

Making Tourism Count

for the Local Economy in the Caribbean

Guidelines for Good Practice

April 2006

Published by
Pro-Poor Tourism Partnership
and the Caribbean Tourism
Organisation



Funded by UK Travel Foundation



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www.propoortourism.org.uk/caribbean

Brief 2

Bringing local producers into the supply chain

The Issue: How can hotels and other tourism product providers buy more locally-produced products and services?

What is the potential to buy more soft furnishings (e.g. arts, crafts, table mats, candles), operational supplies (e.g. uniforms, bed linen), guest amenities (e.g. recycled paper, handmade soaps), services (e.g. floristry, entertainment) or food items from the local economy?

Consider the opportunities

For hotels, buying from local producers creates opportunities through:

- Utilising more distinctive products that differentiate the hotel environment and enhance the brand.
- Increasing the range of local activities increases motivation to stay and contributes to extended length of stay
- Enabling cost-savings, if local goods or services are less expensive.
- Building networks of local collaboration

For small and micro businesses, selling products to hotels can provide an invaluable market and the opportunities to expand and improve their product quality, range and business.

The draft Preferred Code of the UK Federation of Tour Operators recommends local purchasing by hotels – from within the island, and from local farmers rather than wholesalers or conglomerates.

Understand the challenges

Opportunities to purchase goods and services locally are often not exploited because:

- Local people produce goods that could be used in hotels, but the quality, quantity and reliability of supply are often inadequate.
- Local producers are not sufficiently aware of hotel requirements, health and safety regulations, and how to match tourist preferences to the required quality.
- Local producers often cannot access credit to invest in upgrading production for the tourism sector unless they have secure contracts to show banks.
- Skills are lost as cheap imports devalue local craftsmanship.
- Hotel managers and purchasing officers have grown used to securing products from long-standing existing suppliers, and rarely consider new local options.
- Hotels pay for goods received typically after 30 or 90 days. Local producers cannot operate to this timetable, as they lack working capital, and therefore cannot afford to sell to hotels.
- Local producers can supply goods and hotels want to buy goods, but there is no operating 'market' between them that would put them in touch with each other, share information and negotiate contracts and delivery.
- The seasonality of local goods often does not coincide with the tourist season.
- In some countries, changes in government policy are required to encourage farmers to facilitate the development of local economic linkages and to maximise national revenues from tourism.

What can you do?

Good practice approaches

HOTELS need to:

- ◆ **Change the payment period:** micro businesses must be paid cash on delivery or within 15 days or they cannot operate.
 - ◆ **Think laterally** rather than repeat past procurement: if new uniforms are needed, could local sewing and local design be used? If new buildings are being added, what local carvings and arts could be used for decoration?
 - ◆ **Change contract specifications:** consider letting a number of smaller contracts on a scale that local producers can handle; this spreads benefits and risks.
 - ◆ **Appoint** a champion/facilitator to work on identifying and mentoring new suppliers: over time ensure they are integrated into daily operations and the normal supply chain.
 - ◆ **Prioritise** which local products to introduce into the supply chain according to company strategy and market segment: consider also feasibility, cost, potential for quick wins, etc.
- ◆ **Research local skills** and products, and how they can be adapted to suit hotel requirements.
 - ◆ **Stimulate communication** between hoteliers, local entrepreneurs, and market intermediaries. Create an environment that encourages sharing of information and experiences. Increase opportunities for mentoring relationships through establishing mechanisms such as monthly newsletters, meetings, radio programmes, websites, etc.
 - ◆ **Support small businesses** in product development, business planning, and quality standards (e.g. purchaser expectations, health and safety or other legal requirements, tourist preferences, seasonality of demand, etc). Business advice may also include simple items such as how to invoice or do stock control.
 - ◆ **Support credit systems** that enable micro-entrepreneurs to invest in their business against the surety of a hotel contract. Encourage financial institutions to innovate to support investment by rural business people.
 - ◆ **Promote** agro-processing and light manufacturing by the local community to supply hotels and visitors through gifts or souvenir items.
 - ◆ **Encourage** creative collateral assessments made by financing agencies to encourage investment by locals, particularly in rural communities.

Sourcing products locally: *working examples*

In **Dominica**, Dominica Coconut Products began supplying coconut soap to cruise ships after a personal conversation between its proprietor and a top cruise line official.

✔ **Stimulate communication: it sparks ideas and opens doors.**

In **Barbados**, Earth Mother Botanicals produces and sells beauty products made with locally grown herbs and other island produce to the Sandy Lane Hotel and Spa.

✔ **Think laterally: products from local suppliers could benefit your hotel.**

In **St Lucia**, the big hotels were using local floristry services for flowers and flower arranging. However, the companies found that hotels did not pay quickly enough which caused problems with cash-flow and put a major brake on developing linkages.

✔ **Change payment procedures so that small suppliers are paid quickly.**

In **Antigua**, Curtain Bluff Hotel maintains a list of suppliers of local produce. Before placing orders with larger suppliers who import food produce, the company first approaches the local suppliers to see whether they can fulfil the orders. Although this can be time consuming it has enhanced the local character of the hotel.

✔ **Give local suppliers a first option to compete when you need supplies.**

In **St Kitts**, Ocean Terrace Inn has a Food and Beverage Manager and world-renowned chef who understand the value of utilising local produce and producing first class appetizers and entrées. This has made the Inn a popular choice for dining out and supports the purchase of local produce from small farmers.

✔ **Local goods can be used for first class products.**

Endnote:

Many international guidelines on responsible/sustainable tourism mention the need to source products locally. For access to recent international guidelines for the tourism industry, see www.thetravelfoundation.org.uk/tools_training_guidelines.asp

Much of the Caribbean work on supply chains has focused on linkages specifically with agriculture (see Brief 3). A guide has been written for hotels explicitly on how to increase local procurement of goods and services, though is aimed at South African hoteliers:

'How to...? Brief 1: Boosting Procurement from Local Businesses.' See www.odi.org.uk/rpeg/research/pro-poor_tourism/publications/tools&tips/procurement.pdf