with the country's major tourism organisations.

One of the priorities was to promote CBT and to set up a diverse product structure in the Kivu Belt as a tourism destination. The region is rich in natural potential. It is home to one of Africa's oldest rainforests, a UNESCO biosphere reserve and the Congo Nile Trail, the country's best-known hiking trail.

The focus of the project was on supporting a total of 15 selected CBT initiatives in developing a diverse range of products. New products were created in the areas of agritourism, cultural experiences, nature experiences and night fishing. The project also provided marketing support and supplementary training measures. Particularly noteworthy was the development of organisational structures to support the CBT initiatives by founding an umbrella organisation of their own and by developing guidelines for steering decentralised processes in the communities.

**Further information: GIZ 2021a**

## Strategy 2: Diversification at destination level

In a cooperative system like tourism, the development of new business areas should ideally be a focused and collaborative process in which the relevant stakeholders are involved. In substantive terms, it is about shaping the entire tourism value chain in a new business area such that all the individual services have the best possible com-

bined effect on the development of sustainable and resilient tourism. Ultimately, the many individual services should produce a coherent whole that constitutes a good addition to the existing product portfolio and is attractive for new target groups and markets.

**Note:** The focused support provided by development cooperation for diversification strategies at destination level is particularly important because it creates impetus for steering the strategies and activities of the stakeholders. This provides support for development at operational level and at the same time promotes the entire system. The [guidelines on Diversification at Destination Level in Section 5](#) of this handbook offer step-by-step instructions on shaping the development of new business areas at destination level.

### Good practice 2: The South Outdoor Festival, Albania

The South Outdoor Festival initiated by GIZ Albania is an excellent example of how an idea can lead to a well-connected tourism product with a far-reaching impact in the region.

Diversity and multi-optionality are integral parts of the festival, which has been held at different locations in Albania since 2017. Over the course of four days, the organisers offer a wide range of activities in the areas of sport, music, culture, tradition, nature and cuisine. The unifying element is that all the activities take place outdoors.

The project was planned in cooperation with a number of regional partners, taking account of sustainability aspects. It seeks to pool the local services of various providers and to present them for different target groups. The role of the festival is exemplary as a beacon for the regional tourism services and as an anchor point that links numerous services and highlights different destinations.

At regional level, the festival has created an estimated value of EUR 4.5 million to date. Given that primarily small and medium-sized enterprises are involved, the value created benefits a large number of people. The intense and successful cooperation has also strengthened the shared identity and cohesion among the actors.

Further information: [www.southoutdoor.al](http://www.southoutdoor.al)



### Good practice 3: Culinary Route, Tunisia



The Culinary Route is a GIZ project aimed at diversifying tourism products in Tunisia. The focus is on six primary culinary products that are typical for the respective region. The aim is to present them to new target groups by linking up services offering experiences that go well together.

The overarching objective of the project financed by BMZ and the EU is to increase the regional value created by tourism beyond the well-trodden tourist paths. It also aims to reduce dependence on existing markets by addressing new target groups.

The primary products were identified by a national committee comprising the key actors in the sector, such as the Ministry of Tourism, Tunisia's National Tourist Office and the Tunisian Gastronomy Association. In addition, the people in the selected regions are called upon to help work on the details of the topics. Plans include supporting collaborative processes to develop new products and upgrade existing ones, and assisting actors in implementing services to offer different experiences that go well together. In order to publicise the

route at national and international level, GIZ will also support the partner organisations in marketing, e.g. through networking events or trade fairs. The products will be shown on an interactive map and presented in the form of a video on the website of Tunisia's National Tourist Office.

Further information: [GIZ Tunisia](#)



## Strategy 3: Horizontal diversification

At operational level, horizontal diversification describes the development of a new product at the same stage of the tourism value chain. In the case of a hotel, this is the 'accommodation' stage. A hotel could add to the existing offer of a traditional hotel room by creating a new product for an overnight stay to attract completely new target groups, such as shared accommodation for workation guests.

**Note:** In the case of horizontal diversification, there is a close functional connection between the new product and the products that have been on offer so far. This helps distribute the risks to some extent while also harnessing synergies.

### Good practice 4: Mini Adventures by Contiki, UK

Several tour operators have used the pandemic-induced break to develop ideas for travel activities that make them more independent and have returned to the market with new products in 2021. One example is the new product line involving mini adventures launched by the British tour operator Contiki. In contrast to the company's traditional product range, the mini adventures are shorter and the destinations are close by. Examples include a three-day surfing and yoga vacation in Devon and a four-day hiking and swimming getaway in the Cairngorms in Scotland. The diversification strategy has been a complete success. In the last financial year, the number of mini adventures sold accounted for almost half the turnover generated in Britain. The mini trips have also proved to be an interesting test of the market, which could result in new product lines being developed.



Further information: [www.contiki.com](http://www.contiki.com)

## Strategy 4: Vertical diversification

In the case of vertical diversification, companies move away from their current position in the value chain and offer services that are connected to the original product in terms of the process. In tourism, these are the upstream and downstream services involved in the provision of tourism services and the services provided by suppliers in the tourism value chain. From a hotel's perspective, examples might be the creation of co-working spaces and transfer to these places as an additional service, or the refinement of agricultural products to be sold to the guests as a supply service. In the case of vertical diversification, new products that complement the existing ones are added to the product range. These may be completely new, innovative product components or they may be services taken over from previous business partners.

**Note:** Investment costs and entrepreneurial risks are higher in vertical diversification because less use can be made of synergies. This strategy is ultimately designed primarily to reduce dependence on partners and suppliers because the operators themselves take over the relevant services. Dependence on the existing markets is also reduced if the new service is geared towards new target groups.

### Good practice 5: TARA Watergate Hotel, Sri Lanka



Tara Kodithuwakku, the owner of a small boutique hotel that bears her name in the south of Sri Lanka, used the time during the pandemic to diversify the services she offered. In cooperation with a local farmer, she now cultivates a plot of agricultural land that is part of the hotel grounds and provides her guests with fresh home-grown rice and vegetables. In addition, guests have an opportunity to look behind the scenes to learn about agricultural production. Tara Kodithuwakku has also started working with 15 basket weavers. The women are street vendors who used to sell their products to tourists and who lost their livelihoods completely as a result of the pandemic. The focus of the cooperation

was on developing new designs, producing baskets and marketing them through digital channels. In future, the Tara Watergate Hotel will include visits to the production sites and workshops in its tourism product portfolio. As a result, new sources of income were created for all the stakeholders, while the hotel's product portfolio was expanded and hence diversified. Both projects have also helped strengthen regional business cycles.

Further information: [www.thetarahotels.com](http://www.thetarahotels.com)

## Strategy 5: Lateral diversification

The most demanding form of diversification for tourism companies is lateral diversification. It involves developing new products that are not directly connected with the tourism value creation system at the destination. Essentially, it is about developing a second source of income that is as independent as possible of the actual core business. There is a very wide variety of possibilities, ranging from products that use the resources already available to a company to completely new products unrelated to anything previously offered by the company. In order to harness synergies, it is useful to create new products using existing resources and capacity. A good example here is Ubuntu Beds, which rents out rooms in hotels and similar premises to the staff of medical clinics to protect them against COVID-19 infection.

**Note:** Lateral diversification provides the greatest possible independence from existing markets but also entails enormous costs and risk. Nevertheless, particularly when existing markets collapse altogether, as we have seen during the pandemic, lateral diversification is the strategy of choice for many tourism companies in DEC. Cooperation arrangements make sense in order to reduce costs and to minimise the investment risk for individual companies.

### Good practice 6: Back of Beyond, Sri Lanka

Back of Beyond provides lodges at locations in Sri Lanka that are particularly close to nature. The small resorts see themselves as retreats where guests can experience the wilderness and nature at close quarters. When revenue from tourism collapsed in March 2020 due to the pandemic, small farmers who had previously supplied the lodges with agricultural produce were also hit hard. A new idea was born – to sell the products of small farms to residents of Colombo and thus develop a completely new line of business. Together, they started the process of implementation – and of learning. The farmers experimented with new methods of cultivation, and the staff learned how to process agricultural produce. At the same time, sales channels were developed and communication measures were adopted. Today, the trade in agricultural products is a second source of income for the resort operator and provides a secure income for small farmers. There are plans to set up another structure to sell the products, namely a zero-waste shop in Colombo.



Further information: [www.backofbeyond.lk](http://www.backofbeyond.lk)

### Good practice 7: Ubuntu Beds, South Africa



Ubuntu Beds was started by Kim Whitacker, who operates a South African hotel platform. It was a social entrepreneurship approach in response to the downturn faced by the hotel industry, which left many rooms lying empty. During the pandemic-induced lockdown, Ubuntu Beds offered a platform that helped provide hotel beds located in close proximity to large hospitals as accommodation for doctors, nurses and other medical staff free of charge. The platform was launched because of the high risk among health professionals of contracting COVID-19 and of passing on the infection on their way to work and within their family. The aim was to reduce this risk by

providing accommodation in hotels that were lying empty. The initiative was financed by sponsors and through donations. The platform offered affiliated hotels an opportunity to extend their core services to new target groups outside the tourism sector and to secure income and jobs.

Further information: [Ubuntu Beds | NightsBridge](#)



Approaches:  
Developing core competencies

4





## Approaches: Developing core competencies

Enhancing the competitiveness of a **tourism destination and its service providers** through diversification requires the ability to respond to existing challenges and opportunities with new ideas and marketable products on an ongoing basis. This is a demanding task given that tourism at destination level comprises a large number of small components and is a highly interlinked cooperative system, involving a range of different interests.

The following factors are the core competencies required to perform these important tasks successfully and should therefore be developed in a targeted manner:

- efficient governance structures and processes;
- ongoing knowledge management; and
- tools to promote good ideas.

**Developing these core competencies offers considerable potential for achieving results for international development cooperation projects too. They are discussed in detail below. Examples from the field offer ideas for specific starting points for intervention by development cooperation.**

### Approach 1: Developing efficient governance

Efficient governance is necessary to promote targeted collaboration between the existing forces in a region and to enable them to respond to existing opportunities, challenges and crises with new ideas and products.

**Put simply, governance means managing different public, private and civil society stakeholders to ensure that shared objectives can be achieved.**

The structures and processes required for efficient governance are often only rudimentary in DECAs. Development cooperation projects can make a big difference here by initiating and supporting organisational development processes.

#### DMO as the central point

In view of the complexity of the tasks and the number of stakeholders in tourism, a steering structure is required to stimulate, control, coordinate and monitor the various processes and activities that promote sustainable tourism development. There is much to be said in favour of pooling these tasks at an efficient DMO. As the leading organisational unit of a tourism destination, the DMO is responsible for the basic tasks of destination management, above all for strategic planning, product development and communication.

**Recommended reading:** The [GIZ handbook on Destination Management in Developing and Emerging Countries](#) (2019) provides further information and practical assistance in setting up DMOs that are effective over the long term.

In a DMO that aims to respond to crises and new challenges by launching new products, further management functions become important.

#### → Strategic management

Diversification requires a strategic framework that offers scope for creative ideas developed by individual providers or that result from collaboration. In tourism destinations, strategic management ensures that the actions of different stakeholders and networks are geared towards common objectives. The overarching goals of sustainable development provide key guidance in this regard. This may sound simple but is in fact demanding in practice, especially because the DMO is not authorised to give instructions to its stakeholders. Strategic management therefore primarily entails holding dialogues, conducting negotiations and coming to an understanding in order to identify objectives on which consensus can be reached, and to initiate coordinated action, analyse the impact and manage further development. This works only if all stakeholders are involved in tourism planning processes, and particularly in the development of objectives and strategies.

#### → Network management

The more successful efforts are to set up functioning networks and to link up the tourism value chain system as a whole, the more promptly and effectively a system can respond to change by coming up with new ideas and products. One of the key tasks of a DMO today is therefore to develop targeted cooperation arrangements and to create networks that contribute towards achieving the objective as autonomously as possible. In this connection, network management means providing impetus specifically for the creation of networks and supporting network partners in working together in a focused and effective manner (see [Section 5, Guidelines, Phase 2](#)).

#### → Innovation management

Diversification in tourism means constantly being on the lookout for innovative ideas and solutions. Ideally, these should emerge from within, in other words from among the group of stakeholders and networks related to a tourism destination. This results in a task for the DMO, namely to raise awareness among stakeholders about existing opportunities and risks, to promote potential, and to encourage and support stakeholders in developing ideas and solutions. This is precisely what the core competencies described in the following sections – knowledge management and promotion of ideas – aim to achieve.

**Important:** For stakeholders of a tourism destination to be able to join forces to meet acute challenges too, there must be team spirit, a willingness to cooperate and sometimes even solidarity among the actors. Promoting strong communities of this kind is therefore a factor in successful tourism destination governance. To achieve this, we need strong regional awareness, a joint vision and shared goals towards which all stakeholders work together.

## Management tools

Appropriate tools are required to steer the numerous activities in a tourism destination in such a way that the goals of sustainable tourism develop-

ment are reached. [Table 2](#) provides an overview of possible management tools.

**Table 2: Tools and measures for steering sustainable tourism development**

| Type of tool                  | Tools  |
|-------------------------------|--|
| Steering and monitoring tools | <ul style="list-style-type: none"> <li>• Laws, regulations</li> <li>• Spatial, landscape and urban planning</li> <li>• Environmental impact assessment, social impact assessment</li> <li>• Definition of limits or thresholds, e.g. of visitor numbers, tourism intensity</li> </ul>  |
| Economic and fiscal tools     | <ul style="list-style-type: none"> <li>• Taxes and levies, e.g. bed tax, tourist tax</li> <li>• Tax reductions, e.g. special VAT rates</li> <li>• Financial incentives, e.g. subsidies, interest-free loans, marketing services</li> </ul>   |
| Voluntary tools               | <ul style="list-style-type: none"> <li>• Common guidelines for tourism development</li> <li>• Indicator-based monitoring</li> <li>• Guidelines and codes of conduct</li> <li>• Guidelines</li> <li>• Competitions</li> <li>• Awards, audits, certifications</li> <li>• Impact assessment, reporting, voluntary commitments</li> <li>• Digital tools</li> </ul> |

Own table based on: Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (2019), p. 31 (in German)

### Box 3: Characteristics of an efficient DMO

When it comes to promoting the competitiveness of a region and its ability to respond to existing challenges and opportunities in the long term by launching new ideas and marketable products, various DMO competencies acquire significance:

- ➔ **Flexibility:** When fresh challenges repeatedly arise at a time of change and crisis, a DMO requires streamlined and flexible structures where space for innovative ideas and projects can be created at short notice.
- ➔ **Strong leadership:** Flexible leadership calls for strong management, which includes the ability to involve and mobilise diverse stakeholders, among other key qualifications.
- ➔ **Capacity to act:** In order to overcome crises and to manage change, the DMO needs the legitimacy and the resources to be able to take targeted decisions without having to go through long-winded coordination processes every time.

The selected tools should be able to guide independent actors and networks that organise themselves as much as possible. Informal rules acquire significance vis-à-vis hierarchical organisations, as do the

learning effects arising from relations within and between the networks. Digital tools for steering tourism systems take on a special role. They could have a far-reaching impact (see [Good Practice 8](#)).

#### Good practice 8: 'Tourism 4.0' as a digital steering tool, Slovenia



It is only to be expected that digital tools are increasingly being used to support the complex challenges posed by destination governance. The Slovenian project on Tourism 4.0 is an initial interesting approach here. The project was launched by a private company, received public funding and was monitored by several Slovenian research institutions. The aim was to develop a digital ecosystem for tourism destinations that provides information and services for tourists while also offering a tool to steer the activities of tourism service providers in a focused manner. At the core of the project is a modern interactive platform that relies on technologies such as blockchain and artificial intelligence. Data are collected, processed and distributed further in order to steer the activities of different stakeholders to achieve an optimal impact in terms of sustainable tourism development. It is based on models and technologies for impact assessment, visitor management and a rewards system for sustainable activities. Whether the tool will prove its worth in practice will depend on several parameters, such as acceptance among the target groups, and it therefore cannot be evaluated yet.

Further information: [www.tourism4-0.org](http://www.tourism4-0.org)

## Approach 2: Installing knowledge management

To encourage the emergence of good ideas on diversifying the offerings in tourism destinations from within, tourism actors must first be aware of the existing opportunities, risks and challenges. Observing relevant developments, analysing inspiring examples, installing monitoring systems and transferring knowledge are therefore fundamental tasks to be performed by today's DMOs. This active knowledge management is also an ongoing task. Providing support to DMOs in implementing the necessary structures and processes for efficient knowledge management therefore offers a good opportunity for development cooperation projects to help achieve positive results.

**Incidentally:** Information and knowledge are not the same thing. Knowledge is created only when information is interconnected. In other words, knowledge means people working with information, and evaluating, comparing and connecting it.

Systematic knowledge management consists of at least four recurring phases:

Figure 6: Phases model of knowledge management





## Phase 1: Knowledge objectives

In this phase, we need to establish what kind of knowledge needs to be generated for the tourism cooperation system. Basically, all the knowledge that enables the stakeholders to manage business activities and cooperate on a long-term, sustainable and successful basis is relevant here. Data that

are required for monitoring or for impact analyses, e.g. data on guest satisfaction or on the economic effects of tourism, should also be considered in knowledge management. On the subject of diversification, certain questions need to be addressed (see [Box 4](#)):

### Box 4: Knowledge objectives to support diversification

- What are the trends and developments that will influence the future of the tourism destination?
- What are the future scenarios? What kind of future should stakeholders be prepared for?
- What are the development opportunities that emerge when the specific situation and the goals of the tourism destination are taken into consideration?
- What are some good and inspiring examples that can be learnt from?

**Tip:** When defining knowledge objectives, it is important to keep the feasibility of acquiring the information in mind.

## Phase 2: Knowledge building

In this phase, appropriate methods for collecting data and generating knowledge should be identified and the process of knowledge building should be planned and implemented. A plethora of methods and tools are available for the purpose. While separate empirical studies or secondary analyses are required for thorough data collection, interactive formats play a role in consolidating and connecting information about practice-based knowledge.

**With reference to the knowledge objectives formulated above and the moderating role played by development cooperation, the following tools lend themselves well to generating interactive knowledge:**

### Tool: Scenario workshop

A scenario workshop aims to identify different yet realistic future scenarios. By actively engaging with the relevant factors, we gain a comprehensive understanding of the links, conceivable developments and design options. The possible steps are outlined in [Table 3](#).

**Table 3: Possible steps at a scenario workshop**

| Phase                          | Content  | Sample questions  |
|--------------------------------|--|---|
| <b>Introducing the subject</b> | <ul style="list-style-type: none"> <li>Presenting the key issue, explaining the scenario technique, describing the order of steps at the workshop</li> </ul>   | How will the number of air passengers to our destination change over the next five years?   |
| <b>Describing the problem</b>  | <ul style="list-style-type: none"> <li>Presenting figures, data and facts related to the situation or problem</li> </ul>   | <p>Of the total number of guests, how many are accounted for by air passengers?</p> <p>How has the number of air passengers changed to date?</p>  |
| <b>Analysing the factors</b>   | <ul style="list-style-type: none"> <li>Compiling factors that influence the direction of the issue</li> <li>Selecting key factors by grouping or assessing them</li> </ul>   | <p>What factors will affect the number of air passengers in the future?</p> <p>Which factors are decisive?</p>  |
| <b>Developing scenarios</b>    | <ul style="list-style-type: none"> <li>Describing possible developments with reference to the key factors</li> <li>Grouping the key factors according to matching developments</li> <li>Formulating scenarios in small groups based on a discussion of the factors and how they are connected</li> <li>This should result in at least three scenarios: one positive, one negative and one 'trend scenario' that predicts the possible direction of the current developments in the future</li> </ul> | <p>How could the price of air travel develop in times of climate change?</p> <p>How could interest in air travel change in the face of growing awareness of the consequences of climate change?</p> <p>How could global crises, e.g. pandemics, natural disasters, or terrorism, affect developments in air travel?</p> |
| <b>Drawing conclusions</b>     | <ul style="list-style-type: none"> <li>If possible, assessing the likelihood of the occurrence of a particular scenario</li> <li>Working out conclusions for each scenario</li> <li>Developing approaches to support the occurrence of a desirable scenario</li> </ul>   | <p>What does the scenario mean for the tourism destination?</p> <p>What are the challenges that arise?</p> <p>What are the initial ideas on how to address the challenges?</p>  |

Further information: Meinert (2014): Field manual – Scenario building

### Phase 3: Knowledge dissemination

This phase deals with the question of how information and knowledge can be shared to reach the right individuals. The classic tools for knowledge dissemination have always been seminars and lectures. Today, online webinars have made it possible to offer low-threshold services that can be accessed anywhere. The advantage lies in the possibility of direct interaction between lecturers and participants. Competent lecturers can also contribute their knowledge and expertise. Workshops are an appropriate tool here, too, as a starting point for launching creative processes in cooperative systems. Dealing with information in an interactive manner generates particularly sustainable learning effects and creates motivation for action (see [Section 5, Guidelines, Phase 1](#)). A high degree of efficiency and new ways of disseminating knowledge can be achieved through

digital formats and tools such as videos, newsletters, data dashboards, e-learning platforms and interactive trend databases, such as the trend radar operated by TrendOne, a company based in Hamburg, Germany (see Good Practice 9).

#### Tips:

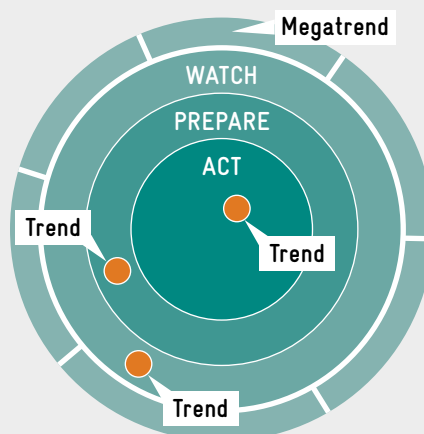
In view of the unmanageable information overload with which people today are confronted, it is useful to distribute knowledge in bite-sized quantities. Platform-based knowledge dissemination needs the platform to actually be used. It should therefore not only provide interesting content and be user-friendly, but should also be regularly promoted.

#### Good practice 9: Trend radar

With the help of the trend radar operated by the company TrendOne, based in Hamburg, Germany, the trends relevant to a destination can be identified, evaluated and organised in a collaborative process. This is based on an updated, comprehensive trend database. It always focuses on a key question, e.g. What role do the latest trends play in product diversification in our destination? Depending on the answer, the trend is allocated to a category in the trend radar. A distinction is drawn between

- trends that should be observed (**watch**);
- trends that should be addressed (**prepare**); and
- trends that require urgent action (**act**).

This results in an overview and prioritisation of the relevant trends, highlighting any existing need for action.



Further information:  
[www.trendone.com](http://www.trendone.com)

#### Key questions:

What does this trend mean for our destination with its distinct potential and in terms of the objectives defined?

What are the risks and opportunities that arise for the destination?

Based on this trend, what areas of action or areas of innovation can be identified?

## Phase 4: Securing knowledge

In the digital age, the database is the tool of choice for storing and updating information and making it available. Today's solutions also offer an oppor-

tunity to connect stakeholders. Training options, too, can be made a part of the solutions.

### Good practice 10:

#### Tourismusnetzwerk Brandenburg, Germany



**tourismusnetzwerk**  
brandenburg

Tourismusnetzwerk Brandenburg sees itself as a business portal and a social network for tourism in Brandenburg, Germany. Its mission is to provide tourism companies with relevant information at one central

place. In addition, actors can share information, network and receive training. The overarching objective is to support the companies in becoming more innovative, cooperative and competitive.

On the platform, stakeholders can find a range of strategically important and practical information in the following categories:

- **Brand and marketing:** Positioning, focus topics, options for participation, market research data
- **Participation and design:** Tourism concept, project databases, networking opportunities
- **Knowledge and learning:** News, deadlines, online courses, tourism-related issues, certification services
- **COVID-19:** Case numbers, regulations, funding options, etc.

Further information: [www.tourismusnetzwerk-brandenburg.de](http://www.tourismusnetzwerk-brandenburg.de)



## Approach 3: Supporting people with ideas

To diversify tourism, we need proactive people with good ideas and entrepreneurial targets. Particularly in the prevailing situation defined by the COVID-19 pandemic, it is often creative entrepreneurs and business founders in DEC's who develop solutions to address the crisis. Development cooperation projects can provide the support they require to convert their ideas into a successful business model.

### What kind of support is required?

The need for support is varied. In many areas of tourism, it is the same as that of business start-ups in other sectors. For instance, business management skills are required, as are advice and support, e.g. in developing business plans, or financial sup-

port to make the necessary investments. Specific to tourism is a particular need for networking. Given the complex and fragmented structure of the tourism value chain, the success of a new product depends to a large degree on partnerships. For example, a new bicycle rental company needs hotels and tour operators to advertise the company and to direct customers to it.

There are many options for designing support for people with ideas in tourism. The following examples represent two different approaches: Innolab Graubünden, as an established institution and contact point for people with ideas, and the BMZ-funded Tourism Recovery Programme implemented by enpact e.V. as a temporary source of stimulus funding for young entrepreneurs.

#### Good practice 11: Innolab Graubünden, Switzerland

Innolab Graubünden sees itself as a hub for propagating new ideas in tourism and supports the realisation of these ideas through the phases of a defined innovation process right up to project maturity. The process starts with developing and honing ideas. This is followed by prototyping and market tests and the development of business models. The aim is to attract more guests by developing new and innovative experiences. At the core of Innolab is the Innotool, a digital platform that connects the different stakeholders of the destination. Besides offering a platform where stakeholders can present, discuss and evaluate their ideas, there are also targeted campaigns for stakeholders to develop ideas that could address specific challenges. Here, the payment of bonuses serves as an incentive for submitting ideas to develop potential solutions. If possible, national or canton-based support programmes are used to provide financial support for implementing the ideas.



Further information: [www.graubuenden.ch/business/innolab](http://www.graubuenden.ch/business/innolab)

### Good practice 12: Emergency aid programme for innovative companies



With the goal of retaining jobs in the tourism sector during the COVID-19 pandemic, GIZ is promoting an initiative to support entrepreneurs in the tourism sector in DECIs on behalf of BMZ. Cooperation partners are the TUI Care Foundation and the non-profit organisation enpact e.V. The basic idea is to support talented young people in negotiating the ongoing crisis using a business-based approach. A total of 425 tourism entrepreneurs from Egypt, Kenya, Mexico, South Africa and Tunisia have been included in the programme. They were required to have a sustainably effective and economically

viable business model. In addition to training measures, a mentoring programme and networking opportunities, the support offered includes a financial subsidy for putting the idea into practice. The measure is part of BMZ's COVID-19 Response Measures for Tourism.

Further information: [www.enpact.org](http://www.enpact.org)

Guidelines:  
Diversification at destination level

5



## Guidelines: Diversification at destination level

**How can new business areas focused on product diversification in a cooperative system such as a tourism destination be developed and implemented to ensure that the overarching goals of sustainable tourism development are reached?**

This question is the focus of the following section. The guidelines listed below cover four phases of a collaborative process aimed at developing new business areas at destination level. A business area is the combination of a tourism product and a pre-defined target market.

**In other words, it is about customer-oriented, collaborative product development in tourism.**

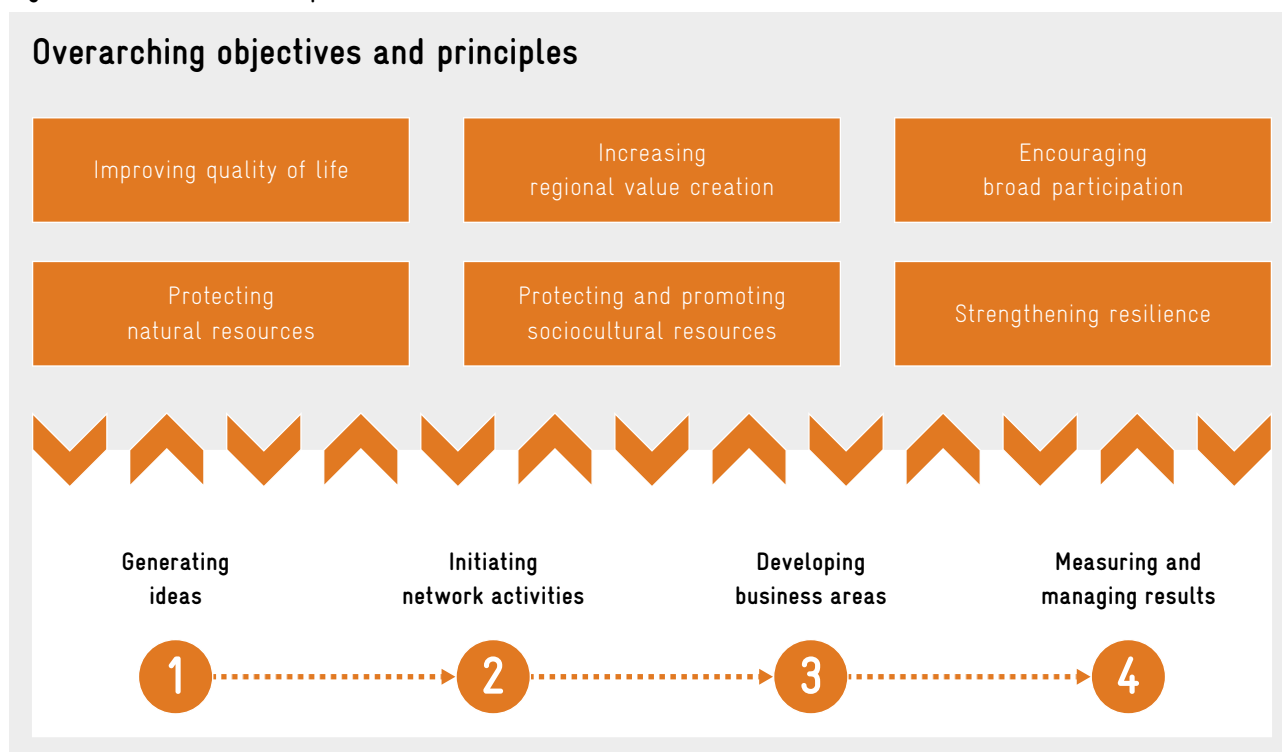
The guidelines address the people responsible in DMOs who manage relevant processes and the responsible officers in development cooperation projects who support DMOs or other local authorities engaged in tourism. They are described

as ‘process owners’ in the following section. Tourism companies are referred to as destination stakeholders.

**The aim of the process is to expand the product portfolio in a tourism destination in a meaningful manner and to make the destination as a whole more independent.**

**Important:** The process requires a strategic framework to be in place at destination level in which the joint principles, objectives and strategies of sustainable and risk-informed tourism development are formulated. This is the only way to guarantee that the many individual activities carried out by single stakeholders can make a useful contribution to the tourism destination system as a whole.

Figure 8: Collaborative development of business areas in tourism





In the procedure outlined here, process owners are essentially seen as the driving force behind innovation and networking. Their core tasks are to inform and mobilise the stakeholders and to support them in cooperating in a focused manner. This results in a highly participatory and creative process.

The phases described below build on each other but do not define a project with a start and an end. Instead, they describe an ongoing process with feedback loops in which new insights are constantly being generated and are fed back into the development process.

## Phase 1: Generating ideas

The basis of a good product is a good idea. It is the nucleus for subsequent networking and for joint product development. The goal of this phase is therefore to collect, evaluate and select ideas for diversifying tourism products. It is the task of process owners to provide the right impetus in this context.

On the one hand, creativity should be promoted and a process of finding ideas should be initiated. On the other, it is important to offer people who have already developed an idea the space to present and elaborate on the idea. After all, innovation in tourism is usually the result of individual actors as the driving force behind implementation. Broad stakeholder involvement is therefore important.

### Starting point: Establishing the right tasks

At the start of the process, the tasks need to be clearly formulated and the focus clearly defined.

Is the intention to proceed in a more global fashion without any limits to collect ideas that contribute to product diversification? Or to focus on particular development opportunities or develop solutions to specific problems?

The more broadly defined the tasks, the greater the scope for the stakeholders to develop ideas or to contribute existing ones. Particularly in smaller destinations, setting broader boundaries can be useful in helping to collect an adequate number of ideas. However, focusing on particular issues can help to find ideas that are particularly important in strategic terms (see [Figure 9](#)).



Figure 9: Collecting ideas for product diversification: sample questions

**Which products...**

|  |   |  |
|--|---|--|
| ... make us the most attractive tourism destination in region x? | ... in cooperation with agriculture will be highlights in year x? | ... make us the most authentic cultural destination in region x? |
| ... make the journey undertaken by our guests more sustainable?  | ... make us the most sustainable tourism destination in region x? | ... make subject x come alive for guests?                        |
| ... do we need to attract more guests in the off season?         | ... do we need to reach domestic target groups?                   | ... outside tourism help us through a crisis?                    |

### The importance of a good start

Initial impetus is required to launch the process of developing new business areas on a cooperative basis at destination level. The aim is to create awareness among stakeholders of the existing challenges and to encourage them to work together on developing ideas and solutions. Ideally, the relevant foundations would have already been laid by ongoing knowledge management. Now it is a question of mobilising the right individuals to carry forward the creative and participatory process.

**Note:** The more stakeholders are involved in the process, the broader the range of knowledge and resources available. Moreover, all stakeholders relevant to solving the problem should have the opportunity to find their own appropriate roles in new value chain networks. Restrictions on access should therefore be kept to a minimum.

## Workshops as the format of choice

A workshop that switches between technical inputs and interactive, creative work on selected problems is the ideal format and therefore also the classic one for launching the process. A decision

needs to be taken here on whether the workshop should be an in-person event or a virtual one. Hybrid events that combine both formats can also be considered (see [Box 5](#)).

### Box 5: In-person or online workshop?

The decision as to which is the right format must be taken on an individual basis. Here are some important points to be considered:

- The big advantage of **in-person events** is the personal contact between the participants at the venue. Networking is simpler and it is easier for trust, a sense of community and creativity to develop. Complex problems, too, can be better addressed when participants are physically present. Digital tools can also be used at in-person events to achieve better results.
- At **virtual events**, there are almost no limits on the number of participants. They are relatively simple to organise and are cost-effective because there is no need to rent rooms or organise catering services. The participants save time and there are no travel or accommodation costs involved. New digital cooperation tools facilitate creative exchanges and networking, but not to the same degree as in-person events.
- **Hybrid events** combine some of the advantages of in-person and virtual events and are therefore increasingly becoming the format of choice. However, there is rather more effort involved because two different target groups have to be reached with different tools in each case. In order to involve both target groups to an equal extent, the range of options for interaction is reduced. Networking between the participants at the workshop venue and those participating online is almost impossible.

## Tools and formats for the collaborative generation of ideas

There are many different tools and creativity techniques for the interactive generation of ideas. They support the process of collecting, evaluating and selecting ideas.

### Tool: Digital idea-sharing platforms

Digital idea-sharing platforms open up new ways of generating ideas and promoting participation. Based on the principles of open innovation and crowdsourcing, they offer interested individuals the option of presenting their own ideas on the platform or of discussing ideas with others. The aim is to incorporate and use a range of ideas and to draw on extensive knowledge.

**Note:** One of the key success factors involves mobilising the target groups to make active use of the platform and to enhance the visibility of the platform in general. In addition to communication measures, prize money or cofinancing can also be considered in order to create incentives to use the platform and to develop ideas.

#### Good practice 13: Open Innovation Vienna 2020, Austria

One of the largest open innovation processes in tourism was the crowdsourcing organised by Vienna Tourism in connection with developing the 2020 tourism strategy. The centrepiece of the process was an online platform where creative ideas for Vienna could be presented within a specified time frame. Residents of Vienna and visitors to the city were widely encouraged to visit and to use the platform. More than 500 ideas from 40 countries were collected. In the next step, 250 experts and stakeholders from Vienna's tourism sector discussed the ideas in an online dialogue forum. In this phase, it was essential to keep a record of the willingness of participants to be involved in further stages of implementation.

## Tool: Hackathon

In a hackathon, interdisciplinary teams work intensively on certain problems within a specified time frame. The aim is to develop practical solutions as quickly as possible. The focus is usually on creative digital solutions. However, the format is also well suited for developing analogue ideas. Before they present their results, the teams undergo a traditional creative process, which involves analysing and reflecting on the problem, developing and testing ideas, and developing solutions, e.g. in the form of drafts or prototypes.

**Note:** The process of team building can be interesting for tourism hackathons. In order to bring suitable participants together, teams can be linked up in advance. This offers an opportunity to promote networking in a targeted manner between stakeholders with the potential for cooperation.

### Good practice 14: Hackathon for tourism development, Armenia

With the support of the EU, a hackathon (already the second) for developing 'Innovative Ideas for Tourism Development in Armenia' was organised in 2019. The overarching goal was to increase demand in tourism through new ideas and products and to secure an income for small and medium-sized enterprises. Around 30 teams from all over Armenia took part in the hackathon and worked for 24 hours on the prototypes of their ideas and products under the guidance of experienced mentors and experts. Support in the form of advisory services and workshops ensured that high standards were maintained. Finally, brief presentations were given to pitch the ideas to a jury. The best ideas were selected on the basis of creativity, impact and sustainability and were given financial support for implementation.

Further information: [www.eu4business.eu](http://www.eu4business.eu)



## Tool: World Café

The World Café is a creative method of working on specific problems with a large number of people. It centres on focused discussions in small interchanging groups; the discussions take place at the same time in a large room in a relaxed coffee-house atmosphere. The method is particularly well suited for developing and reflecting on ideas. The decisive factor is formulating the right questions. These should be clear and comprehensible, and they should spark curiosity and allow

room for creative ideas, e.g.: ‘What does the perfect product for a particular target group look like?’ The major advantage of a World Café lies in the opportunity to involve and connect a large number of stakeholders. In addition, the questions are looked at from different angles thanks to the interdisciplinary exchange between participants.

Further information: [www.theworldcafe.com](http://www.theworldcafe.com)

### Good practice 15: The World Café on SDGs and tourism

Swisscontact opted for a virtual World Café in order to expand on ideas and problems related to the Sustainable Development Goals (SDGs) and tourism. This allowed an international and interdisciplinary group of actors to be connected and thus to be able to share insights, ideas and approaches related to sustainable tourism development. At the forefront were specific questions about issues such as resilience, value chains, human rights and customer needs in tourism.

Further information: [www.swisscontact.org](http://www.swisscontact.org)





## Key questions for evaluating ideas

**What are the criteria for an idea to be able to make a meaningful contribution to diversification in tourism?** This question arises at the latest when a pool of ideas has been generated and a decision needs to be taken on which ideas should be expanded and supported. Irrespective of whether the evaluation is interactive and uses traditional workshop methods, or whether the ideas are evaluated through online voting, or rated by an expert committee, the following key questions for the evaluation of ideas for sustainable and resilient tourism development should be taken into account.



### A Feasibility

- Is the idea basically feasible?
- Is there anybody who would like to implement the idea?
- Is the targeted market attractive?
- Will potential target groups find the idea attractive?

### B Contribution to diversification

- Will the idea help us reach new target groups?
- Will the idea help us tap into new source markets nearby?
- Does the idea offer opportunities for multi-optional use?
- Does the idea have a positive impact on seasonality?

### C Contribution to enhancing sustainability

- Do many tourism companies benefit from the idea?
- Does the idea encourage the participation of disadvantaged persons?
- Can the idea be implemented with regionally available resources?
- Is the potential environmental damage acceptable?
- Does the idea help conserve natural resources?
- Does the idea contribute to the promotion of sociocultural resources?
- Does the idea balance tourism flows?
- How crisis-resistant is the idea?



### Results of this step:

- A pool of ideas for product diversification has been created that can be drawn upon at any time.
- Ideas have been selected on the basis of certain aspects and will be developed and elaborated in the next step.

## Phase 2: Initiating networks

In this phase, the task of the process owner is to connect the right partners and stakeholders so that an idea can be consolidated and implemented. Ideally, this should lead to the creation

of functional networks that undergo the process of product development independently and thus contribute to product diversification at the destination.

**Note:** Each idea for tourism diversification can be positioned in a value creation system, where it is connected with other services. Only if the complementary services in this system interact in a targeted manner can successful business models be developed and value be created in the region (see [Section 1, Part 2](#)). For instance, a farmer who would like to use his barn for hosting events requires accommodation facilities nearby, a catering service and artists who will appear at the event. Networks with suitable partners and promotion of network activities are therefore not only valuable forms of support that process owners can offer; they also serve to promote the tourism destination as a whole.



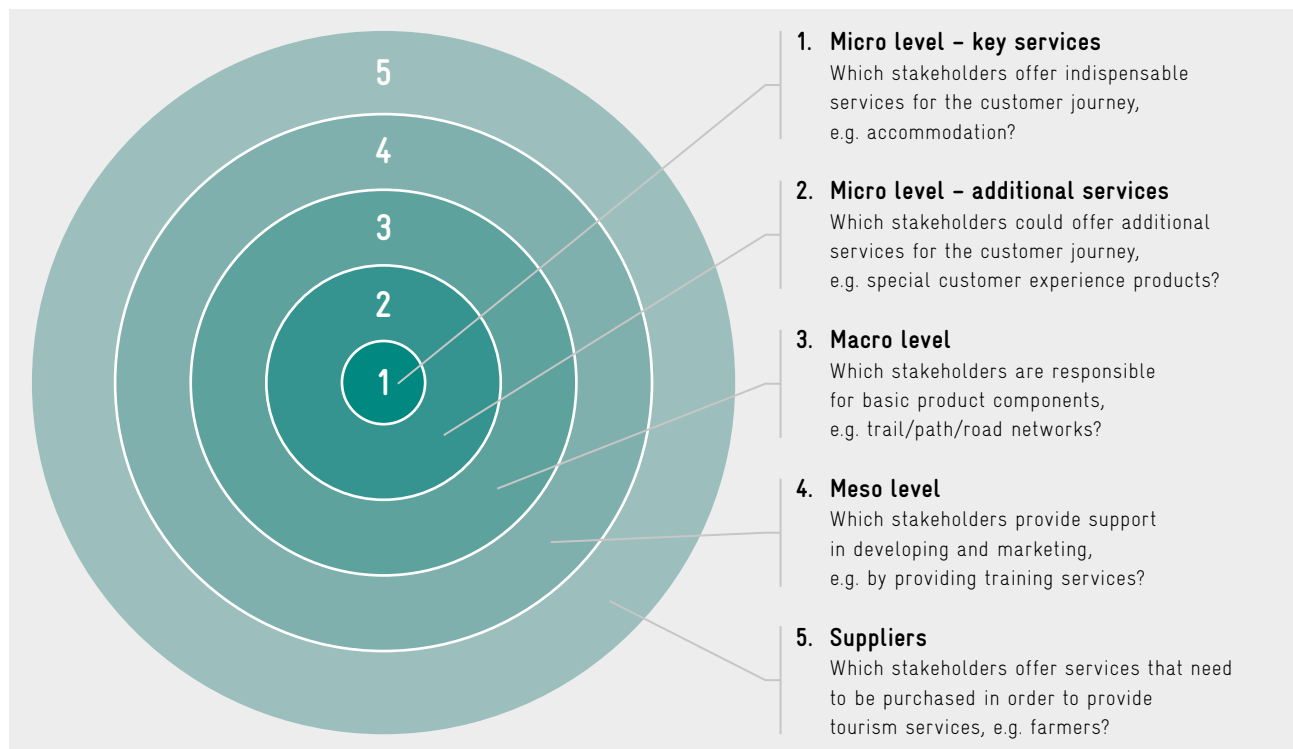
## Step 1: Mobilising key actors

From developing the initial idea and transforming it into a marketable tourism product, ideas need to be elaborated, concepts developed, partnerships established, funds organised and much more. The key actors are the driving forces in this process and assume the main management tasks. Sometimes the main actor will be the tourism organisation itself, particularly when it is a question of developing fundamental aspects of tourism products, e.g. a new hiking trail. However, a special focus will also be on people who want to put their own ideas into practice. These are usually entrepreneurs or business founders who want to link their idea to a business model.

### Tool: Stakeholder mapping

When looking for suitable partners, it is helpful to draw a simple stakeholder map, as illustrated in [Figure 10](#). In the map, stakeholders are differentiated based on the different levels in the tourism value chain system (see [Section 1, Part 2](#)). The closer the stakeholder is to the centre, the more important it usually is to include them in network activities early on.

Figure 10: Example of stakeholder mapping



## Step 2: Forming a network

When there is a clearer picture of who the initial partners for a network should be, the potential partners can be targeted.

**Note:** Even if it is in a provider's own interest to use new options for creating value, a lack of time or indifference often pose obstacles, preventing the provider from contributing to the development of new supply chains. Measures to mobilise stakeholders and to clearly communicate information about individual opportunities are therefore essential.

### Box 6: Conditions for cooperation

In practice, it has proved worthwhile to adopt the perspective of the individual partners and to examine the following conditions for developing or strengthening cooperative relations:

- **Benefits:** The cooperation partners expect tangible benefits for themselves and assume that this can come about only through cooperation.
- **Transaction costs:** The costs of cooperation are recovered through the results achieved.
- **The synergy rule:** The cooperation partners base their joint actions on the complementarity of their respective individual strengths. Therefore, they usually accept only those partners who can create new potential through their strengths.
- **The fairness and balance rule:** The actors involved compare their own transaction costs and their benefits with those of the other cooperation partners, and are sensitive to an imbalance.

Source: GIZ 2015, Capacity Works, p. 53.

It is advisable to launch the network with a kick-off workshop, where the idea is presented, discussed and broadly thought through. In addition to what the idea is about and what it seeks to achieve, the questions of feasibility and especially

affordability already play a role here. The participants should then be clear about whether they would like to join forces and put the idea into practice. The aim is to build a group of network partners to develop the value chain step by step.

## Networks need goals

All networks need common objectives to guide and motivate stakeholders, and to ensure effective monitoring. The initial objectives should be formulated when work starts in order to create a common basis.

In the initial phase of the network, the focus is on formulating the overarching goals of the cooperation. They must be able to be realised in line with the objectives of sustainable tourism development and ideally should support these objectives. The

overarching goal of reducing seasonality can be supported at network level, for instance by focusing on developing products for the off season and by addressing relevant target groups. In addition, the objectives must be as specific as possible and should be verifiable to enable the success of the activities to be measured.

**Table 4** presents an overview of the objectives and provides details for the network level.

**Table 4: Overarching objectives for the network (examples)**

| Overarching objectives of the destination              | Details for the network level   |
|--|---|
| <b>Optimising and securing economic value creation</b> |   |
| Reaching new target groups                             | Increasing the <b>number of new customers</b> from new source markets               |
| Stabilising tourism revenue                            | Stabilising <b>revenue</b> in the network   |
| Increasing the share of regional value creation        | Integrating regional companies into the network ( <b>number of companies</b> )      |
| Reducing seasonality                                   | Reducing seasonality in the network ( <b>key figure</b> )                           |
| Extending the duration of stay                         | Extending the <b>duration of stay</b> in the network                                |
| Increasing capacity utilisation                        | Increasing <b>capacity utilisation</b> in the network                               |
| Boosting the number of start-ups                       | Starting up businesses through the network ( <b>number</b> )                        |
| Increasing guest satisfaction                          | Increasing <b>guest satisfaction</b> in the partner companies                       |
| <b>Optimising the environmental effects of tourism</b> |   |
| Minimising resource consumption                        | Minimising <b>resource consumption</b> in the network (land, water, energy)         |
| Reducing emissions                                     | Reducing <b>emissions</b> in the network (CO <sub>2</sub> , wastewater, noise)      |
| Reducing signs of overload                             | Balancing tourist flows through new products ( <b>number</b> )                      |
| <b>Optimising the sociocultural effects of tourism</b> |   |
| Improving life satisfaction among the population       | Improving <b>satisfaction levels among staff members</b>                            |
| Promoting participation in tourism value creation      | Integrating persons with disabilities as employees in the network ( <b>number</b> ) |
| Securing jobs in tourism                               | Securing <b>jobs</b> in the network   |
| Improving wage levels in tourism                       | Guaranteeing fair <b>wages</b> for employees in the network                         |

**Note:** It will not be possible to actively pursue all the objectives through the network. Nevertheless, it is useful to examine these objectives because it will create greater awareness of the factors that play a role in the system as a whole and will encourage reflection on the contribution that the network can make in this regard.



## Consolidating cooperation

In order to structure future network activities and make them binding, it is helpful to have a project plan in which pending tasks are noted along with the assignment of responsibilities and a time schedule. Identifying milestones provides orientation for the process owners too as to where the network stands, and serves as the basis for process management.



### Results of this step:

- Arranging ideas within the larger context of the value chain has created a basis for holistic product development, which contributes to product diversification.
- The right network partners have declared their willingness to jointly elaborate and implement the idea.
- Targets and transparent project planning form the basis for network coordination.

## Phase 3: Developing business areas

It is now the task of the network to flesh out the idea and turn it into a marketable product. The overarching goal is to establish a new business area that is a good addition to the product portfolio of the destination and thus to contribute to diversification. To achieve this goal, the product must be based on needs and the measures required for implementation must be taken.

The steps described below support the network activities. If needed, the process owners undertake coaching and perform support-related tasks during this phase but they should allow network partners to assume as much responsibility as possible.

**Important:** Business areas can only be successfully established if customer needs are met by using the product. By this stage at the latest, the customer perspective is the most important guide for product development. Engaging with the target group itself and assessing its wishes and needs along the customer journey are therefore essential steps for needs-based product planning.

## Step 1: Analysing the target group


Sometimes it is already clear who the target group for a (new) product should be, e.g. if the idea has been especially developed for this particular group. For example, the wealthy expatriate community could be specifically targeted in order to reduce dependence on international source markets. In other cases, the existing tourism potential of a destination is first considered when a product is developed before examining who the product targets. In order to reduce dependence on a handful of target markets, the focus should shift to other, less risk-exposed markets as far as possible. For this purpose, markets can be selected according to geographical criteria, although factors such as market size and attractiveness should also play a role. Once the target group has been identified, the persona method can be used. This is a helpful tool for examining the target group in a structured way.

## Tool: Persona method

A persona is the ideal representative of the target group that has been defined. Based on a short profile, the persona can be described in detail using different dimensions such as values, attitudes, use of media and travel behaviour. Thus the tool encourages users to take a differentiated look at the target group while also helping all stakeholders to form a more detailed picture of the group and to understand its needs.

**Important:** The persona should not be utopian nor merely an idea about how you would like the target group to be, but must represent a target group that actually exists. Data and facts are therefore the basis for persona development. A DMO can offer support here by providing market research data, e.g. based on secondary analyses or on its own market research studies. However, face-to-face conversations with representatives of the target group are particularly useful.

Figure 11: Persona profile (template)

|   |  |  |
|---|--|--|
|    | <p><b>What defines the person's character?</b></p> <ul style="list-style-type: none"> <li>What are their personal values and attitudes?</li> <li>What do they consider important in life?</li> <li>How do they present themselves?</li> <li>What are their interests and hobbies?</li> </ul>   | <p><b>Use of media and touchpoints</b></p> <ul style="list-style-type: none"> <li>What kinds of media outlets and channels do they generally use?</li> <li>What kinds of media outlets and channels do they use for travel planning?</li> <li>Which end devices do they use?</li> <li>Who influences their travel-related decisions?</li> </ul>  |
| <p><b>Who is it?</b></p> <ul style="list-style-type: none"> <li>What is the persona's name?</li> <li>How old is the persona?</li> <li>Where does the persona live?</li> <li>What job do they do?</li> <li>What are their family circumstances?</li> </ul>                         | <p><b>Expectations, needs</b></p> <ul style="list-style-type: none"> <li>What would the persona like to achieve by consuming the product?</li> <li>Which problems would they like to resolve?</li> <li>What benefits would they like to derive?</li> <li>And what feelings might be associated with this?</li> <li>What fears might they have?</li> <li>And what might they be really enthusiastic about?</li> </ul> | <p><b>Challenges &amp; objections</b></p> <ul style="list-style-type: none"> <li>What challenges arise when deciding whether to purchase the product?</li> <li>What do they have to struggle with?</li> <li>What do they find difficult?</li> <li>Why would the persona not buy the product?</li> <li>What could the arguments against it be?</li> <li>What might upset them or make them feel uncertain?</li> </ul> |
| <p><b>Ideal solution</b></p> <ul style="list-style-type: none"> <li>How can we help the persona overcome the challenge?</li> <li>How can we exceed their expectations?</li> <li>What emotions will help us reach them?</li> <li>How do we help them reach their goals?</li> </ul> |  |  |

## Step 2: Analysing the customer journey

Product development in tourism means designing and combining product components with matching content to produce an overall experience that meets customers' needs. When planning the product within the framework of diversification, it is helpful to analyse the customer journey.

### Tool: Analysis of customer journey


The customer journey describes the process of providing tourism services from the perspective of the customer (see [Section 1, Characteristics of tourism](#)). Analysing the customer journey entails going through the process step by step from the perspective of the visitors. Firstly, the key situations in the customer journey are identified and the touchpoints in each case are established. These are places and moments where supply meets

demand, e.g. arriving at a train station; checking into a hotel; or arriving at the destination of an excursion.

For each touchpoint, it is important to find answers to the key questions concerning product development. For example, the following questions could provide guidance:

- Exactly which customer needs are relevant? What would customers like at this point of the journey?
- What should be the ideal experience at this touchpoint? What are the defining factors here?
- What are the minimum requirements to be met in order to fulfil customers' needs?
- What are the weak points or gaps in the product along the customer journey?

Figure 12: Customer journey analysis (template)

|  <div> <div>Persona – brief description</div> <div>Expectations</div> </div> |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Phase   | Phase             | Phase             | Phase             |
| Touchpoints   | Touchpoints       | Touchpoints       | Touchpoints       |
| Needs   | Needs             | Needs             | Needs             |
| Ideal experience  | Ideal experience  | Ideal experience  | Ideal experience  |
| Gaps, weak points   | Gaps, weak points | Gaps, weak points | Gaps, weak points |
| Need for action   | Need for action   | Need for action   | Need for action   |

When carried out correctly, the customer journey analysis provides answers to all questions concerning needs-based product development. To find sound answers, each individual context must be closely examined, however. It is not enough to guess what the customer perspective might be; it must be based on empirical evidence. We recommend conducting the customer journey analysis as a ‘co-creation process’, which means involving an interdisciplinary team and potential customers.

**Tip:** Visualisation of an ideal customer journey can also act as a prototype that undergoes one or several market tests. The product can thus be planned based on needs in an iterative process with regular customer feedback.

### Step 3: Developing the product concept

By analysing the customer journey, important information has been compiled for product planning and hence for product diversification. Now all the relevant information is collated once again in the product concept. In this context, it is important to establish how the product contributes to achieving the destination goals. The

product concept offers both the process owners and the network partners valuable guidance for their operational activities. It can also help to find additional network partners or to acquire funds. The product concept could also be a basis for granting funds.

#### Possible structure of a product concept

##### A General

- How can the product be described in brief?
- What is the product’s unique selling point?

##### B Target groups

- Which target group does the product address?
- How can the target group be characterised?

##### C Experiences

- What are the product’s main benefits?
- What are the experiences created by the product along the customer journey?
- Which core services are required for this?
- Which additional services are required for this?
- What are the basic services required?
- What are the support services required?
- What are the criteria to be met by these services?
- What is being done to make the product emotionally charged?

##### D Communication

- What is the central message in marketing?
- Which communication and sales channels are to be used?
- What types of marketing media are required?

## Step 4: Identifying the objectives of activities

After closely examining the customer journey and elaborating the conceptual issues in the product concept, it is now the right time to identify the objectives of the activities carried out by the network. These concern specific areas of activity on the path to creating a marketable product; they

therefore form a direct interface with the development of projects and measures that contribute to product development and hence to diversification. Some examples of relevant objectives of activities are listed in [Table 5](#).

Table 5: Objectives of activities for the network (examples)

| Area of activity                   | Additional details  |
|------------------------------------|---|
| Product quality                    | <ul style="list-style-type: none"> <li>• Acquiring <b>x accommodation facilities</b> specifically geared towards target group x</li> <li>• Integrating <b>x regional providers</b> into the value chain system</li> <li>• Improving the quality of specific products <b>based on certain criteria</b></li> <li>• Carrying out target group-specific training for <b>x% of the partner companies</b></li> <li>• Creating <b>product x</b> as a component of the customer journey</li> <li>• Implementing <b>key measures</b> for sustainable mobility</li> </ul> |
| Communication and marketing        | <ul style="list-style-type: none"> <li>• Increasing the product's <b>profile</b> as a destination for subject x in market x</li> <li>• Placing the product on the relevant <b>top 5 online marketing platforms</b></li> <li>• Creating an <b>online community</b> for subject x</li> </ul>  |
| Cooperation, processes, frameworks | <ul style="list-style-type: none"> <li>• Developing <b>mutual referral marketing</b></li> <li>• Developing <b>x arrangements for cooperation</b> with target group-specific travel agents</li> <li>• Providing funds of <b>x EUR through crowdfunding</b></li> <li>• <b>Sensitising the DMO</b> to the concerns of the network</li> </ul>   |



## Step 5: Preparing the product for launch

A comparison of the objectives formulated with weaknesses and gaps identified along the customer journey (see [Step 2](#)) highlights the actions required to make the product marketable. This is further specified by the objectives of activities. Specific measures and projects that help achieve these targets can now be planned. The network partners are invited to implement the necessary measures. This can be a very laborious process, particularly if infrastructure has to be developed or if financial matters still have to be clarified.

**Important:** Not every detail has to be perfect from the start. Sometimes it is better to simply get going, to be bold and undertake the market test, to learn and to gradually optimise a product. Guest feedback is a central factor here, and there should always be a concerted effort to obtain it.



### Results of this phase

- ➔ A new product, with its different facets and phases, has been designed according to customer needs.
- ➔ All information that is important for product development has been documented in the project concept.
- ➔ The network has planned and implemented essential measures for developing and marketing the product.



## Phase 4: Measuring and managing results

For the networks that have been launched (which should ideally work together on their own responsibility) to make a meaningful contribution to diversification, mechanisms for monitoring and steering are required. By developing and implementing appropriate tools, development cooperation can make a valuable contribution to ensuring that network activities help achieve the overarching goals.

When designing monitoring and steering mechanisms, two main questions need to be asked:

- To what extent does the network contribute to the objectives of sustainable tourism development?
- What can be done to improve the impact?

A workable results measurement system must be pragmatic and simple to implement. We recommend using a basic system

of indicators in combination with a system for qualitative feedback. Regular monitoring of project progress is also important. Monitoring will build on transparent project planning along with the milestones that have been identified.

### Indicators for measuring the achievement of the objectives

Indicators operationalise the objectives in quantifiable dimensions. If the defined goal is to increase off-season capacity utilisation, this can be measured by the number of months over which 75% of overnight stays take place. The higher this number, the better the distribution of demand throughout the year. Other examples of useful indicators that can be derived from the defined objectives of sustainable development are shown in [Figure 13](#).

Figure 13: Indicators for a value creation network (examples)

| Optimising the economic effects   | Optimising the environmental effects   | Optimising the sociocultural effects  |
|---|--|---|
| <ul style="list-style-type: none"> <li>● Number of new customers from regional source markets</li> <li>● Gross turnover</li> <li>● Number of regional companies in the network</li> <li>● Number of months over which 75% of the overnight stays take place</li> <li>● Duration of stay of the target groups</li> <li>● Accommodation capacity utilisation rate</li> <li>● Number of start-ups initiated by the network</li> <li>● Satisfaction levels among the target groups</li> </ul> | <ul style="list-style-type: none"> <li>● Carbon footprint</li> <li>● Energy consumption</li> <li>● Water consumption</li> <li>● Regional construction materials</li> <li>● Waste volume</li> <li>● Land usage</li> </ul> | <ul style="list-style-type: none"> <li>● Levels of satisfaction among staff</li> <li>● Number of persons with disabilities among staff</li> <li>● Total number of jobs</li> <li>● Number of year-round jobs</li> <li>● Wage levels</li> </ul> |

**Note:** Indicator-based monitoring can be used to highlight successes based on data and facts. This helps in both internal and external communication and in consolidating the network. A sharp deviation of the results of monitoring from the targets is an indication that the target dimensions or activities need to be adapted.

A qualitative feedback system helps in planning specific steering activities.

## Qualitative feedback system

A qualitative assessment is also helpful in ensuring that the networks continue to develop in a focused and results-oriented manner. It is useful to have a feedback system here to examine strengths and weaknesses and to consider why certain objectives have not been achieved.

Specific questions for the feedback system could be:

- Are our objectives sufficiently clear?
- Are our objectives supported by all the network partners?
- Do all partners benefit adequately from the network?
- Do we have the relevant actors on board?
- Are there any actors who should be more involved?
- How does network management function?
- How does cooperation in the network function?
- Are the decision-making procedures efficient?
- What are the product's strengths and weaknesses?
- What are the strengths and weaknesses in marketing?
- Why was objective x not achieved?
- What are the obstacles and hindrances?
- What were the success factors in the cooperation?

The feedback system can be implemented in a workshop or using a survey, for instance. Process owners can take on the role of moderator or provide a questionnaire tool. It is important to draw the right conclusions to increase the effectiveness of the network.

Since the process owners have no authority over the networks, steering measures cannot be prescribed. Ideally, networks should therefore undergo the process together and should do so in an interactive manner so that ideas for improvement emerge from within the network.

**Tip:** The complexity of tasks should be reduced as much as possible so as not to ask too much of the actors. This aspect should be considered when selecting the indicators and when formulating the documentation tasks.



## Results of this phase

- Network activities for diversifying tourism products have been reviewed in terms of their impact and the process owners have obtained the relevant information about their effectiveness.
- The resulting need for action to optimise effectiveness has been jointly identified and documented.
- Measures to optimise effectiveness are implemented at both network and destination level.



Conclusion:  
Start of a new era?





## Conclusion: Start of a new era?

Over the last few decades, tourism has contributed to prosperity and to a better quality of life throughout the world, but has also had negative effects. In many places, the loss of biodiversity, traffic-related problems and alienation are tangible consequences of development that has largely been driven by commercial interests for many years. CO<sub>2</sub> emissions caused by travel are fuelling global warming and exacerbating climate change worldwide.

The fact that travel was brought to a standstill by the coronavirus pandemic should therefore motivate us to rethink tourism activities and to initiate intelligent transformation in the sector. This means, in particular, abandoning the one-sided growth paradigm and facilitating development that harmonises the economic, environmental and

social goals of tourism. At the same time, tourism must become more resilient and more adaptable to safeguard its positive effects on the local people and the target areas.

The only way to follow this path consistently is to diversify tourism products, in other words to make tourism more varied and multi-functional. This is a demanding task, however, as tourism is a cooperative system made up of many small and highly interconnected components with a range of different interests. This is particularly true if the topic is to be addressed using a strategic and holistic approach. This handbook is designed to provide support on this path and hence to promote development cooperation's mission of sustainable tourism development in DEC's.





# Overview of good practices

## Good practice 1:

**Community-based tourism, Rwanda**

**Category:** Diversity as a guiding principle

**Further information:** GIZ 2021a

## Good practice 2:

**The South Outdoor Festival, Albania**

**Category:** Diversification at destination level

**Further information:** [www.southoutdoor.al](http://www.southoutdoor.al)

## Good practice 3:

**Culinary Route, Tunisia**

**Category:** Diversification at destination level

**Further information:** <https://www.giz.de/de/downloads/Factsheet%20FC3%B6rderung%20des%20nachhaltigen%20Tourismus%20DE%206-2021.pdf>

## Good practice 4:

**Mini Adventures by Contiki, UK**

**Category:** Horizontal diversification

**Further information:** [www.contiki.com](http://www.contiki.com)

## Good practice 5:

**TARA Watergate Hotel, Sri Lanka**

**Category:** Vertical diversification

**Further information:** [www.thetarahotels.com](http://www.thetarahotels.com)

## Good practice 6:

**Back of Beyond, Sri Lanka**

**Category:** Lateral diversification

**Further information:** [www.backofbeyond.lk](http://www.backofbeyond.lk)

## Good practice 7:

**Ubuntu Beds, South Africa**

**Category:** Lateral diversification

**Further information:** <https://site.nightsbridge.com/show-support-for-health-workers-through-ubuntu-beds/#:~:text=Ubuntu%20Beds%20is%20an%20initiative%20to%20unite%20hospitality,are%20fighting%20the%20virus%20on%20the%20front%20line>

## Good practice 8:

**'Tourism 4.0' as a digital steering tool, Slovenia**

**Category:** Tools, governance

**Further information:** [www.tourism4-0.org](http://www.tourism4-0.org)

## Good practice 9:

**Trend radar**

**Category:** Tools, brainstorming

**Further information:** [www.trendone.com](http://www.trendone.com)

## Good practice 10:

**Tourismusnetzwerk Brandenburg, Germany**

**Category:** Tools, knowledge management

**Further information:**

[www.tourismusnetzwerk-brandenburg.de](http://www.tourismusnetzwerk-brandenburg.de)

## Good practice 11:

**Innolab Graubünden, Switzerland**

**Category:** Tools, entrepreneurship

**Further information:**

[www.graubuenden.ch/business/innolab](http://www.graubuenden.ch/business/innolab)

## Good practice 12:

**Emergency aid programme for innovative companies**

**Category:** Tools, entrepreneurship

**Further information:** <https://enpact.org/blog/news/315-businesses-across-4-countries-work-together-towards-tourism-recovery/#/>

## Good practice 13:

**Open Innovation Vienna 2020, Austria**

**Category:** Tools, brainstorming

**Further information:** [www.wien.info](http://www.wien.info)

## Good practice 14:

**Hackathon for tourism development, Armenia**

**Category:** Tools, brainstorming

**Further information:** [www.eu4business.eu/news/hackathon-delivers-innovative-ideas-for-tourism-development-in-armenia](http://www.eu4business.eu/news/hackathon-delivers-innovative-ideas-for-tourism-development-in-armenia)

## Good practice 15:

**The World Café on SDGs and tourism**

**Category:** Tools, brainstorming

**Further information:** [www.swisscontact.org/en/news/the-sdg-world-cafe-an-informal-virtual-exchange-of-ideas-on-sustainable-tourism](http://www.swisscontact.org/en/news/the-sdg-world-cafe-an-informal-virtual-exchange-of-ideas-on-sustainable-tourism)

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Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH  
Registered offices:  
Bonn and Eschborn, Germany

Friedrich-Ebert-Allee 32+36  
53113 Bonn, Germany  
T +49 228 44 60-0  
F +49 228 44 60-17 66

Dag-Hammarskjöld-Weg 1-5  
65760 Eschborn, Germany  
T +49 61 96 79-0  
F +49 61 96 79-11 15

E [tourismus@giz.de](mailto:tourismus@giz.de)  
I [www.giz.de](http://www.giz.de)

On behalf of



Federal Ministry  
for Economic Cooperation  
and Development