An Exploration of Luxury Hotels in Tanzania[1]

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PRELIMINARY DO NOT QUOTE

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Motivation

Poor countries typically have underdeveloped manufacturing sectors which represent small shares of GDP. Furthermore, the existing industry tends to involve mostly extractive activities. The small size of manufacturing is the result of poor infrastructure, lack of technical knowledge, lack of manufacturing tradition and lack of companies with the necessary know-how, among other factors.

One route to overcome this problem consists in creating technology transfer organizations that facilitate the upgrading of technology and the acquisition of know-how by old and new manufacturing companies. Two such organizations are the Technology Transfer Center and the Bureau of Industrial Cooperation of the College of Engineering and Technology of the University of Dar Es Salaam.

An alternative route to development is the Indian model which in a nutshell has consisted in developing the service sector due to the bottlenecks that existed in manufacturing. The development of information technologies and the fact that, politically, globalization has become acceptable, have led to the outsourcing of activities to developing countries. With outsourcing, some services have become exportable. This has allowed producers of these services to gain access to international markets where the value of these services is significantly higher than in the domestic economy. Hence, the potential of certain services activities to become engines of growth in developing countries.

However, the potential for outsourcing to lift Africa from poverty is limited due to the low education levels that prevail in most African countries. In other words, most African countries do not have a comparative advantage in the service activities that are outsourced.

Are there other service activities in which African countries may have a comparative advantage and that may be exported allowing African producers to access international markets where buyers have a high willingness to pay?

This paper proposes one sector that satisfies this conditions: Tourism. According to the World Travel and Tourism Council, tourism generates directly approximately 3% of World GDP and indirectly approximately 9%. The growth of the tourism sector has been central to the development of countries such as Spain, Mexico and Thailand where the total contribution of tourism to GDP is approximately 14%. Tourism is a labor intensive activity. Approximately 3% of the world's employment occurs directly in tourism and an additional 6% is employed in indirectly related activities.

A significant source of comparative advantage in tourism is the abundance of natural and historical endowments. These include a wide range of attractions that are sufficient to mobilize international tourists. Some African countries are fantastically endowed with such attractions, some of them cannot be found anywhere else in the world.

This paper focuses on Tanzania because it has all the ingredients I have mentioned so far. It is a big country, very poor with a tiny manufacturing sector and relatively good governance. It also has incredible natural attractions such as the Rift Valley, Ngorongoro Crater, Lake Manyara, Kilimanjaro, Zanzibar and beautiful beaches in the Pacific and, above all, the Serengeti and the Great Migration.

The puzzle that I intend to explore in the paper is why, despite being so richly endowed in touristic resources, Tanzania receives very few tourists and so few revenues from tourism. In 2008, Tanzania received 0.017 per inhabitant, that was the 17th lowest ratio out of 147 countries. The revenues from tourism in that year brought $17 per inhabitant, the 22nd lowest out of 137 countries.

To explore the determinants of this performance I conduct an international survey to upscale hotel managers. The survey provides information on the hotels characteristics as well as on their prices and on the difficulties that managers have faced to open and operate the hotel. These difficulties try to measure supply-side constraints to the operation of hotels.

The two most significant findings are that hotels in the safari area in Tanzania are expensive and that these difference in price cannot be accounted by differences in supply constraints. I conclude then that they must be largely due to differences in markups.

Using the cross-country differences in hotel prices from the survey, I explore the aggregate relationship between hotel prices and the number of tourists. I observe that once we take into account cross-country differences in demand, upscale hotel prices account for a significant fraction of cross-country differences in tourists.

I conclude by elaborating some hypothesis about what drives cross-country differences in demand and drawing some policy implications of the analysis.

The paper is organized as follows. Section 1 provides a description of the economic and historic context in Tanzania and of the tourism sector paying special attention to the sector in Tanzania. Section 2 presents the research questions and the methodology followed. Section 3 presents and interprets the findings. Section 4 draws aggregate implications and section 5 concludes.

1. Context

1.1 Tanzania

History.-- Tanzania, the biggest nation in East Africa, is believed to be home to some of the earliest humans in the world. A wide variety of cultures and languages in the country reflects millennia of various migrations and visitors. As Tanzania is on the eastern coast of Africa, and includes many small islands, trade is a large part of its history. Around 1,500 years ago, coastal and island parts of present-day Tanzania were organized into Swahili city-states that made small fortunes trading with merchants around the Indian Ocean and beyond. Present-day Tanzania is formed from a merging of mainland Tanganyika and Zanzibar, a collection of islands off the coast of Eastern Africa, in 1964.

There are two main ethnic groups in Zanzibar: the Tumbatu, which occupies the northern part of the island, and the Hadimu, which occupies more than 60 percent of the total Zanzibar island. For many years, each village community operated independently of each other in autonomous monarchies or chieftanships. Due to their lack of unity, the African tribes were subject to early colonization by Arabs. In the early 16th century, the Portuguese colonized the area for nearly two centuries before the locals, with the help of Omani Arabs, recaptured the land.[2] In the 18th and 19th century, Zanzibar and parts of the coastal mainland, that later fell under Omani rule, held some of the largest slave ports in the Arab world. The country also became a center in the ivory trade.

British explorers first developed an interest in Tanzania in the mid 19th century. Shortly after the Omani Sultanate outlawed the slave trade, Zanzibar formally became a British Protectorate. While the islands of present-day Tanzania were colonized by the British, the mainland Tanganyika was colonized by the Germans in the late 19th century. A violent period of German colonial domination ended after World War I, when control of the territory was awarded to the United Kingdom in a League of Nations mandate. Following World War II, Tanganyika became a UN trust territory under British control. By 1961, Tanganyika became an autonomous region that held its own general elections. On December 9, 1961, Tanganyika became the first East African state to gain independence.

Zanzibar achieved independence from Britain in January 1964. However, a bloody uprising against the Omani Sultanate tainted the start of Zanzibar's independence, leading to the killing of several thousand Arabs and widespread violence. After a period of confusion and anarchy, Zanzibar accepted an offer of union with Tanganyika. Thus, in April 1964, the United Republic of Tanzania was formed through the signing of the Union Agreement. Under this

[2] "The Tanzania National Website." *National Website of the United Republic of Tanzania*. Web. 06 Feb. 2011. <http://www.tanzania.go.tz/profilef.html>.

agreement, Zanzibar, accounting for 3% of Tanzania's population, would have extensive autonomy within Tanzania, with its own President, legislature and bureaucracy. Between 1995 and 2010, Tanzania successfully held four multi-party democratic elections.[3]

The world economic forum has ranked Tanzania 83rd out of 139 countries based on the quality of its institutions. Tanzania ranks relatively high on measures that capture trust on politicians, investor protection and the efficiency of the government and the state (low wasteful spending, efficiency of legal framework, low regulatory burden and low favoritism by government). In these measures, Tanzania ranks around the median. The darkest spot in Tanzania institutional framework is the wide-spread payment of bribes (112 out of 139 countries).

Economic structure .-- Tanzania is one of the world's poorest economies with a per capita GDP of US $1,500 (PPP).[4] However, income is relatively evenly distributed with a Gini coefficient (in 2000) of 34.6. Agriculture accounts for over 40 percent of GDP and 80 percent of employment. Industry amounts to nearly one-fifth of GDP. The most significant industrial activities are agricultural processing, such as sugar, beer, cigarettes and twine, mining such as diamonds, gold and iron, salt, cement, soda ash, shoes, apparel, wood products and fertilizer. Services make up over 38 percent of GDP (see **Exhibit 1**). Within services, education is particularly significant representing 6 percent of the country's GDP.

Tanzania is rich in natural resources, including hydropower, tin, phosphates, iron ore, coal, diamonds, gemstones, gold, natural gas and nickel. However, Tanzania infrastructure is weak, with an aging rail and port system that is used primarily for trade with inland countries. The World Economic Forum has ranked Tanzania 128 out of 139 countries. There is virtually no bright spot in Tanzanian infrastructure. It ranks 133 in fixed telephone lines, 120 in cell phone subscriptions, 122 in the quality of electricity supply and 104 in the quality of roads. The inadequacy of infrastructures has attracted donations by international bodies, such as the World Bank and the IMF, and bilateral donors provided. The country is still heavily reliant on foreign aid, with 30 percent of its federal budget funded by donor assistance.[5]

1.2 Tourism

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[3] "Tanzania." *U.S. Department of State*. Web. 06 Feb. 2011. <http://www.state.gov/r/pa/ei/bgn/2843.htm>.

[4] "CIA - The World Factbook." *Tanzania — Central Intelligence Agency*. Web. 06 Feb. 2011. <https://www.cia.gov/library/publications/the-world-factbook/geos/tz.html>.

[5] "CIA - The World Factbook." *Welcome to the CIA Web Site — Central Intelligence Agency*. Web. 06 Feb. 2011. <https://www.cia.gov/library/publications/the-world-factbook/geos/tz.html>.

History of the sector.-- In 1963, the United Nations Conference on Tourism and International Travel met in Rome to discuss the tourism industry. As one of the first major international discussions on the topic, the conference adopted a definition of the term "tourist." According to the definitions set forth by the conference, a "tourist" is a visitor, domestic or otherwise, whose trip includes an overnight stay.[6] By 1970, the United Nations World Tourism Organization was established as the leading international organization in the field of tourism. Its mission is to serve as a global forum for tourism and policy issues, ensuring that the 154 member-states maximize the positive economic, social and cultural effects of tourism.[7]

Tourism has since grown to be the largest industry in the world on most economic measures, including gross output, value added, employment, and capital investment. Gross output from tourism is an estimated 10.7 percent of all consumer spending, and the industry employs around 255 million people, or nearly 11 percent of the global work force. Jobs in the tourism and travel industry include accommodation, restaurants and other food services, transportation, amusements and attractions, leisure activities, as well as gift shops and many other enterprises. Given that many of these areas also serve local residents, the precise impact of tourism may be under- or overestimated.[8]

Tourism is also a rapidly expanding industry, growing at an average rate of 6.5 percent between 1950-2005, from 25 million to 806 million travelers. In the same period, the income generated by these travelers grew even more quickly, at up to 11.2 percent. Along with the growth in the industry as a whole comes the emergence of new destinations, many of which are in developing nations. Travel to the top 15 destinations, most of which are developed countries, decreased from 88 percent of total international arrivals in 1950 to 57 percent in 2005. In many developing nations, tourism has become one of the main income sources. By 2009, international tourism generated around US $852 billion in export earnings.[9] Added to the estimated $165

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[6] United Nations Statistical Commission. *International Recommendations for Tourism Statistics*. Rep. Department of Economic and Social Affairs Statistics Division, 2008. Print. M No. 83/Rev. 1.

[7] "About UNWTO | World Tourism Organization UNWTO." *World Tourism Organization UNWTO | Committed to Tourism, Travel and the Millennium Development Goals*. World Tourism Organization. Web. 05 Feb. 2011. <http://unwto.org/en/about/unwto>.

[8] Theobald 4.

[9] "Why Tourism? | World Tourism Organization UNWTO." *World Tourism Organization UNWTO | Committed to Tourism, Travel and the Millennium Development Goals*. World Tourism Organization, 2010. Web. 05 Feb. 2011. <http://unwto.org/en/about/tourism>.

billion per year received from international passenger transport, the international tourism sector generates an average of nearly $3 billion a day in earnings.[10]

Europe leads international tourism in volume, hosting 471 million visitors in the 2010, over 64% of their total population of 732.7 million residents. The Americas comes in third with 151 million visitors, about 20% of the total population of 745 million. The Middle East hosted 60 million visitors in 2010, about 14% of the population of 444 million. In contrast, Africa hosted 49 million visitors, representing less than 5% of the 1.03 billion residents of the continent. And even though tourism in Asia grew rapidly in the early 2000s, reaching a record 204 million that same year, this still only amounted to about 5% of the population of 4.16 billion.[11] [12] The tourism industries in Asia and Africa thus have significant potential to grow, and can take the ratio of tourists to residents in Europe and the Americas as upper bounds to development in the respective tourism sectors.

Tourism in Tanzania and surrounding areas .--

Tanzania's rich, well-preserved plant and animal life, both the terrestrial and the marine, are great attractions to tourists. Lured by its wildlife, the first visitors embarked in safaris at the end of the 19th century. Since then, large areas of the country are dedicated to wildlife preservation, and what began as game-hunting safaris has transformed into peaceful observations of the animals from buses or camping grounds.[13] A total of 28 percent of Tanzania's land area is protected for wildlife and nature, two-thirds of which do not allow any human settlement.[14] In comparison, only 8 percent of Kenya's total land area is preserved for wildlife.[15]

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[10] *UNWTO World Tourism Barometer*. Rep. 2nd ed. Vol. 6. United Nations World Trade Organization, 2008. Page 3.

[11] http://85.62.13.114/media/news/en/press_det.php?id=7331&idioma=E

[12] Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat,*World Population Prospects: The 2008 Revision*, http://esa.un.org/unpp, Saturday, March 26, 2011

[13] Boniface, Brian G., and Christopher P. Cooper. *Worldwide Destinations: the Geography of Travel and Tourism*. Oxford: Butterworth-Heinemann, 2001. Page 246.

[14] *The Wildlife Policy of Tanzania*. Rep. Dar Es Salaam: Ministry of Natural Resources and Tourism.

[15] *Draft Wildlife Policy*. Rep. Nairobi: National Wildlife Policy Steering Committee, Republic of Kenya, 2007.

Tanzania also shows off its rich cultural heritage of over 100 ethnic tribes to visitors, allowing tourists to experience the cuisines, music, and performances of the local peoples.[16]

Zanzibar hosts more tranquil tourist attractions, including beaches and diving and snorkeling sites.[17]Tourists are also attracted to the islands because of the unique Zanzibari culture that is made up of a unique blend of Persian, African, Arab, Asian, and European heritage. In addition, Zanzibar is known for culinary experiences from the wide variety of spices and plants grown on the islands. Tourists also can explore the exotic species of wildlife inhabiting the area.[18]

The Seychelles islands boasts beaches, natural parks and marine parks as well, in addition to a modest number of bars and casinos. Diving, fishing, hiking and island hopping are popular activities for tourists in the area. However, Seychelles does not have nearly as rich or diverse a culture as Tanzania, nor does it have as exotic a collection of animals.[19]

Kenya, one of the more popular tourist destinations in Africa, is known as one of the original African safari locations, boasting lions, elephants, rhinos, leopards and buffalo, among many others. The country is also known for its tropical beaches, coral reefs, and scenic mountains. In 2010, Kenya hosted a record number of tourists, at just over 1 million visitors to a nation of just over 41 million residents.[20]

In 2007, Tanzania had 692,000 visitors, an over 10 percent increase from the previous year.[21] Tourism increased further in 2008, with 750,000 visitors.[22] Seychelles also experienced a

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[16] *Tanzania Cultural Tourism Programme - Home*. Web. 07 Feb. 2011. <http://www.tanzaniaculturaltourism.com/>.

[17] "Zanzibar Commission for Tourism | Marine Parks." *Zanzibar Commission for Tourism | Home*. Web. 07 Feb. 2011. <http://www.zanzibartourism.net/marineparks.php>.

[18] "Why Visit Zanzibar in Africa - Beach Holidays - Zanzibar Hotels." *Africa Safari & Travel: Kenya, Tanzania, South Africa, Zambia, Mombasa & Zanzibar Vacations, African Holidays, Hotels, Scuba Diving, Fishing Safaris & Mount Kilimanjaro Climb*. Web. 26 Mar. 2011. <http://www.africanmeccasafaris.com/zanzibar/guide/zanzibarwhyvisit.asp>.

[19] "Things to Do in Seychelles." *Welcome to the Official Destination Website for the Seychelles Islands*. Web. 07 Feb. 2011. <http://www.seychelles.travel/en/things_to_do/index.php>.

[20] "Visiting Kenya." *Kenya Ministry of Tourism*. Web. 26 Mar. 2011. <http://www.tourism.go.ke/ministry.nsf/pages/visiting_kenya>.

[21] *UNWTO World Tourism Barometer*. Rep. 2nd ed. Vol. 6. United Nations World Trade Organization, 2008. Page 35.

large increase in tourism in the late 2000s, with over 174,000 tourist arrivals in 2010, representing a 10 percent increase from the previous year.[23] In Seychelles, the number of tourists represents nearly 200 percent of the nation's population, while Tanzania's tourist volume amounts to less than 2 percent of the total Tanzanian population.[24] [25]

The tourism industry in Tanzania has yet to reach its full potential. In a 2010 survey of 109 Tanzanian hotels, the 54 hotels that responded to the survey reported an average bed occupancy rate of 35.6 percent, indicating that thousands of hotel beds are unoccupied each month. Of the beds occupied, nearly 50 percent are by international visitors.[26] The average tourist spent US $149 for an average of 11 days in Tanzania in 2009, earning the country about $1,600 per tourist.[27] In Seychelles, on the other hand, the average bed occupancy rate of hotels has remained well over 50 percent for several years by the late 2000s. Their average length of stay is around ten nights, with the number of visitors per month varying little by season, and each visitor spending over $2,200.[28] Over 75 percent of tourists visiting Seychelles in 2010 were from Europe, while 13 percent were from Africa and less than 10 percent from Asia.[1]

2. Empirical Strategy

2.1 Research questions and methodology

The goal of this study is to increase our understanding of the following questions:

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[22] *UNWTO Tourism Highlights, Edition 2010*. Rep. UNWTO, 2010. Print.

[23] Seychelles Tourism Statistics. 2010. Raw data. National Bureau of Statistics, Republic of Seychelles.

[24] "CIA - The World Factbook." *Welcome to the CIA Web Site — Central Intelligence Agency*. Web. 06 Feb. 2011. <https://www.cia.gov/library/publications/the-world-factbook/geos/se.html>.

[25] "CIA - The World Factbook." *Welcome to the CIA Web Site — Central Intelligence Agency*. Web. 06 Feb. 2011. <https://www.cia.gov/library/publications/the-world-factbook/geos/tz.html>.

[26] *Hotel Statistics May 2010*. Rep. Dar Es Salaam, Tanzania: National Bureau of Statistics, 2010.

[27] *Statistical Abstract 2009*. Rep. Dar Es Salaam, Tanzania: National Bureau of Statistics, Ministry of Finance and Economic Affairs, 2009. Page 207.

[28] "International Tourism; Receipts (US Dollar) in Seychelles." Seychelles - International Tourism. Trading Economics, 2011. Web. 3 July 2011.

- Why are there so few tourists in Tanzania?
- Is it because it is a expensive destination?
- If so why? Is it a problem of high marginal cost, or high markups?
- Why are markups so large?
- What would it take to increase the revenues?

Methodology .-- To explore these issues, I collect direct information from hotel managers on the importance of several potential constraints they face in opening and operating their hotels. The goal of the survey is twofold. It is reasonable to suppose that the decisions taken by an individual hotel manager have little impact in the aggregate demand of tourism services in a country. Once aggregate demand is taken as given, the information from the hotel survey can be used to ascertain the relevance of various factors that affect the supply of hotel services on prices. After exploring the scope for supply factors to account for the dispersion in hotel prices, I inspect the significance of country-level shifters in demand by correlating the size of the tourist sector and aggregate of hotel prices.

The center piece of the analysis is the survey of hotel managers. Because I want to conduct a cross-country micro-level study of hotels I need to collect information on many hotels in various countries. The survey is administered personally, over the phone and over the internet. Hotel selection is done in two stages. First, I select the countries and how densely they should be covered in the dataset. Given the focus of this study, there is an over-representation of developing countries where either there is a large tourism sector or where it could potentially be large due to its natural endowment. Examples of such countries include Mexico, Thailand, Colombia and Peru. In the sample there is a disproportionate number of hotels in Africa and especially in Tanzania which is the focus of this study.

In a second stage, together with my research assistants, we produce a list of hotels in target countries. We focus on hotels that declare to be four or five star hotels. The list is made based on an internet search. We then go down the list contacting hotel managers by phone or by visiting them (in Tanzania, Seychelles and Peru). Either way, we administer the hotel managers the hotel survey or invite them to fill it online.

The focus on luxury hotels is motivated on several grounds. First, luxury hotels reflect the state of the art "technology" in hotel services. Hence, they are a natural way to measure the diffusion of the knowledge and techniques that are necessary to deliver "great" hoteling services. Second, the presence of internationally recognized luxury hotels is necessary for the tourism sector to attract a significant number of foreign and to become a significant driver of the economy. Third, the prices of luxury hotels reflect the state of the tourism sector. The development of the tourism sector follows several stages. In an initial stage only local hostels and typically bad

hotels cater domestic visitors and back-packers. Once the destination reaches a minimal international recognition, few (typically one or two) foreign chains enter the market with upscale hotels. These hotels cater demanding international visitors. At this point, there is a gap in the distribution of hotels due to the relative lack of three and four stars hotels. As time goes by and local producers learn to deliver the services demanded by foreign visitors, they develop new three and four stars hotels and the distribution of hotels by star rating reaches its ergodic form. In this final distribution, both backpacker lodges and luxury hotels have a lower density. Note that the distribution of hotels by rating will affect the prices of luxury hotels. When there is little competition from three and four star hotels, luxury hotels will charge higher markups since international visitors that do not want to stay in backpacker lodges have no alternative than staying in the luxury hotels. As the destination becomes internationally recognized and there is more entry at the three and four star hotel level, luxury hotels may have to reduce their markups to remain competitive with foreign visitors. Hence, the prices of luxury hotels provide valuable information on the state of the tourist sector. Fourth, it is easier to obtain information on luxury hotels since they typically have international managers and webpages. Finally, luxury hotels tend to have an international clientele. This is particularly relevant because foreigners are more willing/able to spend money in tourist services and hence have a larger potential to make tourism a significant driver of growth in the economy.

Design of the survey.-- The survey is reproduced in the appendix. In the presentation section, I guarantee the confidentiality of the answers to the hotel managers. The first part of the survey collects "demographic" information about the hotel and the hotel manager. This includes hotel name, number of years since construction, whether it belongs to a hotel chain, number of rooms, star rating, and, the price for a double room in high (but not peak) season. When possible, the survey requests the internet rate. Next, the survey collects demographic data from the hotel manager. This includes his/her name, nationality and years of experience in the position and in the sector.

The following section of the survey asks about the significance of various challenges to the creation and operation of the hotel. These include:

1. Deficits in physical infrastructure (roads, harbors, airports, trains, etc...) and in telecommunications (telephone lines, cell-phone networks, and internet).
2. Costs and delays in obtaining permits and licenses.
3. Costs of obtaining credit.
4. Restrictions and tariffs to the importation of goods.
5. Scarcity of qualified workers and labor regulations
6. High taxes and lack of subsidies
7. High degree of competition

8. High crime rate
9. Corruption of officials and workers

The final section invites hotel managers to describe their view about the key factors to succeed in the hotel business.

In addition to the answers to the survey, we collect other information about the hotels and the country where they are located. In particular, we use www.tripadvisor.com to collect information on the rating of the hotels by guests (both average rating and percent of guests that recommend it) as well as the number of reviews made on each hotel. From the World Bank, we collect data on income per capita and expropriation risk in the country.[29]

3. Analysis and findings

Descriptive statistics .—The dataset contains information on 129 hotels though we have been able to collect all the variables for only 119 of them. These hotels are located in 30 countries. 30 of the 119 hotels are in Tanzania. Half of them are in safari areas and the other half (mostly) in the islands and (a few) in Dar es Salaam.

Table 1a reports means and standard deviations for all the variables for all hotels, for the Tanzanian hotels and for the Tanzanian hotels in the safari areas. The hotels in sample are very good hotels. The average self-reported number of stars for the hotels in sample is 4.65 with a standard deviation of 0.5. The average rating at tripadvisor.com is 4.17 with a standard deviation of 0.48. 85% of the visitors that write a review at tripadvisor recommend the hotels. The average number of reviews is approximately 160. The average price is $560 with a standard deviation of $542. On average, the hotels in the sample are small (159 rooms) but the dispersion is relatively large (192). They are relatively new hotels (14 years of age on average). With respect to the relative importance of the various constraints, none of them seems particularly relevant on average. The expropriation risk also seems low.

Hotels in Tanzania are similar to the other hotels in the sample though they are some differences. They have a slightly higher rating than the average hotel in sample (4.36 vs. 4.16); fewer belong to chains (56% vs. 72%) are smaller (45 rooms vs. 159 rooms) and are younger (7.7 years vs. 14.15 years). The most significant difference though is that they are more expensive. The average price for a double average in high (but not peak) season in Tanzania is $731, while in the overall sample it is $560. This difference is more puzzling after realizing that Tanzania is a very poor country where annual income per capita is $500 ($1228 in PPP) while the average country in sample has income of $8968 ($11203 in PPP).

[29] Income per capita is collected for 2008 and expropriation risk for 1997.

This raises the one of the key questions that motivate this paper.

Why are hotel prices so high in Tanzania?

One natural possibility is that the costs of opening and operating hotels in Tanzania are higher. To superficially assess this hypothesis we compare the managers' answers to the questions on the relevance of constraints and as shown in Table 1, it does not seem that there are striking differences between the constraints faced by hotels in Tanzania and elsewhere. The infrastructure deficit seems a bit more binding (3.4 vs. 3.01) as well as the cost of importing goods (3.4 vs. 3.07) and corruption (2.76 vs. 2.52). On the contrary, the average relevance of crime (1.8 vs. 2.18), taxes (2.6 vs. 2.7) and administrative costs of obtaining permits and licenses 92.9 vs. 3.06) are lower. Further, at first sight, none of these differences seems economic (or statistically) significant. Slightly more relevant seems to be the competition which in the overall sample has an average relevance of 2.88 while in Tanzania it is only 2.28.

Within Tanzania, there seems to be two distinct markets: the safari and the beach areas. Table 1b reports summary statistics in these two markets. The most striking difference is that the price per room in the beach areas 9mostly Zanzibar and the surrounding islands) is significantly lower than in the safari areas ($338 vs. $1140). Hotel managers in Zanzibar reported a smaller significance of the infrastructure deficit (3.7 vs. 2.9), administrative barriers (2.9 vs. 2.5) and financing constraints (3.7 vs. 1.9) for the operation of their businesses.

Within country variation .— To further understand the drivers of differences in hotel prices, we explore how much of the variation can be accounted by the various measures of the quality of service as well as by the factors that may constrain the supply identified in the survey. To this end, we estimate the following regression:

$$p_{ic}=a_0 +a_1*X_{ic}+b_0*Safari+b_1*Zanzibar+u_{ic}, \qquad (1)$$

where "i" indexes the hotel, "c" the country, "p" is the log price of a double hotel room in high season, X is a vector of controls, Safari is a dummy that takes the value of 1 if the hotel is in Tanzania in the safari area (and is 0 otherwise), and Zanzibar is a dummy that is 1 if the hotel is in Zanzibar and surrounding beach areas (and is 0 otherwise). Finally, "u" is a Gaussian error term.[30]

Table 2 reports the estimates from this regression for various specifications of the set of controls, X. The quality of the hotel as measured both by the self-reported number of stars and the rating from tripadvisor.com has strong positive and significant effects on the hotel price. Each additional star increases the hotel price by between 40 and 60% while each additional point in

[30] All standard errors are robust and clustered at the country level.

tridavisor's rating (which also runs from 1 to 5) is associated with between 40 and 50% higher prices. Larger hotels charge lower prices. In particular, increasing by one percent the size of the hotel is associated with a reduction in the price by 0.2%.

In the first column we observe that the dummy for Tanzanian hotels in safari areas is positive and significant. In particular, they have between 65 and 80% higher prices. In contrast, the Zanzibar dummy is not significantly associated with higher prices. The inclusion of the safari and Zanzibar dummies increases the explanatory power of the specification by 7 percentage points.

The significance of the dummy for the safari hotels in Tanzania persists after controlling for several factors that affect the profitability of hotels. The first of these factors is the degree of competition. As one would expect, higher perceived competition is associated with lower hotel prices. This effect is large and significant. An additional point in the scale of 1 to 5 in the perceived competition reduces prices by 17%. Further, competition increases by 6% the explanatory power of the specification. In column 2, I explore the relative effect of competition from similarly rated hotels and from hotels with lower category. It turns out that the presence of competition from hotels with lower category reduces by more (13% vs. 7%) the prices of luxury hotels.

Other factors affect the price of hotel services because of their potential effects on the cost of supplying the services. As shown in columns 3 and 4, few of the factors included in the survey appear to have a significant effect on prices. One that seems to play a role is constraints in employment both in terms of labor regulations and lack of adequate workers which are associated with a higher hotel prices. Expropriation risk also appears to be associated with higher hotel prices. In some specifications corruption and crime are also significant but enter with opposite sign one would expect implying that higher corruption and crime are associated with lower prices. One interpretation of these coefficients is that corruption and crime may lower demand more than supply and hence the negative effect in the prices.

One last factor that affects hotel prices is whether hotels belong to a chain. Belonging to a chain is associated approximately with 50% higher prices.

As mentioned above, the Tanzania dummy for hotels in the safari area is large and significant despite controlling for the factors that affect the cost of supplying upscale hotel services. This suggests that Tanzanian hotels in the safari areas charge very high markups deterring the arrival of tourists. This is quite evident when comparing the prices charged by Tanzanian and Kenyan hotels in safari areas.[31] As shown in Table 3, safari hotels are on average $300 per night

[31] All Kenyan hotels are located in the Masai Mara area which borders with Tanzania.

cheaper in Kenya than in Tanzania. This is the case despite their higher rating in Tripadvisor (4.8 vs. 4.4), their smaller size (15 vs. 33 rooms), and the fact that Kenya is a richer country. The only variable that could help rationalize some of the difference in prices, based on the estimates from Table 2, is the higher competition reported by Kenyan hotel managers than by their Tanzanian counterparts. This, however, is not sufficient to explain the difference in the prices charged by safari hotels in Tanzania and Kenya.

Aggregate implications of hotel prices .— To explore the aggregate consequences of the findings so far and to further increase our understanding of the hotel sector, it is worthwhile exploring the relationship between hotel prices and the aggregate size of the tourism sector. Table 4 reports the estimates from the following regression:

$$Tourists_capita_c = a_0 + a_1 * lprice_c + u_c, \quad (2)$$

where "Tourists_capita" is the number of foreign visitors per capita in 2008, and "lprice" denotes the average log-price of upscale hotels in the country.

Column 1 reports a surprising finding. Upscale hotel prices are positively associated with more visitors per capita. This relationship still holds after controlling for per capita income. The positive association between hotel prices and number of tourists suggests that demand shifts are important to explain the relationship between hotel prices and number of visitors. To see why this is the case, consider the scenario where the demand for tourism was the same across countries (see Figure 2a). Then we should expect a negative relationship between prices and quantities, because cross-country differences in these variables would reflect countries being located at different points along the unique demand curve.

An alternative is that different countries face different demand curves. As shown in Figure 2b, if we do not controls for the presence of the heterogeneity in demand, we may observe a positive cross-country relationship between quantities and prices. However, once we control for demand heterogeneity, we should observe a negative relationship between hotel prices and number of visitors.

Column 3 of Table 4 attempts to control for the cross-country heterogeneity in demand with the number of visitors in 2003. The number of visitors in the past may be a good proxy for current demand for at least two reasons. First, it should reflect the inherent attractiveness of the country. Second, if information about the attractiveness of a destination is transmitted through word-of-mouth, a larger number of visitors in the past shall determine how many visitors are currently considering visiting the destination.

After controlling by demand heterogeneity by the number of tourists in the past, we observe that upscale hotel prices have a significant negative effect on current number of tourists. In particular, 1% higher hotel prices are associated with 30%. Put differently, a one standard deviation increase in hotel prices is associated with 10% of one standard deviation in the log number of tourists per capita.

4. Drivers of cross-country demand heterogeneity and policy Implications

Table 4 suggests how significant it is the effect of upscale hotel prices on the current number of visitors. However, it also shows that cross-country demand shifters are very large. Therefore, understanding what drives this demand heterogeneity is key for the development of a successful tourism sector. This question goes beyond the scope of this paper. However, after having spent a few years studying the tourism sector and having talked to numerous government officials, hotel managers and members of tourism associations, I can formulate a some hypotheses that, to some extent, must be right.

One hypothesis is that the history of hotel prices should be a significant driver of cross-country differences in demand. This hypothesis is almost a corollary from the findings in Table 4. If hotel prices reduce the number of tourists, and if current number of visits affects so much future visits, the history of upscale hotel prices should be an important driver for the demand of a destination.

This argument raises four questions:

1. Is there any reason to believe that upscale hotel prices are more important than other hotel prices?
2. Why is there so much persistence in the number of visitors?
3. Should the government intervene to alter this persistence?
4. If so, how?

My answer to the first question is that upscale hotel prices provide valuable information about the state of the hotel services sector and its market structure. As mentioned above, expensive upscale hotels probably result from lack of competition from 3 and 4 stars hotels. As observed in Table 2, the competition from hotels with lower category has a greater effect on upscale hotel prices than the competition from similarly ranked hotels.

The large association between past and future number of visitors may reflect a variety of mechanisms. Two that I would like to stress are word-of-mouth and learning by doing. As mentioned above, word-of-mouth is possibly one of the key ways for the information about a destination's attractiveness to spread around. The larger the number of past visitors, the faster

the diffusion of this information and the larger the potential number of visitors that will consider the destination for vacation.

Learning by doing in hotels services is also an important driver of the persistence of the number of visitors. It takes many years for the local population to understand what the foreign visitors demand and how to provide those services. The more visitors a country receives the faster the learning is likely to occur. In my visits to Africa I encountered many more local managers and owners of hotels in destinations that were more mature. In less mature destinations, such as Tanzania, I encountered managers that after working for upscale hotels for a significant number of years, had plans to start their own business in the tourism sector. Often they did plan to start in the hotel sector since the knowledge and capital required to start a hotel is significantly larger than, say, to start a travel agency. In some cases, local owners of travel agencies expand their services to the hotel industry.[32]

One important issue is whether the persistence of hotel visitors is optimal. That is, does it result from frictions and externalities or from conscious decisions of agents that internalize all the consequences of their decisions?

The answer to this question must be the later one. Clearly, hotel owners and managers do not take into account all the effects of the services they provide and the prices they set on word-of-mouth effects since most of these will affect the location more than the hotel per se. The same can be said about learning by doing. In addition to these two mechanisms, the price setting decisions of hotels may have important externalities which I would like to discuss next.

When a few hotels in a destination charge a high price, they reduce their individual demand, but they also increase the average perceived cost of travelling to this destination. These perceptions about how expensive a destination is are important because they are likely to affect the number of tourists that are considering going on vacation to a destination. Further, because pricing decisions affect the number of potential tourists, they also affect, in the medium term, entry. Places with higher prices, relative to the demand, tend to receive fewer tourists and as a result, fewer new hotels are built. This results in lower competition and higher markups. This is how I interpret the market structure in places like the safari area of Tanzania or Peru. If this hypothesis is true, the resulting scenario is suboptimal because a reduction in prices could lead to an inflow of tourists and potentially to more aggregate profits from tourism. (Of course, the revenues will be also higher.)

[32] This is for example the case of Tanganyika Wilderness Camps.

In the light of these arguments, I conclude that there are significant externalities that lead to market inefficiencies and that give ample justification for the government to try increasing the touristic demand for its destination.

The final question I would like to address is how can the government increase the touristic demand for a country. From the arguments and findings presented above it seems desirable to subsidize the creation of new hotels and the prices of hotel rooms. These types of measures are uncommon. Much more accepted are international marketing campaigns. Many of the managers and tourism specialists I met in Zanzibar argued about the necessity of an international marketing campaign to increase both the popularity of the island as well as to position it in the upscale market. It is probably difficult to attain both of these objectives simultaneously. In Seychelles for example, the government has been careful to allocate new hotel licenses to upscale hotels and to be more flexible in the requirements of a minimum share of local workers with upscale hotels. Of course, they have targeted an upscale clientele after having reached a certain market size. At this point, Seychelles and Zanzibar have a similar number of foreign visitors, but Zanzibar has approximately ten times more population than Seychelles.

Another relevant comparison can be made between the Serengeti national park in Tanzania and Masai Mara in Kenya. Masai Mara is the Kenyan side of the Serenegeti. It occupies just one tenth of the total size of the Serengeti. But it attracts ten times more visitors than Serengeti national park in Tanzania. Is the low number of visitors in Serengeti national park a suboptimal outcome or the optimal outcome once we take into account the value of preserving the unique eco-systems of the Serengeti?

I think the low number of tourists in the Tanzanian safari areas is sub-optimally low for a number of reasons. First, Tanzania is a very poor country that could greatly benefit from tourism. Second, a sizeable share of the rents from tourism IS being captured by international hotel chains that host upscale tourists in their hotels and provide them all the services they need. As a result, most local population does not benefit directly from tourism, other than the few workers that are employed in the hotels. Despite the high ratio of employee per tourist in upscale hotels, the very limited number of tourists greatly constrains the number of workers in the tourist sector. Third, the environmental impact of tourism can be greatly reduced by developing the adequate infrastructure that enables the parks to accommodate the demand. This includes having well preserved roads, rests areas, park rangers and properly trained guides. Informal conversations with hotel managers make me think that few of the high entrance fees collected by the government are spent in developing this infrastructure.

5. Conclusions

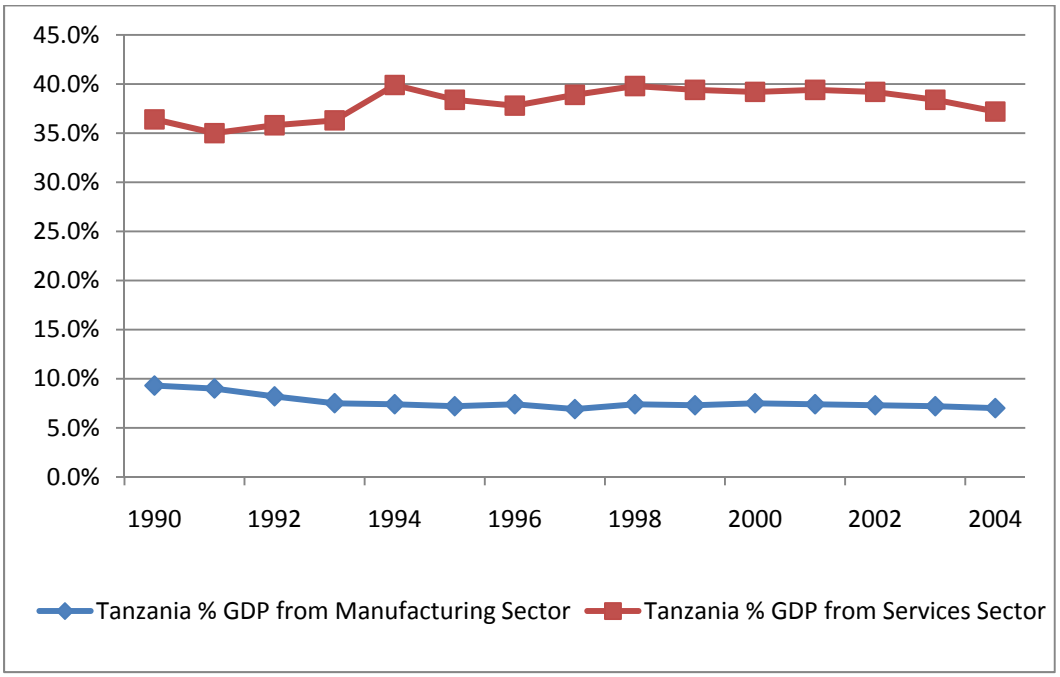
As the experiences of countries such as Spain, Thailand and Mexico suggest, tourism can be an important engine of growth and a significant source of value added in the economy. The potential for tourism to play such an important role is a priori larger in poor countries with innate natural and historical assets. One such country is Tanzania.

The goal of this project was to explore the drivers of the size of the tourism sector. In particular, to understand why, despite all its potential, so few tourists travel to Tanzania. The starting point of the exploration was the abnormally high prices of upscale hotels in Tanzania, especially in the safari areas. After conducting a cross-country survey to hotel managers I have concluded that factors that may affect the cost of supplying upscale hotel services are not sufficient to explain the abnormally high prices. I infer from that, that a more likely candidate is high markups. The interviews with hotel managers supported this conclusion.

Then I have explored the consequences that high prices of upscale hotels may have for the total number of foreign visitors to the country. This exploration has yield three conclusions. First, cross-country differences in demand are large. Second, once we control for these differences, differences in upscale hotel prices account for a significant share of cross-country differences in demand. Third, cross-country differences in demand are very persistent.

Finally I have speculated about drivers of cross-country differences in demand and what policy implications they might have. I have emphasized the role of word-of-mouth, learning by doing and pecuniary externalities in driving differences in demand and argued that, on the basis of these, there may be room for the government to induce lower hotel prices and to try to independently increase the foreign perception of the country's attractiveness.

Exhibit 1: GDP shares of manufacturing and services



Source: World Bank

Figure 2a: Same Demand

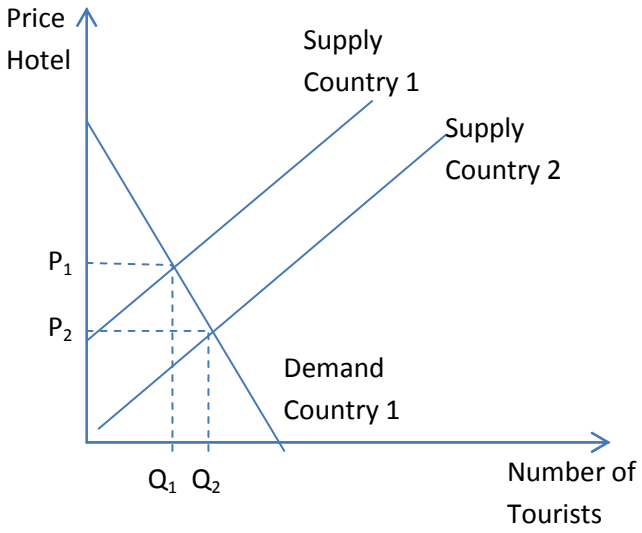


Figure 2b: Different Demand

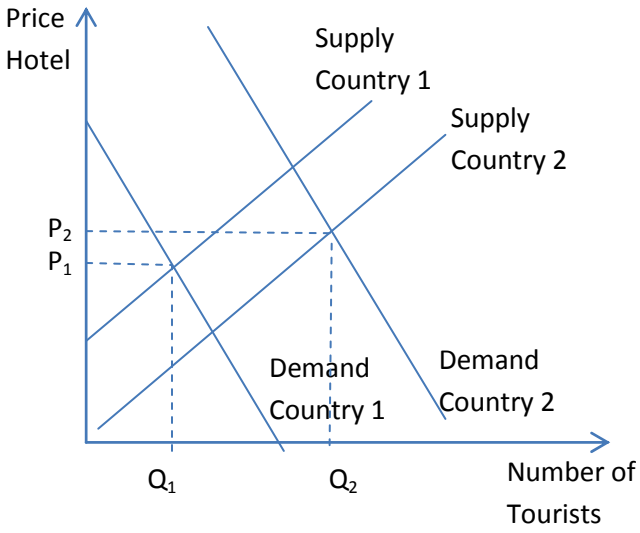


Table 1: Descriptive statistics for hotels in full sample and in Tanzania

	All Countries		Tanzania	
	Mean	St. Deviation	Mean	St. Deviation
gdp per capita (USD)	8968.2	12239.3	501.9	0.0
gdp per capita (PPP)	11203.7	11575.3	1228.9	0.0
rating (trip advisor)	4.2	0.5	4.4	0.4
star self-reported	4.7	0.6	4.6	0.6
chain	0.7	0.4	0.6	0.5
% recommended	85.1	10.6	90.1	7.8
number of reviews	160.0	285.0	76.9	64.9
price per night (USD)	559.4	542.2	731.5	714.7
number rooms	159.1	192.6	45.3	51.9
age of hotel	14.1	15.8	7.7	6.9
Importance of constraints				
infrastructure	3.0	1.5	3.4	1.4
Administrative	3.1	1.6	2.9	1.5
Cost of Finance	2.7	1.4	2.9	1.6
Cost of Importing goods	3.1	1.4	3.4	1.3
Employment	3.6	1.1	3.5	1.0
Taxes	2.7	1.2	2.6	1.3
Competition	2.9	1.1	2.3	1.0
Crime	2.2	1.4	1.8	1.2
Corruption	2.5	1.3	2.8	1.3
Lack of expropriation risk *	9.3	1.0	9.0	0.0
N observations	119		30	
N countries	30			

* Higher means lower risk

Table 2: Determinants of hotel prices

	(log) Hotel Price			
Log GDP per capita	0.13	0.13	0.12	0.12
	(0.06)	(0.05)	(0.054)	(0.04)
Rating tripadvisor.com	0.43	0.41	0.42	0.42
	(0.14)	(0.15)	(0.13)	(0.13)
Self-reported Stars	0.60	0.56	0.57	0.46
	(0.09)	(0.09)	(0.109)	(0.107)
(log) number of rooms	-0.22	-0.16	-0.13	-0.19
	(0.06)	(0.06)	(0.06)	(0.05)
Tanzania-Safari	0.79	0.80	0.77	0.65
	(0.14)	(0.11)	(0.16)	(0.12)
Tanzania-Zanzibar	-0.16	-0.29	-0.36	-0.13
	(0.14)	(0.15)	(0.15)	(0.14)
Competition			-0.17	-0.17
			(0.06)	(0.05)
Competition with same category		-0.07		
		(0.05)		
Competition with Lower category		-0.13		
		(0.04)		
Infrastructure			0.03	0.04
			(0.05)	(0.04)
Administrative			0.02	0.01
			(0.04)	(0.03)
Finance			-0.01	0.00
			(0.04)	(0.03)
Imports			0.03	0.01
			(0.04)	(0.04)
Employment			0.09	0.11
			(0.04)	(0.03)
Tax			0.02	0.04
			(0.05)	(0.04)
Crime			-0.10	-0.08
			(0.05)	(0.04)
Corruption			-0.08	-0.10
			(0.07)	(0.05)
Lack of expropriation risk			-0.12	-0.12
			(0.04)	(0.03)
Hotel Chain				0.53
				(0.14)
N	118	117	117	117
R2	0.49	0.56	0.62	0.67

Table 3: Descriptive statistics of Safari hotels in Tanzania and Kenya

	Tanzania-Safari		Kenya-Safari	
	Mean	St. Deviation	Mean	St. Deviation
gdp per capita (USD)	501.9	0.0	720	0.0
gdp per capita (PPP)	1228.9	0.0	1543	0.0
rating (trip advisor)	4.4	0.2	4.8	0.3
star self-reported	4.7	0.5	4.6	0.5
chain	0.8	0.4	0.7	0.5
% recommended	91.4	4.7	96.7	2.8
number of reviews	50.8	26.8	66.0	23.1
price per night (USD)	1140.3	815.5	805.7	416.8
number rooms	33.5	27.5	15.1	15.6
age of hotel	9.6	8.4	7.4	3.6
Importance of constraints				
Infrastructure	3.7	1.2	3.1	1.2
Administrative	2.9	1.3	3.7	1.5
Cost of Finance	3.7	1.5	2.7	1.5
Cost of Importing goods	3.4	1.3	2.7	1.0
Employment	3.5	0.8	3.3	0.9
Taxes	2.4	1.1	3.5	0.9
Competition	2.5	1.1	3.3	0.6
Crime	1.8	1.1	1.1	0.4
Corruption	3.0	1.3	1.6	0.6
Lack of expropriation risk *	9.0	0.0	9	0
N observations	15		7	

* Higher means lower risk

Table 4: Upscale hotel prices and number of International visitors

	(log) International tourists per capita 2008			
log price upscale hotels	1.07 (0.38)	0.71 (0.39)	-0.29 (0.13)	-0.33 (0.15)
log GDP per capita		0.73 (0.21)		-0.08 (0.02)
(log) International tourists per capita 2003			0.94 (0.03)	0.99 (0.05)
N	30	28	28	28
R2	0.16	0.42	0.96	0.96

Note: All regressions include a constant.

Appendix A: World Heritage sites in Tanzania

Tanzania has eight World Heritage Sites.[33]

Kilimanjaro National Park

The Kilimanjaro National Park is located near Moshi, Tanzania. It is centered on Mount Kilimanjaro, and covers an area of 753 km (291 square miles). It was classified as a National Park in 1973 and was opened to public access in 1977. In 1987 the park became a World Heritage Site by UNESCO.

Stone Town, Zanzibar

Stone Town or Mji Mkongwe in Swahili meaning "ancient town", is the old part of Zanzibar City. The old town is built on a triangular peninsula of land on the western coast of the island and was awarded World Heritage Site status in 2000 . Justification for the inscription, includes, "its rich cultural fusion and harmonization; its great symbolic importance in the suppression of slavery; and the intense seaborne trading activity between Asia and Africa, which is illustrated today in the exceptional architecture and urban structure of the Stone Town."

The Ngorongoro Conservation Area

The Ngorongoro Conservation Area (NCA) is situated 180 km west of Arusha and covers an

[33] This section borrows from http://www.tanzaniatourismonline.net/world_heritage_sites.html

area of 8,288 km (3,200 square miles). Its boundaries follow the boundary of the Ngorongoro Division of Ngorongoro District. The NCA supports a resident population of wildlife of up to 25 ,000 - predominantly grazing animals. The conservation area is administered by the Ngorongoro Conservation Area Authority.,

Selous Game Reserve

The Selous Game Reserve covers a total area of 54,600 km (21 ,081 square miles) and is one of the largest fauna reserves of the world, located in the south of Tanzania. It was designated a UNESCO World Heritage Site in 1982 due to the diversity of its wildlife and undisturbed nature. The reserve is home to typical savannah animals such as elephants, hippopotami, the rare African Wild Dog and crocodiles, which are all found in larger numbers compared to any other African park.

Serengeti National Park

The Serengeti National Park is Tanzania's oldest park, and one of the world's last great wildlife refuges, hence its World Heritage Site status. It is most famous for its annual migration of over one million white bearded (or brindled) wildebeest and 200 ,000 zebra. The park covers 14,763 km (5,700 square miles) of grassland plains and savanna as well as riverine forest and woodlands. The park lies in the north of the country, bordered to the north by the national Tanzania and Kenyan border, where it is contiguous with the Masai Mara National Reserve.

Kondoa Rock Art Sites

The Kondoa rock art site is a series of caves carved into the side of a hill looking out over the steppe. The cave site is nine kilometres off the main highway from Kondoa to Arusha, about 20 km north of Kondoa. The site has a collection of images from over 150 shelters depicting elongated people, animals, and hunting scenes.

Ruins of Kilwa Kisiwani and Ruins of Songo Mnara

The remains of two East African ports admired by early European explorers are situated on two small islands near the coast. From the 13th to the 16th century, the merchants of Kilwa dealt in gold, silver, pearls, perfumes, Arabian crockery, Persian earthenware and Chinese porcelain; much of the trade in the Indian Ocean thus passed through their hands. Serious archeological investigation began in the 1950s. In 1981, it was declared a World Heritage Site. Some of the most remarkable ruins of the sites include the Great Mosque and the Mkutini Palace. These ruins are also on the List of World Heritage in Danger.

Appendix B

Hotel Survey

This research project is directed by Diego Comin, Associate Professor at the Harvard Business School. The survey should take 5-10 minutes. I am studying the international luxury hotel business. This survey asks you to describe the challenges of opening and operating a luxury hotel in your region.

Your answers to the survey are completely confidential. I am surveying many hotels worldwide and want to identify regional trends. I will not report on the experiences of individual managers or individual hotels. To understand the big picture, however, it is necessary to learn about the specific experience of managers like you.

Thanks very much in advance for your time and contribution.

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Harvard Business School
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About the hotel

Hotel name:	
Price for double standard room (internet fare if available) in high (not peak) season:	
Number of rooms:	
Years in operation:	
To which hotel chain does it belong?	
Hotel class (number of stars, 1-5):	

About the manager

Manager name:	
Nationality of manager:	

Years in position: ☐

Years in business: ☐

In your experience with _____, how important are the following as a source of difficulty (or how important have they been) in opening and/or running the hotel?

Please choose one response, ranging from <u>not</u> very significant (source of difficulty) to <u>very</u> significant (source of difficulty).

Infrastructure

	Not Significant				Very Significant
Lack of or inadequate roads, airports, trains, harbors, etc.	☐	☐	☐	☐	☐
Lack of or inadequate telecommunications (such as telephone lines, cell phone coverage, internet availability, etc.)	☐	☐	☐	☐	☐

Administrative

	Not Significant				Very Significant
Acquiring permits to renovate, renewing or obtaining licenses to operate the hotel, etc.	☐	☐	☐	☐	☐

Financial/credit

	Not Significant				Very Significant
Obtaining credit at competitive rates, negotiating reasonable terms for financing projects, etc.	☐	☐	☐	☐	☐

Import

	Not Significant				Very Significant
Importing goods at reasonable prices and/or in desired quantities	☐	☐	☐	☐	☐

Employment

	Not Significant				Very Significant
Finding qualified workers	☐	☐	☐	☐	☐
Firing workers (legal restrictions and cost)	☐	☐	☐	☐	☐

Fiscal

	Not Significant				Very Significant
Lack of fiscal subsidies to open or operate the hotel	☐	☐	☐	☐	☐
High marginal tax rates on profits	☐	☐	☐	☐	☐
High marginal tax rates on revenues	☐	☐	☐	☐	☐
Other taxes	☐	☐	☐	☐	☐

Competitive

	Not Significant				Very Significant
Competition from hotels with similar star rating	☐	☐	☐	☐	☐
Competition from hotels with lower star rating	☐	☐	☐	☐	☐

Crime/Lack of Security

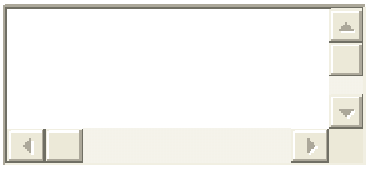
	Not Significant				Very Significant

	Not Significant				Very Significant
High crime rate in your area	☐	☐	☐	☐	☐

Corruption

	Not Significant				Very Significant
Corrupt practices of public officials (including police)	☐	☐	☐	☐	☐
Corrupt practices of workers	☐	☐	☐	☐	☐

In your opinion, what is the key to being successful in the operation of a luxury hotel in your region?



Survey Powered By Qualtrics

[1] Seychelles Tourism Statistics. 2010. Raw data. National Bureau of Statistics, Republic of Seychelles.