

# Chapter Eleven

## The Tourism Sector, 2002

### Industry performance

The tourism industry has become a vital and dynamic economic sector in many countries worldwide. Currently the tourism industry worldwide takes up to 76.5 million jobs directly involved in the tourism sector, and around 200 million jobs from supporting sectors and industries. Considering that the share of the tourism industry to world GDP comes up to 4.21%, and over one billion people travel worldwide per year, one can say that by 2010 tourism will be the largest industry in the world.

Revenues generated by the tourism industry are a significant contributor to the Jordanian economy, but are highly dependent on political factors. As shown in figure (11.1), in Jordan the share of tourism to the GDP grew significantly after signing the peace agreement with Israel in 1994. In fact, the growth rate was higher than that of the GDP, although not yet at optimal levels. However, towards the end of the 20th century and beginning of the 21st century, the share of tourism to the GDP declined slightly to reach the all-low figure of 8.7% in the year 2000 as a result of the gradual escalation of events in the occupied territories and the West Bank.

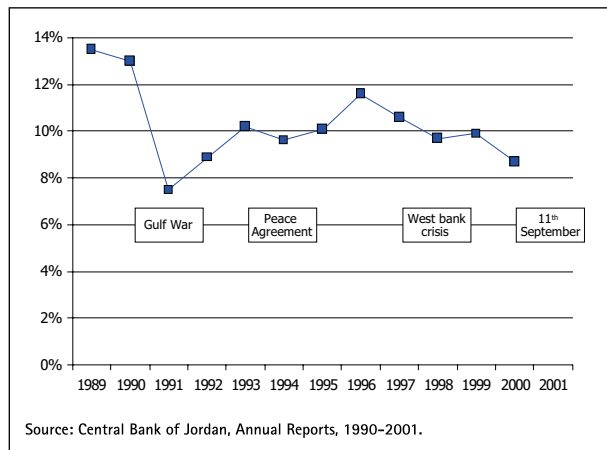


Figure 11.1: Tourism's Share in Jordan's GDP

Nonetheless, tourism still generates up to 18.2% of the revenues in the services sector, and is considered the second largest source of foreign currency inflow to the Balance of Payments. It produces the equivalent of 38% of the revenues generated through exports, namely JD 1,347 million.

Like everywhere else in the world, in Jordan, tourism creates job opportunities as well. The job openings created are either directly involved in tourism operations and the running of establishments such as hotels and travel agencies, or result from the development of supporting industries such as construction, retail, transportation, and other related fields. In 2001, the number of people employed directly in the tourism sector reached 23 thousand. As shown in figure (11.2) approximately 48% of the job positions are generated by the hotel industry.

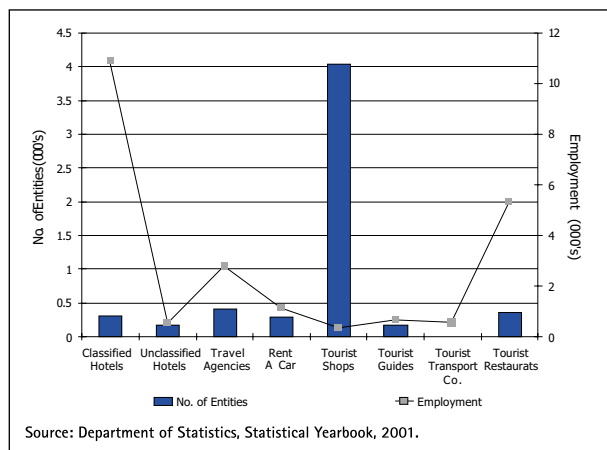
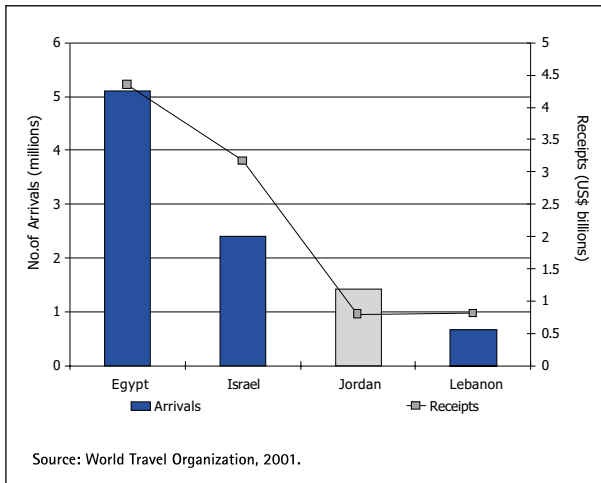


Figure 11.2: Direct Employment per Entity Generated by the Tourism Sector in 2001

Figure 11.3: 1998 Tourism Receipts per Number of Arrivals According to Country



Other indicators, such as revenues from tourists per trip show that tourists spend less in Jordan (an average of US\$ 585 per arrival) compared to what they spend in other countries in the region, i.e. Egypt, Lebanon and Israel. (See figure 11.3) Official indicators also reveal that the level of expenditures per incoming tourist is lower for Jordan compared to its regional competitors. It is also true that tourists coming to Jordan are offered packages of four to five days. In other words, revenues would significantly increase if tourists stay longer periods in Jordan. According to the statistics carried out in 1998, revenues from incoming tourists would increase by 25% per trip if the packages provided one extra day

in Jordan. The fact that incoming tourists spend only four to five days in Jordan is the result of the strategy adopted by Jordan in the international promotions of its touristic destinations. To be more exact, only four main touristic sites are actually promoted beyond domestic boundaries even though Jordan has many more to offer.

In the year 2001, the total number of tourist arrivals to Jordan amounted to 1.43 million. Nevertheless, despite the 3.56% growth in tourist arrivals, the revenues coming in from tourism decreased by 3.18% in 2001. In 2002 the arrivals from Arab countries represented 65% of the total number of incoming tourists, whilst 14% were from Europe and 13% from Israel.

It is important to identify the age group and nationality of tourists, since it is an indication of their interests and spending patterns. For example, most Arab tourists arrive to Jordan by road, and stay for extended periods. Hence they prefer furnished apartments. They also spend their money on recreation and entertainment. Other tourists from the Arab countries come to Jordan for medical treatment.

The majority of international visitors come on package tours, either with Jordan as a single destination, or having Jordan included in more extensive tours taking them to the Holy Land or around the Middle East.

## Analysis

### A. Factor Conditions:

A closer examination of the tourism industry in Jordan discloses five different types of factor conditions that need to be considered for their impact on the development of the sector. The first category of factor conditions concerns human resources. The human resources servicing the tourism industry in Jordan have valued qualities such as friendliness and honesty, yet require proper training to meet the required hospitality standards. There are very few skilled tour guides, and even fewer world-class operators. In addition employees apparently lack motivation at work due to the low wage level present in the industry. This has a direct impact on the efficiency and image of the sector.

With regard to the physical resources, Jordan is a relatively small country, strategically located in the center of the Middle East and North Africa (MENA) region. Enjoying security and stability, though small, Jordan offers a unique array of archeological, religious, geographical and environmental sites that are a real treasury for sightseers. Well known sites such as Petra, Mount Nebo, the Dead Sea and Dana Reserve, to name just a few, are among the 120,000 registered archeological and historical sites stretching all over Jordan.

The assessment of the infrastructure resources shows that Jordan provides a large variety of accommodation facilities that meet quality requirements and various budgets. There are many four and five star hotels and a number of foreign chains in Jordan. Additionally, a few new hotel projects are in progress. However, a negative aspect is the low occupancy rate, which has not exceeded 38% on average. In addition the distribution of hotels is not well planned. Certain sites do not have a sufficient number of hotels or the existing accommodation facilities do not meet the required quality standards. For instance Jerash, one of the best-preserved Greco-Roman cities in the world and a favorite touristic destination in Jordan, has only two classified hotels. On the other hand, though the demand for furnished apartments is high, there is scarce information available on such facilities.

In terms of road network and transportation in Jordan, the network of major roads and highways is good, whereas secondary roads outside Amman and within touristic sites are poor. A major problem is posed by the faulty signpost system in Jordan. The placement of signs is poor, and very few signs are in English. Furthermore, the merger of the only three coach lines existing in Jordan has created a monopoly that has ousted healthy competition. Nevertheless, the establishment of another bus line in Jordan, to boost competition and maintain proper quality standards, is quite remote because of the financial burden it incurs. Such a business requires an initial capital of JD 10 million.

The basic on site infrastructure at various touristic destinations in Jordan, such as sanitary points, telecommunication systems, catering, brochures, promotional literature and other services are rather poor and need improvement. Also, facilities for disabled people are scarce or almost unavailable.

The fourth category of factor conditions comprises information and awareness. Unfortunately, there is little appreciation, if any, for the wealth of historical sites in Jordan and their importance. The shortage of informed brochures, guidebooks, and maps, seriously hampers the success of the tourism sector. Centers that provide informative material need to be promoted. For instance the Royal Jordanian Geographic Center (RJGC) has excellent maps, but tourists cannot easily access the place. However, tourists can receive elaborate information about the art of mosaic at a school founded and run in Madaba.

The last category concerns capital resources. Generally the capital resources allocated to the development of the tourism industry are limited. The government budget for the sector is meager and calls for more private investments in the sector.

## **B. Demand Conditions:**

The assessment of the demand conditions shows that more than 65% of demand is coming from Arab countries. However the largest segment of non-Arab tourists consists of wealthy retired people who are

generally a favorite clientele of the tourism sector worldwide. Nonetheless, so far the demand from non-Arab countries continues to be only minimal.

In the context of increasing global demand for eco-sites and bird watching, the Jordanian tourism sector should promote more powerfully the natural reserves of Jordan, such as the Dana Reserve and Al-Azraq reserve. Furthermore, already known sites like Petra and the Dead Sea need to be promoted more aggressively. In addition, the increasing domestic and Arab demand for high quality medical and educational services should be matched with appropriate promotional strategic planning and promotion. In addition, the assessment shows that the development of the Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism has potential in Jordan.

Moreover the local demand, which has so far been minimal and unsophisticated, has also started aiming at quality standards. With more Jordanians traveling abroad for business and pleasure, the awareness of quality increases, and accordingly the demand for local quality facilities has a positive impact.

### **C. Strategy, Structure and Rivalry:**

At the governmental level there is a minimal effort to encourage focused market planning or commissioned studies. Consequently the issues of company strategy, structure and rivalry in the tourism sector have not been a major concern. Moreover, the system of awarding hotels, restaurants, etc. the quality class in accordance with international standards (two-star, three, four or five-star category) is inefficient. So far the MoTA has failed to issue quality or standards guidelines to be applied case by case.

Accordingly companies involved in the tourism sector are reluctant to conduct feasibility studies prior to the allocation of resources. However, to attract more tourists, tour operators innovate; they prepare packages of highly specialized tours such as tours by train, dinner parties at sites, etc. Nevertheless the way in which Jordan is promoted to the outside world is traditional and very limited.

The tourism industry has to cope with another major challenge. Generally in Jordan company strategies are neither customer nor service oriented. Hence they are ineffective, because all tourism related operations need to be defined according to clients' demands.

### **D. Related and Supporting Industries:**

With regard to the components of the cluster, it is noteworthy that there is an increasing number of high quality hotels, and a sufficient number of Jordanian travel agents operating in Jordan. Yet, there is an evident shortage of good tour operators. As for supporting services, such as financial, medical and telecommunication services, one can say they have a satisfactory share in the market. Nevertheless there is room for improvement in educational, publication and promotional services. One inconvenience is presented by the standard of nightlife in Jordan, which is limited especially next to the touristic sites.

As for other tourism related entities, like educational institutions and environmental protection institutions, their efficiency is negligible. More importantly, the collaboration and coordination among the various components of the cluster is weak.

One of the challenges still facing the MoTA is to increase the amount of re-investments in on-site receipts. The National Museum Project, carried out under the patronage of Her Majesty the Queen, is a further contribution to shaping a positive image of Jordan. The project is part of the larger initiative aimed at the development of the tourism sector in Jordan. The project includes the "Touristic Gateway" proposal, and features six projects targeting an area that extends from Amman to Kerak, via Salt, the Dead Sea, and Madaba.

## E. Government:

The last component to be examined is the role of the government. The government provides and caters for the security of visitors. Still, insufficient efforts are directed towards promoting Jordan as a secure country. The MoTA is responsible for marketing Jordan abroad and does not do much in this respect.

The MoTA has got a library with reliable studies on the Jordanian tourism sector, yet does not take any effective action due to limited resources. Furthermore, although the government is focusing on the implementation of big projects, and the development of major sites such as Petra, Aqaba and the Dead Sea, small critical sites like Mount Nebo and other holy sites should not be neglected. Moreover, the government stipulates that to secure their financial stability tour operators should dispose of JD 50,000 as a financial guarantee in capital.

There are still complicated regulatory procedures in the industry, such as licensing fees and other fees that restrict the opportunities of small firms and entrepreneurs. Nevertheless, the private sector yearns for a more substantial role in the tourism sector.

Currently there are sustained efforts to turn Aqaba into a tourism hub in the southern region of Jordan and promote it as a special economic zone. A number of very promising projects are in the pipeline.

It is noteworthy that the Jordanian government's expenditures on tourism are meager vis-à-vis its competitors. Hence, the government should increase expenditures on the tourism industry to compete effectively with neighboring countries.

## Opportunities

Jordan has a strategic location in the Middle East, is politically and economically stable, enjoys a favorable climate, and good facilities. Furthermore, many international conferences have been held in Jordan. Hence, Jordan has the potential to become a favorite destination for holding many regional and international events.

In addition, Jordan has an excellent basis of high quality, specialized medical centers with an on-going on-line connection to Mayo clinic in the USA, and an increasing number of high caliber internationally trained doctors. Therefore, by providing first-rate customer services, the medical segment in Jordan has the potential to grow and become increasingly competitive to contribute substantially to the development of Medical Tourism.

More than 50 sites that are mentioned in the Bible are located on Jordanian territory, in addition to the recent findings and papal acknowledgement that Jesus Christ was baptized on the East Bank of the Jordan

River. Moreover, many Islamic figures were buried in Jordan. Their tombs are a source of attraction to Muslim pilgrims crossing Jordan on their way to Mecca to perform the Holy Pilgrimage of Hajj. Consequently, if properly promoted, Jordan has the potential to become a favored destination for Religious Tourism.

Nature lovers may find a haven in Jordan. Camping, bird-watching, swimming in hot springs and waterfalls, hiking, watching the Ibex, Oryx, and Ostriches' birth season in the astonishing natural reserves of Azraq, Shomari, Zoubia, Mujib, Dana, Petra and Wadi Rum are just a few of the delights that Jordan offers with generosity. In this light, Jordan has the genuine potential to become a leading country in Ecological Tourism, which has gained weight as a growing segment in the tourism industry worldwide.

In the Tourism Industry, Internet sales currently account for 15% of travel purchases worldwide. Via the Internet, information and bookings are provided at relatively low cost, facilitating easy and inexpensive communication between suppliers and clients. Therefore, it is advisable that travel agents in Jordan take advantage of the information technology opportunities and start on-line selling. Further, agents might offer more value added services like virtual tours for instance.

## Recommendations

Since tourism related businesses are interdependent and interlinked, the competitiveness of the tourism cluster can be maintained by fostering the link between the cluster itself and the community.

Furthermore, given that manpower is the main pillar of any successful tourism industry, stronger emphasis should be placed on the quality of tourism related courses taught at Jordanian universities and colleges. It is also recommended that investments in development programs for the local workforce be increased.

Local infrastructure remains inadequate and cannot meet the needs of the growing tourism industry either. As such, the transportation, communication networks and facilities next to potentially attractive sites need to be drastically improved.

With regard to the issue of marketing Jordan abroad, the need arises to devote more effort towards marketing Jordan as a secure and peaceful country. This will be particularly beneficial since indicators show that the local industry, just like tourism worldwide, is very sensitive to global crises and historical events. Needless to mention the events of September 11th, which marked the beginning of a new era altogether. To minimize the negative effects of such crises Jordan needs to promote intra-regional travel and stimulate local demand.

In addition, the tourism industry should start promoting Jordan as a stand-alone destination. To achieve this target non-traditional sites (i.e. adventure and eco-sites) as well as holy land tours should be promoted.

Finally, to meet the needs and demands of the market, Jordan should develop a proper mechanism for data collection and analysis besides surveys and comprehensive market research.