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## Perceptions, Behaviors & the Economic Impact of Tourism in Curacao

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CURACAO

Curaçao Tourist Board

# Perceptions, Behaviors & the Economic Impact of Tourism in Curacao



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2011

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*Friday, February 11, 2011*

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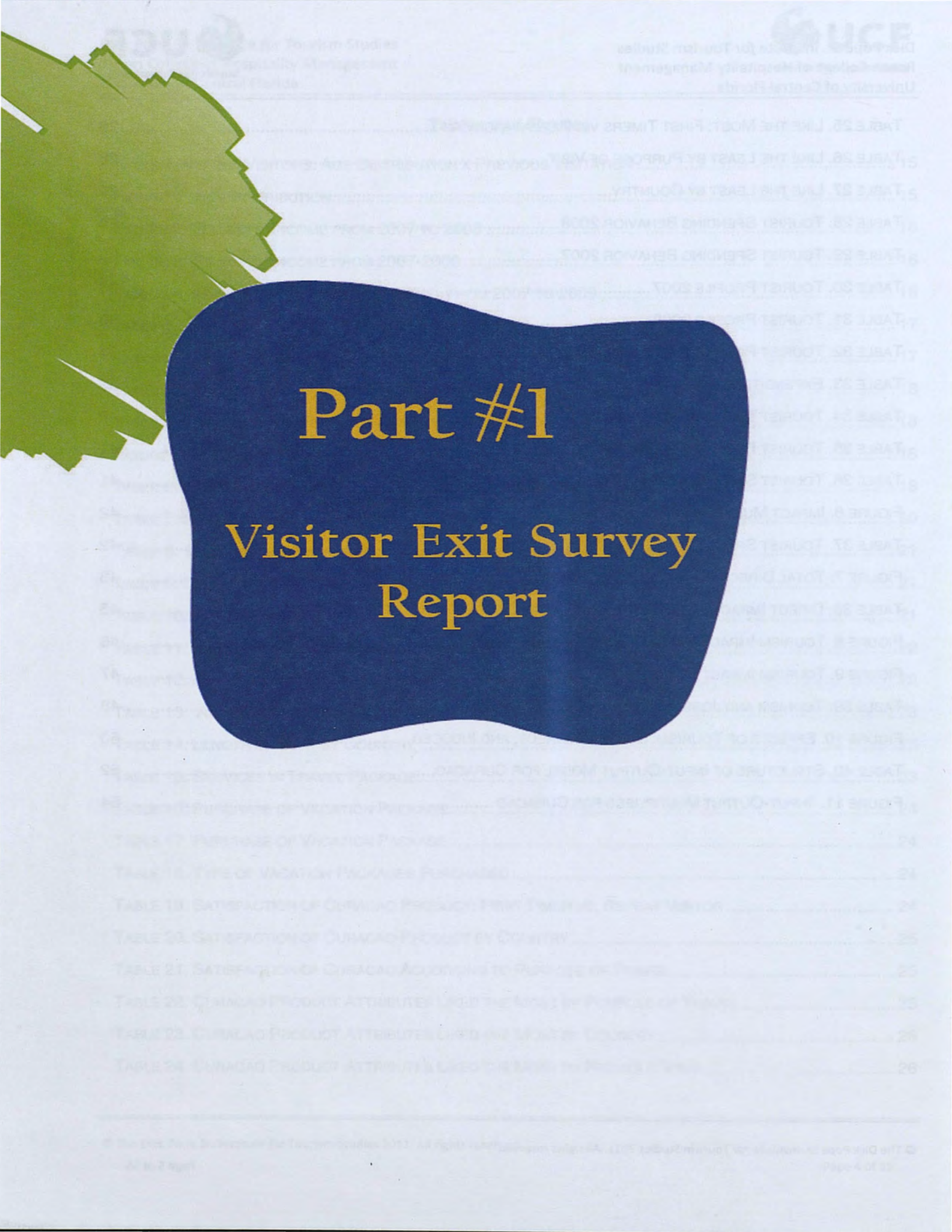
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# Part #1

## Visitor Exit Survey Report

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## Executive Summary

The Curacao Tourist Board commissioned the Dick Pope Sr. Institute *for* Tourism Studies at the Rosen College of Hospitality Management at the University of Central Florida to conduct an analysis of tourists' perceptions with regard to the Curacao tourism product, the tourist profile, and the spending behavior of tourists frequenting the island. In addition, the CTB requested that the DPI provided recommendations to the CTB regarding the enhancement of the tourist data collection process, the data analysis, and the re-design of the Tourist Exit Survey itself.

Of the 3,390 survey respondents assessed according to year (2007 = 1,938; 2008 = 1,452), most of the respondents ranged from the ages of 15 to 40 years old, and more than 60% of the tourists visiting the island listed leisure as their main motive for travel. More than 50% of the tourists earned an annual salary of less than USD30,000. Regarding the types of accommodations used by tourists 65% stayed in hotels and 25% stayed with friends and relatives. Additionally, the average length of stay was seven days and the average party size was 1.77 persons. The average tourist spent USD847 in 2007 during a week, while in 2008 the average spending per tourist was USD750. The American tourist spent more per day while the Dutch tourist spent more per stay.

The statistics revealed that a large majority of the tourists arriving to the island received their information from travel agencies. The concentration of tourist activities was primarily the downtown area and the beaches. In addition to visiting the downtown area and the beaches popular activities/sites that tourists participated in or visited included the following: Sea Aquarium, the West side area, the Dolphin Academy, and the Hato Caves. Many of the tourists indicated that they liked the weather, the people and the infrastructure the most while visiting the island. Ironically, the people and the infrastructure of the island are also two of the most least liked components of the tourist product.

The DPI determined that while the satisfaction levels of the tourists were extremely high the likelihood of repeat visitation indicated a declining trend with more frequent visits. Not only is there a declining trend in the repeat visitation of the tourists but there is also a declining trend in spending behavior. The DPI has provided numerous tables and figures to illustrate the statistics of the tourists' visiting profiles. We have also provided written assessment and recommendations as well as a draft survey that the CTB may use to enhance the reliability and efficiency of information flow to support the CTB's marketing intelligence.

The Dick Pope Sr. Institute *for* Tourism Studies would like to acknowledge the support and assistance from Ms. Christine Campagnard, MIS Research Assistant at the CTB, for the completion of this study.



## Preface

The CTB took the initiative to assess the efficiency and effectiveness of their data collection and analyses system (marketing intelligence) of tourists visiting the Island of Curacao. For this initiative, they contacted the Dick Pope Sr. Institute for Tourism Studies at the Rosen College of Hospitality Management to assist them in the generation of timely, reliable, and effective information flow that may enable the completion of this endeavor. This initiative is part of the CTB vision which is to position Curacao as a competitive destination in the Caribbean Region.

In the following sections, the report provides critical information that could be used to provide a further understanding of the tourists' profile who are currently visiting Curacao and their trip related characteristics. It is hoped that the information generated from this study will be used to assist the CTB in achieving their vision regarding the benefits of tourism for the Island of Curacao.



## Introduction

The purpose of this study is twofold. The first purpose is to clear the backlog of data from the Tourist Exit Surveys for the years 2007 – 2009. Secondly, to provide recommendations to the CTB regarding the enhancement of the data collection process, the data analyses, and the redesign of the survey itself.

The twofold purpose is derived from the recommendations from page three of the DPI report to the Curacao Commissioner of Tourism (March, 2010) which states the following, *“We recommend resolving the information backlog problem regarding data processing and analysis for the Tourist Exit Surveys for the years 2007 to 2009 as quickly as possible. In addition, we suggest designing a new survey for tourists and cruise visitors, which includes: survey instrument structures, content assessment, construct measurement assessment, survey design and layout, language editing, and pre-testing. Finally, we recommend optimizing the data processing and reporting systems.”*<sup>1</sup>

Curacao, as well as its competitors, is exposed to the challenge of increasing its tourism revenues in order to optimize the gains to several stakeholders. Therefore, it is imminent to acquire additional and more precise strategic information about the tourist base. The reward in an improved informational environment is more informed policy making by Curacao destination managers regarding destination marketing and product development, resulting in greater economic gains from international tourism.

Curacao is also faced with the challenge of maintaining a brand image; therefore, major emphasis should be placed

on understanding the consumer experience. Aligning the right marketing mix is crucial for delivering the expected results. The last two tourism master plans for Curacao (2005-2009, and the draft 2010-2014) point to some significant challenges pertaining to the marketing mix. A recent study by Croes (2010) confirms these challenges indicating a relatively low competitive position of Curacao in the Caribbean competitive set.<sup>2</sup>

A longitudinal analysis of the tourists’ perceptions and expenditure behavior will have an effect in the various business functions and processes throughout CTB and the tourism community in Curacao. This will then allow to:

- Better understand Curacao’s tourist base regarding what influences their tastes and preferences.
- Define proactive training practices geared to promote tourist loyalty, satisfaction, and increasing revenues.
- Disseminate factual information that could be of use in determining new or different product offerings as well as more effective and profitable promotions.
- Improve service flows with the goal of increasing patronage and customer loyalty.
- Standardization and structure of assessment instruments that focus on local market needs.

<sup>1</sup> See DPI (March, 2010). Report to the Curacao Commissioner of Tourism: Orlando, FL.

<sup>2</sup> See Robertico Croes, The Race to Tourism Competitiveness in the Caribbean: Can Curacao Finish First? Presentation for the Curacao Tourist Board Conference, Willemstad, March 18, 2010.



## The Investigation Process

For all of the years under investigation (2007 – 2009)<sup>3</sup>, the manner of which the tourist data was collected was in the form of an intercept survey that was executed at the airport in the departure terminals. The CTB data collectors intercepted the tourists in the waiting lobby for departure flights. In order to obtain an accurate representation of the geographic profile of arrivals to Curacao, the data collectors flagged a departure time slot that was highly concentrated with a specific geographic segment of tourists that was determined by the airline departure schedules. For example, if the Dutch represented 30% of arrivals to Curacao then the data collectors targeted approximately 30% Dutch in the departure terminals at the airport.

For the years of 2007 and 2008, the surveys were collected monthly. The monthly collection of data from the tourists included the last week of the month and the first week of the next month (for each month there were two surveys that were collected, the first and last week of each month). The current survey has been used the last three years in Curacao for data collection. The surveys prior to 2007 were not accessible.

### Survey Counts:

- Year 2007 = 1,938
- Year 2008 = 1,452
- Year 2009 = 250 (the data collection conducted for 2009 only occurred in the months of February and in March)

The Exit Tourist Survey instrument contained 12 questions that the data collectors asked the tourists. Each of the 12 questions included multiple sub questions. The survey measured the tourists' demographic profile, such as personal income, age, country of origin, as well as some behavioral characteristics, such as length of stay, travel motive, and travel planning, booking patterns, and travel expenditures, including lodging, food and restaurants, activities, entertainment, and shopping.

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<sup>3</sup> The year of 2009 was included in the data entry process but was removed from the data analysis. The removal of this year from the data analysis was necessary due to the limited amounts of data observations that were available.



## Organization of the Data

The CTB conducted the data collection process through use of the Tourist Exit Surveys that were administered to the tourists awaiting departure from the Curacao Airport. However, the data that was collected was not ever formally assessed. In partial fulfillment of the Tourist Exit Survey Data Processing and Analysis Plan, the first task assignment of the DPI was to create a system that could expedite data entry in order to make the data interpretable.

As such, a group of part-time employees were hired by the CTB with the specific assignment to code the tourist data collected for the years 2007 - 2009. To realize this task, the DPI provided training to the group of part-time employees for two full days and created a website supported by UCF for purposes of data entry. Please see the link below to access this website.

- [www.hospitality.ucf.edu/surveys/ves.htm](http://www.hospitality.ucf.edu/surveys/ves.htm)

The Director of Research, Christine Campagnard, communicated regularly with a DPI co-investigator, Manuel Rivera, regarding the most common emerging problems pertaining to the data base system and/or areas of the survey entry form that were difficult to follow.

The data entry process was verified and checked for accuracy (e.g. entry, and any duplicates of the surveys) were eliminated, if necessary. The data accuracy checks were first provided daily and then later as a weekly posting report.

Several of Ms. Campagnard's concerns pertaining to the survey/data entry included the following:

1. Number 9E: There were some problems. For example, if people were traveling in a group of four

and they reported USD1,000 in the expenditures data section entry per person, Ms. Campagnard was not always certain that it was a USD1,000 per person as opposed to USD250 per person.

2. Also, in the currency section of the survey, sometimes the data collector converted the tourists' expenditures but on 10F there are two or three currency listings.
3. Ms. Campagnard also acknowledged that there is a limitation of the data regarding the wide amount of currencies that are reported in the survey.

The data entry process was completed on Wednesday, July 21<sup>st</sup>, 2010 by the CTB. Analysis of the data entry accuracy and the necessary corrections that were required to maximize the use of the CTB data were assessed by the DPI and were completed on Friday, July 23<sup>rd</sup>, 2010. The data was then cleaned for consistency in entry format (e.g. USA vs. United States or Netherlands vs. NED).

This cleaning process was completed by the DPI on Monday, July 26<sup>th</sup>, 2010. However, due to time constraints (a period of less than one week) and the challenges that were encountered in converting multiple currencies from the expenditure section of the survey, this portion of the data assessment has been completed at the end of the first week in August, 2010 and the results for this section were accordingly forwarded to the CTB.

The completed database (with the exception of tourists' spending behavior) was then transferred into SPSS 17 for data analysis.

### Data Entry in SPSS

236 variables were created and entered into SPSS17 (Statistical Package for Social Science) for data assessment.



Due to the descriptive nature of the survey, and the structure of the questions that produced categorical information, the DPI was only able to generate descriptive statistics (i.e. percentages and cumulative frequencies) to analyze the tourists' demographic profiles and behavioral characteristics.

In the preliminary stages of the data assessment and in the discussions pertaining to the results that were generated, several initial recommendations for the future survey design and the administration of the survey emerged:

1. The question regarding the place of origin should be updated. Our recommendation is that this question should be changed from an open question to a categorical question that includes the top 10 visiting countries and the option to enter other. In the future, include in the new departure intercept survey, where the tourist is going (e.g. Are they going home? Are they continuing on to a different destination? Etc.)
2. In the future, additional information should be gathered with regards to the trip logistics. For example, visitors should be asked whether they visited another destination prior to their arrival to Curacao; and/or whether they are planning to visit another destination after their visit to Curacao.
3. In the future, additional attitudinal questions should be incorporated within the questionnaire. For example, there is a need to measure the destination's performance with regards to various elements of the tourists' experience.
  - a. Thought: because the leisure -vacation segment is the largest market segment arriving to Curacao, when developing the future survey ask the tourists for breakdowns in the hospitality - tourism industry pertaining to service satisfaction.

In order to make use of all of the available data provided by the survey instrument (both quantitative and qualitative), the DPI analyzed the qualitative portion of the survey and discussed the common themes emerging from the qualitative dataset. The following six factors were used as themes pertaining to tourism components/products that tourists liked the most or the least about Curacao.

1. Infrastructure (includes: destination infrastructure and infrastructure of hotels and restaurants)
2. Quality of the environment
3. Service quality (includes: hotel, restaurant, and airport)
4. Price and value
5. People (includes: culture, friendliness, liveliness, etc.)
6. Climate (SSS)

These six factors represent common tourists' preferences/tastes that are relevant for Curacao tourism promotions as well as in contributing to maintaining/improving the tourists' experience related to tourism products that may fall within these six factors.



## Potential Problematic Features of the Existing Tourist Exit Survey

Throughout the data analysis process we noticed that the survey not only reflected some validity issues but also appeared to be quite cumbersome for the tourist to answer; and, it generated some irrelevant information that does not assist in the assessment of the tourists' perceptions pertaining to different aspects of the destination that is/are not appealing to the tourists.

For example, when looking at the survey results, the level of satisfaction is highly skewed towards "very satisfied." However, repeat visits to the island are low. What is happening? Why is the data contradicting the numbers? It is the perception of the DPI that the face-to-face interaction between the interviewer in the airport who conducts and completes the survey for the actual tourist may be influencing the survey results.<sup>4</sup>

Additionally, some of the questions were not clear for the tourists. For example, the wording in question 4 that provided the option of "stay over" confused some tourists. Question number 2a pertaining to the area the tourist shopped in was not always understood by the tourist primarily because tourists are not always aware of the location at which they shopped. Another example may be found in question 2 regarding purpose of travel. The list of purposes is very long yet not reflective (entirely) of why people are traveling to Curacao (honeymoon travel segment is very small, as well as the conference/association segment) that it makes answering these questions tedious to participate in such a long survey. Another example is question 8D regarding the attractions that tourists visited. This could be an indicator that current identification signs

might need to be updated in order for the attractions to be recognized as a feature of significant tourist interest and appeal.

It is important to note, that the data collector calculated the expenses for the tourists in the individual expenditure categories on the survey. This introduces additional potential errors that may influence results in this section of the questionnaire. Additionally, there are several forms of currency that are listed on the survey. Most survey instruments will only include one form of currency to reduce the potential for error in the reporting of expenditures.

As previously mentioned, question number 10b lists multiple currencies, which seems to create some level of confusion for the tourists in how to report or calculate their total expenditure levels. Again, as previously alluded to in question 9e, the question inquires the amount or expenditure per person. However, many of the people are traveling in groups. Consequently, we do not know if the amount that they indicate is actually only for an individual or for an entire group. Additionally, there are some critical components or omissions of data that would be helpful in determining the sociodemographic profile of the tourists and the activities they engage in when visiting the island, such as gender and date of arrival.

Of larger concern, is the categorical and descriptive nature of the questions that are included within the Tourist Exit Survey. The level of data that was generated by the survey did not allow for the researchers to produce any mean (average) measurement for the distribution of tourists' age and level of income. This is a problematic feature of the existing survey in that it does not allow one to gain an understanding of the typical Curacao tourist, but rather only allows for the assessment of cumulative frequencies. When interpreting the data, the results are therefore mostly

<sup>4</sup> See, for example, Ryan, C. and Higgins, O, (2006). Experiencing Cultural Tourism: Visitors at the Maori Arts and Crafts Institute, New Zealand. *Journal of Travel Research*, 44(3), 308-317.



descriptive in nature, which does not allow researchers to extrapolate inferential statistical conclusions.

Consequently, more robust statistical testing is not possible and instead only traditional statistical procedures were supported by the data. Such limitation does not permit the researchers to test the directional relationship between variables. For example, categorical variables do not allow us to test the relationship between or among the following variables: satisfaction, intention to return, and the actual behavior of the tourist (repeat visitation). The following hypothesis could not be tested by the categorical variables generated by the existing Exit Tourist Survey:

*1) A tourists' intention to return to Curacao is due to the fact that the tourist is a repeat visitor, or is due to his/her level of satisfaction.*

With categorical data, we cannot determine whether the repeat visitation rate has a positive effect on the level of satisfaction. Nor may it be determined whether the components of a SSS product play a greater role in overall satisfaction than other components (e.g. prices, cultural and social factors, hospitality and tranquility).

In general, the research methods that are currently used (i.e. the survey questions, the data collection method, and the data entry processes) seem to provide too many opportunities for clerical errors/mistakes/misinterpretations that could hamper the quality of the data and increase the amount of assumptions that must be made to properly assess the data.

### **What Information May be Extracted from the Data?**

Potential research questions that may be analyzed from the data that was collected between the years of 2007 – 2008 will be primarily descriptive due to the ad hoc structure of the survey. After careful consideration from the data analysis the DPI focused on the following research questions:

#### **Potential Research Questions:**

1. What is the demographic profile of the visitors to Curacao?
2. What are the tourists' motivational factors for purpose of travel?
3. Do the motivational factors vary/differ between groups of travel?
4. What are the activities that each group participates in during their stay in Curacao?
5. What are the different lengths of stay and types of accommodations that are used by each group?

Due to the descriptive nature of the data, question number three (above) could not be tested.



## Findings

### Who are the Tourists (Customers)?

The tourists that are patronizing Curacao seem to be relatively young in age and of a lower income bracket. The age distribution (Table 1) shows that the majority of tourists are younger than forty years old (61%) and earn less than USD30,000 per year (53%).<sup>5</sup> One in every four is between 15 and 30 years old; six in every ten tourists is below 40 years old; and, eight in every ten is below 50 years old. The highest amount of repeat visitors to the island also comes from the 31-40 year old age bracket.

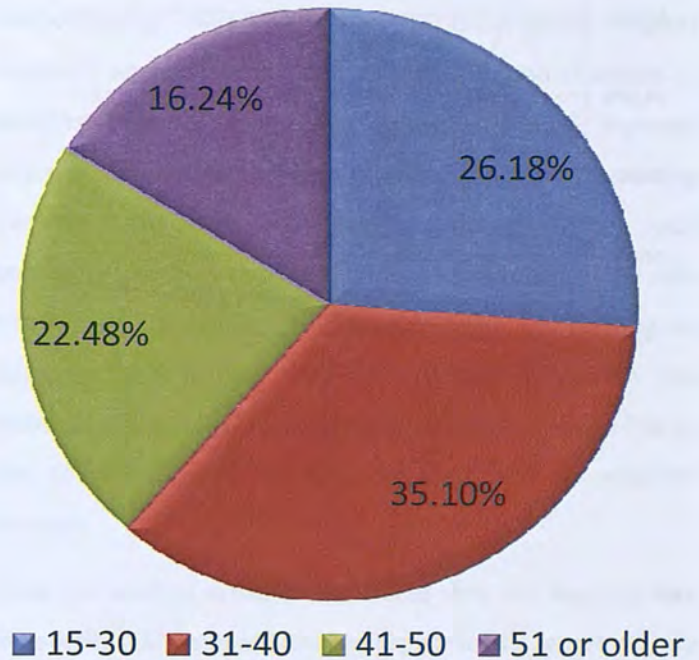
More than half of the tourists who come for purposes of leisure earn less than USD30,000 per year; seven out of ten earn less USD60,000 per year. For business travelers, four out of ten earn less than USD30,000 and six out of ten earn less than USD60,000. VFR, seven out of ten earn less than USD30,000 and nine out of ten tourists earn less than USD60,000.

**Table 1. Repeat Visitors: Age Distribution x Previous Visitation**

Age Group	First Timer	Repeat Visitor
15-30	29.03%	23.62%
31-40	35.34%	34.88%
41-50	21.65%	23.23%
51 or older	13.98%	18.28%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>5</sup> The Tourism Masterplan 2005 – 2009 identified the competitive set of Curacao. In that identification, Aruba was listed as a competitor. Therefore, the study has used Aruba as a benchmark to compare the performance of Curacao. These demographic characteristics are in contradiction to those of Aruba (which is listed as a competitor in the competitive set of Curacao). The age distribution, in the case of Aruba, indicates that only 26% of the tourists patronizing Aruba are younger than 40 years old, while 55% of the tourists earn more than USD55,000 per year.

**Figure 1. Age Distribution**



It seems the wide majority of the tourists arriving to the island have a family unit household. Seven out of ten leisure travelers have a family with children back at home but more than 50% of this market segment is currently earning less than USD30,000. However, 75% of them do have a full time job. Only 7.5% of the leisure travelers arriving to the island are retired. And, first time visitors to the island also tend to be slightly younger in age and earn less income than repeat visitors. The above mentioned figures are of concern to Curacao in that there is a strong correlation between level of income earned and tourists' expenditure receipts. Using cumulative frequencies to assess the data, it is apparent that the type of tourist that is currently arriving to Curacao may not have the discretionary income to contribute substantially to the increase in tourism receipts.



Figure 2. Tourists' Income from 2007 to 2008

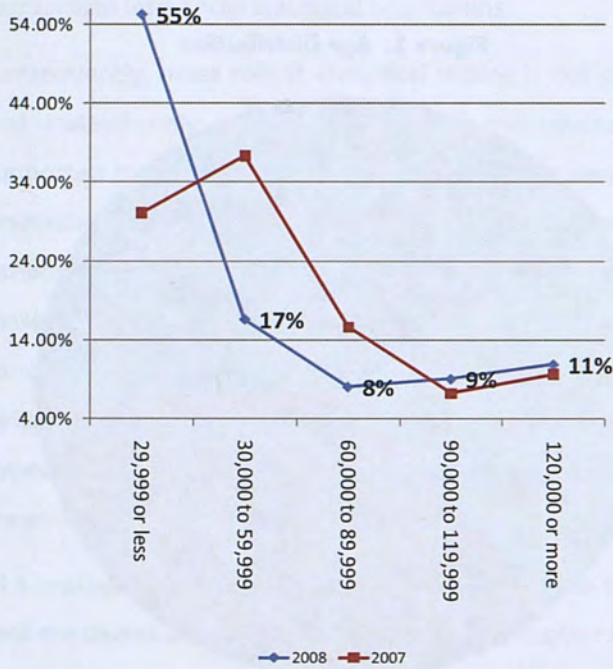
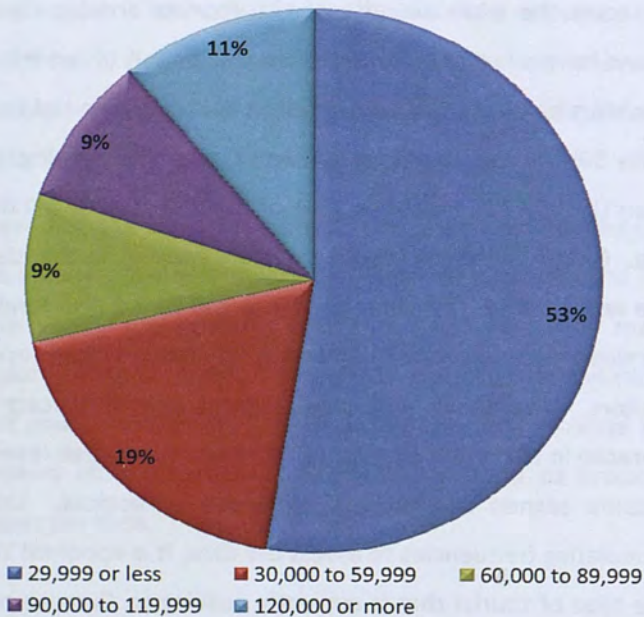
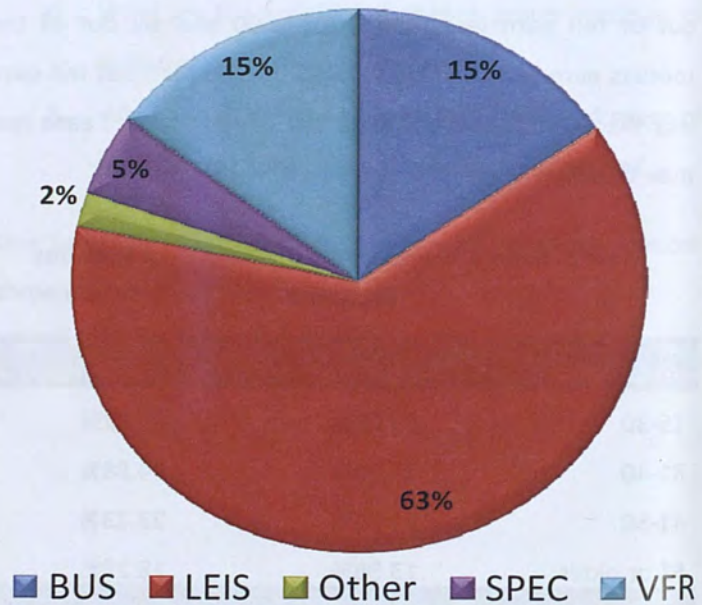


Figure 3. Tourists' Income



The overwhelming majority of the tourists who visit Curacao arrive for vacation/leisure purposes (63%) followed by visiting friends and relatives (VFR) (15%) and business travelers (15%). Tourists mentioned several other main reasons regarding why they chose Curacao as a tourism destination. These reasons included the following: scuba diving, honeymoon, and attending a conference. However, the DPI collapsed these other reasons mentioned by tourists and referenced them as "Other." The collapse of these categories into one category was done because only 5% of the tourists mentioned these reasons as motive for destination selection.

Figure 4. Arrivals by Purpose of Travel from 2007 to 2009





**Table 2. Arrivals by Purpose of Travel by Year**

	2007	2008	Total
LEIS	60%	65%	62%
BUS	17%	13%	15%
VFR	16%	14%	15%
SPEC	5%	5%	5%
Other	2%	2%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Table 3. First Time/Repeat Visits: Arrivals by Purpose of Travel**

	2007	2008	Total
<b>First Timer</b>	<b>39%</b>	<b>54%</b>	<b>45%</b>
BUS	3%	6%	4%
LEIS	31%	42%	36%
Other	0%	1%	0%
SPEC	2%	3%	3%
VFR	2%	2%	2%
<b>Repeat Visitor</b>	<b>61%</b>	<b>46%</b>	<b>55%</b>
BUS	13%	8%	11%
LEIS	29%	24%	27%
Other	2%	2%	2%
SPEC	3%	2%	2%
VFR	14%	11%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Interestingly, culture was not mentioned as a main tourist motive to visit Curacao. This is in contradiction to the Curacao Tourism Masterplan 2005 - 2009<sup>6</sup>, which considered/valued culture as one of the main reasons why a tourist *should* visit Curacao.

<sup>6</sup> The figures indicated above are not consistent with those mentioned in the Draft Strategic Tourism Masterplan for the Island of Curacao, 2010 - 2014 (December 2009), pages 23-24.

When selecting Curacao as their destination, tourists seem to rely heavily on distribution channels and only marginally on direct buying from local providers. For example, the overwhelming majority of the vacation/leisure market segment, approximately 90%, uses distribution channels to purchase Curacao as a product and only 1% of this segment buy direct. This may be an indication that tourists visiting Curacao perceive risk in dealing with local providers/suppliers and therefore are less likely to book with local small companies. The tourists who are arriving to Curacao tend to use very little information from the websites while only 2/3 would stay in hotels. One in five of the tourists arriving to Curacao purchased a vacation package.

Once the tourists arrive to the island they are likely to stay for a week. For example, the average tourists' length of stay is approximately seven nights. Most of them do not rent transportation (automobile or bike). Only half of the tourists visiting the island eat in a restaurant during their seven-day stay in Curacao. The travel size of the groups arriving to Curacao is approximately 1.8. The mobility of the tourist around the island is very little with the most popular attractions by far consisting of the downtown area and the beaches. Tourists indicate that their level of engagement in "other" activities is very low. This could be an indication of either a low level of tourist awareness of the existence of attractions on the island, the lack of appeal of those attractions, or deficiencies in the packaging of the attractions. Regardless of the reason, the result appears to be a low level of tourist interest/appreciation for Curacao's heritage assets.



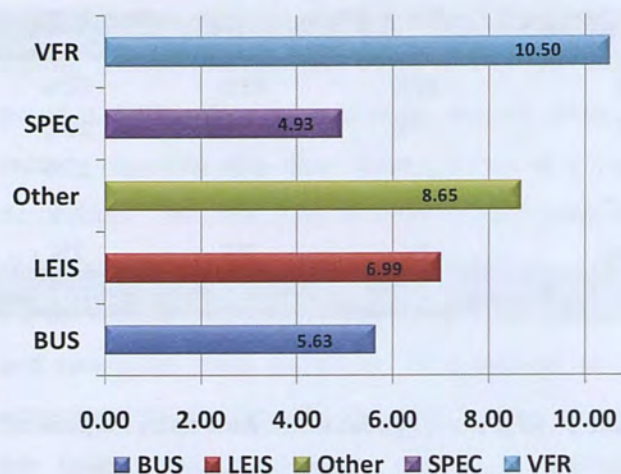
**Table 4 Distribution Channels Used by Purpose of Travel**

	2007	2008	Total
<b>Airline</b>	<b>45%</b>	<b>36%</b>	<b>41%</b>
BUS	10%	4%	7%
LEIS	24%	23%	24%
Other	1%	1%	1%
SPEC	2%	2%	2%
VFR	8%	7%	8%
<b>Hotel</b>	<b>1%</b>	<b>3%</b>	<b>1%</b>
BUS	0%	0%	0%
LEIS	0%	2%	1%
SPEC	0%	0%	0%
VFR	0%	0%	0%
<b>Travel Agency</b>	<b>55%</b>	<b>61%</b>	<b>57%</b>
BUS	8%	9%	8%
LEIS	35%	40%	37%
Other	1%	2%	1%
SPEC	3%	3%	3%
VFR	8%	8%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Table 5. Length of Stay by Previous Visit**

	2007	2008	Total
First Timer	6.56	6.36	6.54
Repeat Visitor	7.44	7.86	7.60
<b>Total</b>	<b>7.10</b>	<b>7.05</b>	<b>7.08</b>

**Figure 5. Length of Stay by Purpose of Travel**



**Table 6. Activities by Year**

	2007	2008	Total
Boat Trip by Year	5%	10%	7%
Sightseeing w/ Taxi	12%	30%	20%
Sightseeing w/ Bus	7%	19%	12%
Sightseeing w/ Tour	10%	14%	11%
Sightseeing w/ Car	31%	40%	35%

*\* Tourist percentage that answered YES*

The overall tourists' satisfaction ratings for Curacao's tourism product appear very high. The satisfaction ratings are also supported by the tourists indicating that they are "very likely" to return to the island. However, there is a problem when assessing the data in that the arrival patterns to Curacao are predominantly first time tourists; making repeat visits much lower. When analyzing the data, we see that 45% of arrivals to Curacao are first time tourists, while 55% are repeat visitors. Thus, there appears to be an increasing tendency towards first time arrivals.<sup>7</sup> In addition, there seems to be a negative correlation between level of

<sup>7</sup> Again, this result is inconsistent with the tourists profile in Aruba where 65% are repeat visitors and only 35% are first timers.



satisfaction, intention to return, and the frequency of visits. In other words, repeat visitors seem less likely to return to the island as they increase their visitation frequency to Curacao. This trend may be detrimental to the goal of increasing tourism expenditure receipts as it is typically the repeat visitors that are more likely to spend more money while visiting a destination. In addition, a low degree of customers' loyalty to Curacao could imply that service providers do not see short term benefits from providing the required services of quality as those tourists leaving the island will not come back.

The contradiction between tourists indicating high levels of satisfaction and high levels of the likelihood to return to the island presents an interesting paradox where we observe an adverse effect in the arrival numbers. If tourists are highly satisfied and highly likely to return to the island – then *why* do we observe an increasing trend towards first time arrivals? Tourist products such as leisure depend on overall satisfaction derived from the total product incorporating experiences from weather, hospitality, crime and many other factors outside of the realm of the core product.

Examinations of those tourists who are returning to the island indicate that they appear to be either culturally and/or geographically closer to Curacao (i.e. the Dutch and the Aruban market segments). In assessing the frequency of the “most liked” items mentioned by the most prominent markets, it is clear that no single component of the experience appears both as salient and memorable. This means that there is no single component of the Curacao product that really excites the tourists. This could be both a good or bad attribute of the Curacao product. Either the whole experience excites the tourists or not much is exciting the tourists (i.e. the island attributes are not viewed as unique.)

The evaluation of tourists' post-trip satisfaction considers the totality of the experience while at the destination. This “totality” of the experience incorporates some factors that are within the control of the CTB (Curacao) and many factors that are not directly within the control of the CTB (e.g. weather, hospitality, crime, etc.) The factors that the CTB may have some control over that encompasses this totality of the tourists' experience may include the following: attractions, transport services, accommodation, restaurants, service level, hosts, etc. It is important for the CTB to determine the weak links in the service value chain that may disintegrate the totality of the tourists' experience while visiting Curacao.



### The Planning and Organization of the Tourists Visit to Curacao

Across all of the types of first time travelers there is an overwhelming majority that plan less than three months in advance. This behavior is also similar to what is observed in the repeat visitors segment. For all market segments, there seems to be an increasing shorter lead-time in the planning and in the purchase of the tourists' actual trip to Curacao. (The Percentages below are the aggregate amount of the 2007 and 2008 columns in Table 7.)

- 26.6% of the first time tourists and approximately 51% of repeat tourists planned their trip to Curacao in less than a month
- Almost 40% of the first timers and approximately 35% repeat tourists planned their trip to Curacao in one to three months
- More than 70% of the total arrivals to Curacao planned their trip in less than three months
- 35.5% of the first timers book their trip to Curacao in less than a month
- 38% of the first timers book their trip to Curacao in less than three months
- 75% of the first time arrivals book their trip to Curacao in less than three months

The decreasing lengths of lead-times in the booking process could incrementally affect the pricing strategy of Curacao's hotels. This is because the shorter the lead-time used by the tourist the more uncertain hotel managers may become regarding their ability to sell the available room supply. The reaction of managers, then, is to typically reduce room rates to increase demand. During our visits on the island, we noticed this tendency of managers to lower room prices. In addition, the almost monopoly control of the travel agents of the product Curacao seems to leave little room for exercising any pricing strategy by the local hotels

Table 7. Lead-time in Planning Trip to Curacao

	2007	2008	Total
<b>First Timer</b>	<b>39%</b>	<b>54%</b>	<b>45%</b>
Less than one week	1%	2%	1%
1 to 2 weeks	3%	4%	3%
2 to 4 weeks	9%	8%	8%
1 to 3 months	16%	20%	18%
3 to 6 months	7%	12%	9%
More than 6 months	3%	8%	5%
<b>Repeat Visitor</b>	<b>61%</b>	<b>46%</b>	<b>55%</b>
Less than one week	4%	4%	4%
1 to 2 weeks	9%	5%	7%
2 to 4 weeks	19%	10%	15%
1 to 3 months	18%	16%	17%
3 to 6 months	9%	7%	8%
More than 6 months	3%	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

It appears; that prior to their arrival, the information the tourists use and receive is either from travel agencies or the airline companies. Other sources for tourist information attainment are rather low, such as websites. For example, the Curacao website [www.Curacao.com](http://www.Curacao.com) was 1% in 2007 and 4% in 2008<sup>8</sup>. These results might indicate that a miss opportunity exists to expand the communications via the Internet. Contrary to other destinations, Curacao might be missing an opportunity to convert information seekers to actual customers<sup>9</sup>.

<sup>8</sup> Unlike Curacao, the main source of information for tourists visiting Aruba is personal recommendation from repeat visits and friends or relatives (77.1%).

<sup>9</sup> There is also a close to zero conversion rate between cruise visitor and stay-over tourist on the island, seemingly exacerbating this problem.



**Table 8. Distribution Channels**

	2007	2008	Total
Travel Agency	55%	61%	57%
Airline	45%	37%	41%
Hotel	1%	3%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Table 9. Online Distribution Channels**

Online Website	2007	2008	Total
Curacao.com	1%	4%	2%
Travelocity.com	2%	1%	1%
Expedia.com	1%	2%	1%
Orbitz.com	0%	1%	1%
Opodo.com	0%	0%	0%
Vliegwinkel.com	0%	1%	0%
Other.com	1%	3%	2%

**Tourists' Activities**

In 2008, only one out of ten tourists participated in a boat trip, three out of ten went sightseeing by a taxi, two out of ten went sightseeing on a bus, four out of ten tourists went sightseeing with a car, and one out of ten did a sightseeing tour. In terms of activities, the activities that are the most popular are visiting attractions (30.15%), visiting entertainment venues (19.46%), snorkeling (14.98%), and scuba diving (19.8%).

Water sports, fishing, sailing, tennis, and golf are all activities with 1% or less of tourist engagement. This result seems rather surprising because Curacao promotes itself as a SSS destination. Perhaps, this is due to tourists not being aware of the existence of these activities, or that the activities lack the appropriate level of sophistication/quality, and/or that the activities are underdeveloped (positioned

as products. In terms of the activities that are the most popular for tourists to participate in by descending order are: the downtown area, the beach, the sea aquarium, the west side area, and the Dolphin Academy.

All of the other activities listed in the survey such as: Museum Kura Hulanda, Shete Boca Park, Fort Amsterdam, Synagogue, Fort Nassau, Liqueur Factory, Fort Church, and Curacao Museum, etc. are activities that post less than 10% visited by tourists.

**Table 10. Top 10 Visited Attractions**

Attraction	2007	2008	Total
Downtown	80%	71%	72%
Otrabanda	61%	63%	58%
Beach	65%	45%	53%
Seaquarium	29%	37%	31%
Floating Market	22%	31%	25%
Westside Area	25%	14%	19%
Dolphin Academy	15%	18%	15%
Hato Caves	8%	11%	9%
Osterich Farm	11%	9%	9%
Christoffel Park	9%	10%	9%

In terms of entertainment, less than half of the tourists visited restaurants (48.9%), one in five tourists went to casinos/nightclubs/bars/pubs, and less than 3% attended folkloric shows and music shows. The low level of tourists' food and beverage consumption from the hospitality firms in Curacao, diminishes the opportunity for job creation and the wider ripple effects of tourism spending in the local economy.

The low level of mobility on the island seems to reflect the lack of positioning for the product Curacao. By not knowing



exactly what the product stands for, tourists are less likely to engage in activities or visit attractions; thus, withdrawing some of the potential economic benefits that could be continuously accruing to the island.

**Table 11. Participated in Entertainment Activities**

Attraction	2007	2008	Total
Restaurants	51.60%	44.83%	48.90%
Casinos	21.58%	25.10%	21.70%
Nightclub	19.41%	21.79%	19.66%
Bar/Pub	15.22%	26.14%	19.11%
Folkloric Show	3.31%	1.93%	2.56%
Music Show	0.83%	3.10%	1.68%

**Primary Target Audiences (Nationality)**

The four major markets for both first time arrivals and repeat visitors to Curacao are as follows:

1. The Netherlands
2. Venezuela
3. USA
4. Aruba

**Table 12. Arrivals by Country**

	2007	2008	Total
Venezuela	26%	39%	31%
Netherlands	25%	21%	24%
Other	17%	24%	20%
USA	25%	14%	20%
Aruba	8%	3%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The Curacao destination seems overwhelmingly dependent on the Netherlands and Venezuela, accounting jointly for 60% of the market, while the USA only represents 20% of the market. These figures are in stark contrast to the figures in the Curacao Tourism Masterplan of 2005 - 2009 that

referenced the goal of increasing the USA market to 35% in 2009. The dependence on the segments of the Netherlands and Venezuela (one geographically considered a long haul which is vulnerable to the erratic fluctuations of fuel prices and strongly influenced by exchange rate conditions; and, the other being prone to economic and political instability, respectively) does not provide the necessary consistency for Curacao in terms of forecasting arrival and tourist receipts.

Consequently, Curacao has one of the highest standard deviations regarding spending per arrival in the Caribbean, thus constraining the investment potential to upgrade the hospitality industry on the island. The outcome of the reliance on these two markets has made business planning and development difficult, which seems reflected in the low level of sophistication and quality service by several services providers as indicated by the current Tourism Masterplan draft.

The tourists from the Netherlands seem to stay longer than tourists from the other countries. For example, the Dutch tend to stay twice as long as Americans and Arubans, and three times as long as Venezuelans. However, less than half of the Dutch tourists stay in a hotel compared to 89% from the USA and 68% of the tourists from Venezuela. Most of the Dutch indicate that they tend to stay at homes of friends and relatives. When compared to the Venezuelan market, one in every four Venezuelans stay at a friend/family member's house and one in every ten of the Americans stay in a friend/family member's house. Collectively, only 65% of Curacao's tourists stay in hotels, while 25% stay with family and friends.<sup>10</sup> First timers tend to stay more at hotels compared to repeat visitors.

<sup>10</sup> In the case of Aruba, only 10% of tourists visiting Aruba stay with friends and relatives, while 90% stay in hotels.



**Table 13. Accommodation by Country**

	2007	2008	Total
<b>Aruba</b>			
Apartment	1%	14%	4%
Friends and Relatives	62%	39%	56%
Hotel	36%	47%	39%
Other	1%	0%	1%
	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Netherlands</b>			
Apartment	13%	17%	15%
Friends and Relatives	37%	29%	33%
Hotel	47%	48%	48%
Other	3%	7%	4%
	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>USA</b>			
Apartment	0%	4%	1%
Friends and Relatives	7%	6%	7%
Hotel	91%	83%	89%
Other	2%	7%	3%
	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Venezuela</b>			
Apartment	1%	12%	6%
Friends and Relatives	20%	26%	24%
Hotel	78%	61%	68%
Other	1%	2%	2%
	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Other</b>			
Apartment	2%	8%	5%
Friends and Relatives	38%	21%	29%
Hotel	59%	69%	64%
Other	2%	2%	2%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Table 14. Length of Stay by Country**

	2007	2008	Total
Netherlands	11.38	12.76	12.16
Other	6.75	6.84	7.02
USA	5.89	6.99	6.21
Aruba	6.63	4.16	6.00
Venezuela	4.49	4.49	4.48
<b>Total</b>	<b>7.09</b>	<b>7.05</b>	<b>7.22</b>

The Dutch also tend to purchase travel packages more than any of the other countries (one in three Dutch uses a travel package). Of the Dutch travel packages that are sold, 80% of them are purchased for purposes of vacation/leisure to Curacao. And, within the 80% of the Dutch travel packages sold for vacation purposes, the following represent the percentages of tourism products that are included in the general travel packages purchased.

**Table 15. Services in Travel Package**

<b>Included in Travel Package</b>	
Airfare	62%
Room	56%
All inclusive	53%
Airport tax	38%
Breakfast	34%
Transfers	27%
Dinner	16%
Lunch	16%
Dive trips	5%
Tours	4%
Car	4%



**Table 16. Purchase of Vacation Package**

	2007	2008	Total
No	84%	75%	81%
Yes	16%	25%	19%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Table 17. Purchase of Vacation Package by Country**

Country	Yes
Netherlands	33.67%
USA	29.24%
Other	22.40%
Venezuela	14.12%
Aruba	0.57%
<b>Total</b>	<b>100%</b>

**Table 18. Type of Vacation Packages Purchased**

	2007	2008	Total
Vacation Package	84%	74%	79%
Convention/Incentive	2%	10%	6%
Honeymoon Package	5%	6%	5%
Dive Package	5%	5%	5%
Other	3%	4%	4%
Special Event Package (Carnival)	1%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Factors of the Curacao Tourism Product that are Liked the Most & the Least**

**Satisfaction of Return**

Seven out of ten tourists indicate that they are “very satisfied” with their experience in Curacao, and two out of ten tourists indicate that they are “satisfied.” This equates to a total of nine out of ten persons indicating that they are

satisfied with their visit to Curacao. However, after analyzing the data, one may observe that the tourists’ level of satisfaction decreases after the second trip to Curacao and continues to decrease with the more repeat visits to the island.

Among the travel segments, the leisure tourist tends to be more satisfied than the business segment and the VFR segment. From a country origin perspective, Venezuelans tend to rank the level of satisfaction higher when compared to that of the Netherlands, the USA, and Aruba.

The level of satisfaction indicated by tourists from all market segments seems surprising. The numbers are not consistent with the research literature regarding high levels of satisfaction and repeat visits. While Curacao’s first time tourists are posting a relatively high number of people that indicate they are “very satisfied” and “very likely to return” - we observe a decreasing trend of repeat visitations to the island.

**Table 19. Satisfaction of Curacao Product: First Timer vs. Repeat Visitor**

Ranking	First Timer	Repeat Visitor	Total
Very Satisfied	74.13%	70.05%	71.91%
Satisfied	20.20%	25.22%	22.94%
Somewhat Satisfied	4.85%	4.52%	4.67%
Not Satisfied	0.82%	0.21%	0.49%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**Table 20. Satisfaction of Curacao Product by Country**

	Very Satisfied	Satisfied	Somewhat Satisfied	Not Satisfied
<b>Aruba</b>	55.38%	43.55%	1.08%	0.00%
<b>Netherlands</b>	72.63%	26.53%	0.84%	0.00%
<b>USA</b>	74.85%	23.26%	1.74%	0.15%
<b>Venezuela</b>	78.11%	11.99%	9.17%	0.73%
<b>Other</b>	62.38%	30.55%	5.94%	1.13%
<b>Total</b>	71.81%	23.04%	4.67%	0.48%

As previously alluded to, the structure of the survey does not allow us to draw inferential conclusions regarding the directional relationship between these concepts (satisfaction and repeat visits). Therefore, the qualitative portions of the questionnaire (i.e. the open ended questions) were coded into 15 factors that were then collapsed into six factors and coded into SPSS 17 as follows:

1. Infrastructure
2. Quality of Environment
3. Service Quality
4. Price and Value
5. People and Culture
6. SSS

In general, tourists seem to like the attributes of a triple SSS product (32%), the people of the island (27%), and Curacao's infrastructure (24%). The quality of the environment, service quality, and price/value scored less than 10% for the tourism components that tourists liked the most. These low percentages are of concern if Curacao would like to increase the repeat visitation levels to the island.

**Table 21. Satisfaction of Curacao According to Purpose of Travel**

	Very Satisfied	Satisfied	Somewhat Satisfied	Not Satisfied
<b>LEIS</b>	74.19%	20.84%	4.33%	0.64%
<b>BUS</b>	69.76%	23.93%	6.31%	0.00%
<b>VFR</b>	68.26%	29.45%	2.29%	0.00%
<b>SPEC</b>	67.06%	20.59%	10.59%	1.76%
<b>Other</b>	59.42%	34.78%	5.80%	0.00%
<b>Total</b>	71.98%	22.87%	4.67%	0.49%

The tourists from Venezuela, USA, and the Netherlands ranked the tourism attributes they liked the most in a similar fashion to what is mentioned above from the general tourist population.

**Table 22. Curacao Product Attributes Liked the Most by Purpose of Travel**

Segment	SSS	People/ Culture	Infrastructure
<b>BUS</b>	30%	31%	24%
<b>LEIS</b>	35%	26%	23%
<b>SPEC</b>	29%	28%	25%
<b>VFR</b>	27%	29%	28%
<b>Other</b>	32%	20%	20%
<b>Total</b>	32%	27%	24%

Segment	Quality Environment	Service Quality	Price- Value
<b>BUS</b>	9%	4%	2%
<b>LEIS</b>	10%	4%	2%
<b>SPEC</b>	8%	5%	4%
<b>VFR</b>	9%	3%	3%
<b>Other</b>	10%	10%	7%
<b>Total</b>	10%	4%	3%



**Table 23. Curacao Product Attributes Liked the Most by Country**

Country	SSS	People/ Culture	Infrastructure
Venezuela	34%	24%	25%
USA	31%	26%	27%
Netherlands	31%	29%	24%
Aruba	36%	29%	22%
Other	32%	30%	22%
<b>Total</b>	<b>32%</b>	<b>27%</b>	<b>24%</b>

Country	Quality Environment	Service Quality	Price- Value
Venezuela	10%	3%	3%
USA	9%	5%	2%
Netherlands	10%	4%	2%
Aruba	10%	2%	1%
Other	10%	4%	3%
<b>Total</b>	<b>10%</b>	<b>4%</b>	<b>3%</b>

It is interesting when interpreting the qualitative data that only one out of ten tourists indicated that the tourism attributes they liked the most were related to factors that may be directly controlled by Curacao, or that could be adjusted within a shorter time interval. The attributes that the tourists indicated they liked the most were related to the attributes of a SSS product. However, this does not give Curacao a comparative advantage over other SSS destinations. Curacao has no ability to control these attributes (e.g. the sun in Curacao is the same sun in Aruba). Additionally, some of the tourists indicated that they liked the people and infrastructure; but, again, these components of the tourism product are either not in the direct control of Curacao or are long-term when it comes to adjusting problematic features of a specific attribute (e.g. infrastructure).

**Table 24. Curacao Product Attributes Liked the Most by Previous Visit**

Attributes	First Timer	Repeat Visitor	Total
SSS	36%	30%	33%
People/Culture	26%	29%	27%
Infrastructure	21%	26%	24%
Quality Environment	11%	9%	10%
Service Quality	4%	4%	4%
Price/Value	2%	3%	3%

The assessment of the qualitative data reveals that there appears to be a breakdown in several fundamental components of service in the hospitality and tourism industry<sup>11</sup>. These components include the following:

**1. Technical quality of the tourism product**

Technical quality of the tourism product pertains to the physical attributes of the destination and/or hospitality and tourism firms that serve the tourists. For example, many of the tourists reported on their surveys that they did not like the level of the cleanliness in the city areas, cleanliness of the hotel rooms and reception areas, cleanliness of public restrooms, long lines at the airport (slow movement), some of the casinos looked old, litter in the landscape, slummy neighborhoods, not enough road signs, signage on attractions, physical appearance of some attractions, smell of the oil refinery, etc<sup>12</sup>.

<sup>11</sup> Gronroos, C. (1994). A service quality model and its marketing implications. *European Journal of Marketing*, 18(4), 36-44.

<sup>12</sup> This is an opportunity for the CTB to take leadership in the protection of the product image and educate the responsible agencies regarding the customer's perceptions of Curacao.



## **2. Functional quality of the tourism product**

Functional quality of the tourism product is the interactive level of services (or expressive performance) between employees (hotel, restaurant, attractions, activities, store workers, airport staff, etc.) and/or local residents towards the tourists. For example, the qualitative data indicated that there was a breakdown with local residents regarding level of friendliness, people were incompetent, language barriers, “afstandelijk” (people are not engaging), “falta atencion,” etc.

## **3. Image quality of the tourism product**

Image quality of the tourism product also encompasses breakdowns with technical and functional quality of the tourism product. But, the breakdown also occurs because the tourists’ expectations that were developed by the promotional/marketing materials of Curacao were not delivered/available when the tourist arrived on the island. This infers that hospitality and tourism firms are not meeting tourists’ expectations that were developed prior to their arrival on the island. The tourists’ expectations that are not met are not being satisfied due to a misrepresentation of the tourism product in the collateral materials.

The qualitative portion of the data analysis indicated that tourists felt there were breakdowns in what they expected from promotional/marketing materials of Curacao to what they received when they arrived. For example, some tourists indicated that there was a decay of the tourism product from what it once was, others were disappointed in the amount of hotels that were available, complaints regarding that the tourists thought there would be more to do (activities), tourists indicating that they thought the atmosphere was unfriendly in comparison to what they expected regarding the Caribbean, breakdowns in cleanliness, crime levels, and tourists indicated they were disappointed with the rocky beaches.

However, when considering the technical, functional, and image quality of the tourism product in Curacao, there are direct components, attributes, and products that Curacao does have direct control over (e.g. service quality, price/value, and the quality of the environment) which are all frequently mentioned as a least liked attribute of the island. This is a reflection of a problem with the hospitality and tourism industry regarding the level of service that employees provide and the technical (aesthetic) quality of the environment and the tourism product.



**What Did Tourists Like the Least?**

- 29% indicated they disliked the infrastructure the most
- 23% indicated they disliked the culture/people the most
- 16% indicated that they disliked the quality of the environment the most
- 9% indicated that they disliked the service quality the most
- 9% indicated that they disliked the price/value of the tourism product the most

The most critical tourists regarding the infrastructure were the Venezuelans and the Americans. The most critical regarding the people of the island and the culture were the Dutch and the Americans. For the quality of the environment, all three of the segments voiced the same complaints. Those complaining the most about the service quality are the Dutch and the Americans. And, all three market segments complained about the price/value of the tourism product.

The hospitality and tourism industry is quite fragmented with the variety and different levels of tourism products. Because of this, it is important to gain an understanding pertaining to where the breakdown in delivering exceptional service and high levels of quality tourism products is failing (e.g. restaurants? hotels? airport?)

**Table 25. Like the Most: First Timers vs. Repeat Visitors**

Attributes	First Timer	Repeat Visitor	Total
Infrastructure	29%	28%	28%
People/Culture	23%	23%	23%
Quality Environment	17%	15%	16%
SSS	15%	15%	15%
Service Quality	7%	10%	9%
Price/Value	8%	9%	9%

**Table 26. Like the Least by Purpose of Visit**

Attributes	BUS	LEIS	SPEC	VFR	Other	Total
Infrastructure	27%	29%	29%	31%	24%	29%
People/Culture	25%	22%	22%	26%	28%	23%
Quality Environment	15%	16%	15%	18%	8%	16%
SSS	13%	15%	14%	18%	8%	15%
Service Quality	10%	10%	9%	3%	4%	9%
Price/Value	10%	9%	11%	4%	28%	9%



**Table 27. Like the Least by Country**

Attribute	Venezuela	USA	Netherlands	Aruba	Other	Total
Infrastructure	30%	30%	26%	26%	28%	29%
People/Culture	20%	24%	27%	16%	26%	23%
Quality Environment	16%	16%	14%	22%	17%	16%
SSS	17%	15%	12%	13%	13%	15%
Service Quality	7%	8%	12%	9%	8%	9%
Price/Value	9%	8%	9%	14%	8%	9%

**Spending by Stay-Over Tourists**

The average spending per tourist in 2007 was USD847 with an average length of stay of 7.09 days and an average party (group) size of 1.77 persons. The US tourists had the highest spending per day. Tables 29 and 30 reveal the spending per tourist according to the country of origin. The tourists from the Netherlands had the highest spending per stay followed by the US and Venezuela. However, the Dutch represented less than 60% of the American tourists' spending per day.

Table 28 reveals tourists' spending behavior with regards to hotels, meals, transportation, nightlife, and shopping. The US tourists spend the most in hotel accommodations and meals, where as the Dutch tourists spend the least amount of money in accommodations. Venezuelans spend the least in terms of meals but spend the most on shopping while visiting Curacao. Arubans spend the most on hotels and shopping.

Table 28 presents the overall spending behavior of tourists in 2008. It reveals that 51% of the travel budget was spent on hotels and meals, and that only 2% was spent on activities.

In 2008, the average spending per tourist per stay was USD750 which is a significant drop when compared to the previous year (see Table 31). This drop may be attributed to the "Venezuelan Effect"<sup>13</sup>

**Table 28. Tourist Spending Behavior 2008**

Tourist Spending Behavior	
Hotel	32%
Meals	19%
Transportation	9%
Activities	2%
Nightlife	4%
Shopping	34%
Total	100%

<sup>13</sup> The Venezuelan Effect refers to the policy taken by the Venezuelan government of 2008 to put a cap on the spending capacity of the Venezuelans abroad.



**Table 29. Tourist Spending Behavior 2007**

Tourist Spending Behavior					
	Aruba	Netherlands	USA	Venezuela	Other
Hotel	38%	42%	49%	36%	41%
Meals	21%	20%	18%	12%	16%
Transportation	12%	17%	13%	11%	11%
Activities	2%	2%	2%	1%	2%
Nightlife	3%	4%	3%	4%	2%
Shopping	24%	15%	14%	36%	27%
	100%	100%	100%	100%	100%

**Table 30. Tourist Profile 2007**

Tourist Profile				
	Per Tourist Spending	Length of Stay	Average Party Size	Per day Spending
Aruba	\$345	6.63	1.48	\$52
Netherlands	\$845	11.38	2.01	\$74
USA	\$1,102	5.89	1.90	\$187
Venezuela	\$726	4.49	1.69	\$162
Other	\$885	6.75	1.52	\$131

**Table 31. Tourist Profile 2008**

Tourist Profile			
Per Tourist Spending	Length of Stay	Average Party Size	Per day Spending
\$750	7.04	1.84	\$107



## Conclusions and Recommendations

There is valuable insight from the results of this study regarding what the current Tourist Exit Survey is *not* capable of generating in terms of statistical inferential conclusions. Many of the tourists that were polled in the departure terminals at the airport indicated that they were highly satisfied with the level of their experience while visiting Curacao; yet, the repeat visits to Curacao do not necessarily support this claim.

This may be due to several problems with the data collection method pertaining to the face-to-face interaction between the tourist and the data collector who was filling in the survey for the tourists. Ms. Campagnard informed the DPI that the CTB does have access to computer devices that would allow the tourist to complete the survey, thereby allowing them to have anonymity of their opinions regarding the Curacao product. The use of such computer devices may garner more reliable and valid results associated with the levels of satisfaction and intention to return to the island.

The descriptive analyses of the data that was collected from 2007 – 2009 did allow for the DPI to develop a snapshot picture of the characteristics of the type of tourists that are patronizing Curacao. However, some of these statistics represent figures that may not contribute to or be supportive of the development and maximization of the economic benefit of the tourism product in Curacao. For example, the young tourist who does not earn a substantial income, the lack of retirees frequenting the island, the inability for tourists to identify the attractions they visited, the void of tourists participating or motivated by cultural tourism aspects, the lack of some segments staying in hotels, etc.

It is not possible for any one destination to appeal to all potential tourists. It is also not possible for a destination to

appeal to the “buying tourists” in the same way. The DPI was able to identify four major segments that are purchasing the tourism products in Curacao. Those markets include the following: the Netherlands, Venezuela, the USA, and Aruba. However, the type of tourist that is arriving from these geographic locations seems to possess at least one of several problems that are not contributory to the economic welfare of the tourism industry:

- 1) The tourist is young and does not earn a substantial income
- 2) The tourist is not mobile about the island
- 3) The tourist is not staying in hotels
- 4) The tourist is not using the direct marketing channels
- 5) The tourist is not returning to the island (although they indicate they are satisfied and plan to return)
- 6) The tourist is not purchasing the supporting products of the tourism industry (e.g. dining in restaurants, renting a car, staying in a hotel, etc.)

It is recommended that the CTB first conduct a basic internal needs assessment. In so doing this, the CTB should ask the following questions:

- 1) Why are we interested in developing or improving the tourism product?
- 2) Who are the market segments that may assist in levitating our tourism industry to a level that contributes to Curacao’s economic structure?
- 3) When might these market segments desire to travel to the island?
- 4) Where might these market segments want to go in Curacao?
- 5) What do we do to practically reach these segments in terms of product development and marketing/advertising, and sales of new and existing tourism products?

The additional value that comes from the data generated from the years of 2007 – 2008 includes the qualitative portions of the dataset that were coded into SPSS. Although the data was limited in some aspects, the qualitative data allowed the DPI to find six emerging themes of tourism



product attributes that tourists liked the most and liked the least about the destination. This information may be used by the CTB to assist Curacao in improving several areas of product/service quality levels (technical, functional, and image quality) as well as developing a clear notion of the destination's strengths and weaknesses.

It is further recommended that the CTB assess whether the marketing efforts to the frequent visiting geographic market segments (the Netherlands, Venezuela, USA, and Aruba) locations are reaching the types of tourists that are of actual substantial value to Curacao. It is important that the CTB develop and select target audiences founded in "needs, wants, and demands" as opposed to the categorical/descriptive based characteristics that identify the segments now. If this is accomplished, then the CTB may assess and calculate the market potential from each of the top visiting segments beyond a country of origin.

It is first necessary for the CTB to identify the "type" of tourists they would like to attract to Curacao before further developing the tourist product. For example, it is more difficult to develop a tourism product and then search for an audience to sell the existing product to as opposed to developing a product based off of the needs/wants/demands of a particular market segment and then simply informing that audience that the product exists for them to buy.

Traditionally, this is accomplished by identifying three target audiences (primary, secondary, and tertiary) that are ranked and selected in order of their anticipated profitability. In the identification of these three target audiences it may be of importance to the CTB to identify segments that have varying user usage patterns, or demand schedules, to assist in stabilizing issues/levels of seasonality (high, low, and shoulder seasons).

Fundamentally, in order to accomplish this task, Curacao may consider sociodemographic profiling to reach the ideal (efficient and lucrative) tourist segment that would benefit the island the most. Sociodemographic profiling of potential tourists may assist the CTB in answering the question, "*Who do we want to be our tourists?*" The CTB should then determine (by way of an internal audit of tourist activities) whether it can supply the tourists it wants with a product the tourists want to buy; and, can Curacao match those tourists' expected benefits?

A list of the major sociodemographic profiling characteristics of tourist market segments is provided below.

Sociodemographic profiling of the potential tourist market and further segmentation of those tourists into target audiences for Curacao may allow the CTB to gain an understanding of their tourists' needs, wants, and demands. This fundamental and necessary understanding of "*who*" Curacao's tourists (consumers) are in society, regular day walks of life, jobs they hold, family life-cycle stage they are in, etc. may allow Curacao to customize the development of some tourist products and bundle others to fit the tourists' needs, thereby providing the Curacao destination with a comparative advantage to other SSS destinations through product attributes over which they have control.

It is recommended that the CTB identify the basis for segmenting their markets by focusing on – "*Who does Curacao want and why?*" After these questions are answered, the CTB may then develop the sociodemographic profiles of several different market segments with varied demand schedules. The CTB may then launch efforts to develop measures of different levels of activities/experiences that would be attractive/appealing to the identified target audiences. It is suggested that the CTB select the target segments with the highest market potential for tourism. A



high market potential does not always mean the “biggest spenders.” The CTB may assess market potential according to level of expenditure, mobility about the island, likeliness to return to the island, likeliness to provide favorable word of mouth advertising, etc.

After the CTB has gone beyond the categorical features of which the current tourist market segments are defined from the Tourist Exit Survey, and after the CTB has identified need based tourist segments that Curacao may supply an appealing tourism product to, then the CTB should develop a market position for each of the new target market segments. At that point, the CTB may initiate a marketing mix to support the market position for each of the newly targeted need-based segments in order to pull the tourists to Curacao.

It is the opinion of the DPI, that in order for the CTB to acquire the level of familiarization that is necessary to

understand the Curacao tourists, the Tourism Exit Survey be revamped to include not only categorical questions but also likert scale questions that will assist the CTB in determining if the potential profit of a target tourist segment is worth the cost of attracting them.

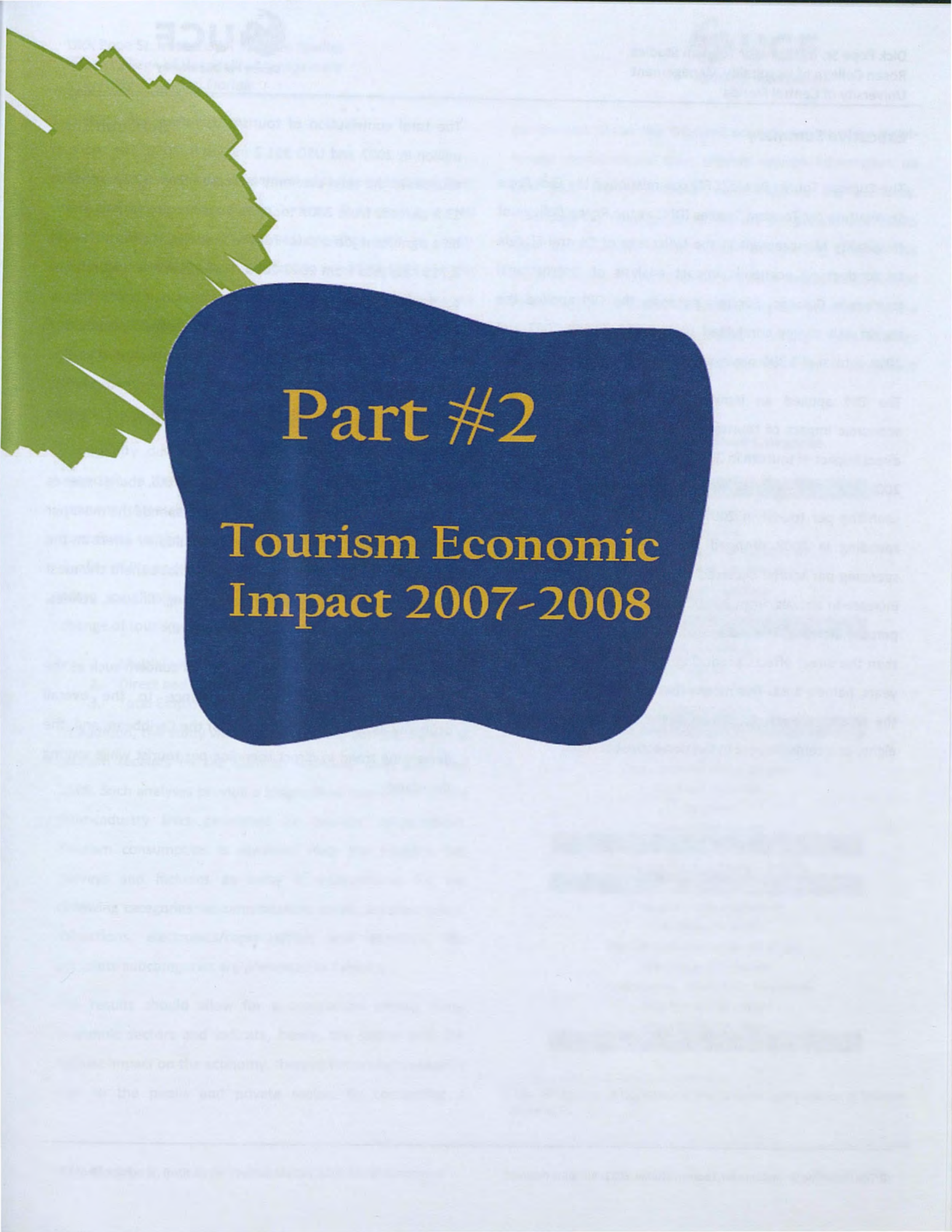
Finally, the DPI has designed a survey that responds to the above cited needs for the perusal of the CTB. The survey covers the very relevant question of whether a further visit to Curacao is influenced by tourist satisfaction (prices, cultural/social factors, hospitality, and tranquility) and/or by a previous visit to Curacao (the scenery, beaches, climate and the quality of the accommodation). The latter refers to some typical components associated with a SSS product.



**Table 32. Tourist Profile Categories**

Geographic	
Region	Caribbean, East North, East South, South Atlantic, etc.
City size	Under 5,000; 5,000-20,000; 20,000-50,000; 50,000-100,000; 100,000-250,000; 250,000-500,000, etc.
Density	Urban, rural, suburban
Climate	Northern, southern, tropical, etc.
Demographic	
Age	Under 6; 6-11; 12-19; 20-34; 35-49; 50-64; 65 or over
Gender	Male, female
Family size	1-2; 3-4; 5 or more
Life-cycle stage	Young, single; young, married, no children; young, married, youngest child under 6; young, married, youngest child 6 or over; older, married, with children; older, married, no children under 18; older, single; other
Income	Under \$10,000; \$10,000-\$15,000; \$15,000-\$20,000; 420,000-\$30,000; \$30,000-\$50,000; \$50,000-\$100,000; over \$100,000
Occupation	Professional and technical; managers, officials, and proprietors; clerical, sales and marketing; craftspeople, foremen; operatives; farmers; retired; students; housewives; unemployed; education; etc.
Education	Grade school or less; some high school; high school graduate; some college; college graduate, post graduate; professional certifications; etc.
Religion	Catholic, Protestant, Jewish, Muslim, Hindu, other
Race	White, Black, Asian, Mexican, etc., other
Nationality	Dutch, American, Aruban, Venezuelan, Canadian, etc., other
Psychographic	
Social class	Lower-lower class, upper-lower class, working class, middle class, upper-middle class, lower-upper class, upper-upper class
Lifestyle	Party-goer, heterosexual, homosexual, vegetarian, vegan, health conscious, relaxation, etc.
Personality	Compulsive, ambitious, outgoing, laid back, authoritarian, cheerful, energetic, etc.
Behavioral	
Occasions	Special occasion (e.g. honeymooners, anniversaries, spring breakers, etc.)
Benefits	Quality levels, service expectations, fast paced, slow paced, etc.
User status	Nonuser, ex-user, potential user, first time user, regular user
Usage rate	Light user, medium user, heavy user
Loyalty status	None, medium, strong, absolute
Readiness stage	Unaware, aware, informed, interested, desirous, intending to buy
Attitude	Enthusiastic, positive, indifferent, low level of awareness, low level of knowledge, etc.





## Part #2

# Tourism Economic Impact 2007-2008



## Executive Summary

The Curacao Tourist Board (CTB) commissioned the Dick Pope Sr. Institute *for* Tourism Studies (DPI) at the Rosen College of Hospitality Management at the University of Central Florida to conduct an economic impact analysis of international tourism in Curacao. For this purpose, the DPI applied the tourist exit survey conducted by the CTB during 2007 and 2008. A total of 3,390 surveys were used for this analysis.

The DPI applied an input-output model to assess the economic impact of tourism. The findings suggest that the direct impact of tourism in 2007 was USD 254 million, while in 2008, the corresponding amount was USD305 million. The spending per tourist in 2007 was USD847, while the same spending in 2008 dropped to USD750. This decrease in spending per tourist occurred in the context of a significant increase in arrivals, from 300,000 to 409,000, a more than 36 percent increase. The indirect effects of tourism were higher than the direct effects producing a similar multiplier in both years, namely 1.81. This means that for every one dollar that the tourist spends directly in the economy, an additional eighty one cents is spent in the non-tourist sectors.

The total contribution of tourism therefore was USD321.1 million in 2007 and USD 391.2 million in 2008. The share of tourism in the total economy increased from 12.3percent to 13.8 percent from 2007 to 2008. Tourism also turned out to be a significant job creator for the economy. Tourism created 2,715 new jobs from 2007-2008. Even though the number of total jobs that resulted from tourism had increased from 2007 to 2008, the decrease in per tourist spending from 2007 to 2008 had a significant impact on the employment sector. For example, in 2007, the spending of every 40 tourists generated one direct job, while in 2008 one direct job was created for every 46 tourists.

The study indicates that, on average, the U.S. tourist spends the most per day while the Dutch tourist spends the most per stay. The hotel sector has the highest multiplier effect on the economy, while the non-tourist sectors that benefit the most from the tourist dollars are manufacturing, finance, utilities, real estate, transportation, and agriculture.

Finally, the report reveals some areas of concern such as the effects of tourism's underperformance to the overall economy as compared to the rest of the Caribbean; and, the decreasing trend in direct spending per tourist while visiting the island.



## Introduction

This report provides an assessment of the current capabilities and performance of tourism in Curacao. The report is carried out through a series of analyses, together with an input-output methodology in an attempt to provide insights on the economic impacts of tourism in Curacao. The study also explores the direct and indirect impact that tourism has for the Curacao economy as well as job creation strategies based on tourism's high value-added intensity.

The issues related to the economic benefits for a host community deserve further consideration and evaluation, especially in the context of Curacao's effort to stimulate its economy. Assessing how economic activities and sectors can contribute to the economy is of utmost importance to the quality of life and the economic development of the country. More specifically, the study will examine the impact of a change of tourism demand as it relates to:

1. Multiplier Effects
2. Direct and Indirect Impacts
3. Total Employment

In addition, the study will also present the current impact of tourism receipts on the Curacao economy from 2007 and 2008. Such analyses provide a longitudinal assessment of the inter-industry links generated by tourists' consumption. Tourism consumption is obtained from the Visitor's Exit Surveys and includes an array of expenditures for the following categories: accommodation, meals, transportation, attractions, electronics/cameras/film, and activities. The complete subcategories are presented in Table 33.

The results should allow for a comparison among these economic sectors and indicate, hence, the sector with the highest impact on the economy, thereby becoming a valuable tool to the public and private sector. By conducting a

comparison across the different economic sectors, an input-output model should then provide enough information on how each economic sector contributes to the economy. Preceding this comparison model, are the preliminary results from the economic impact comparison among sectors. This exercise is part of the research activities suggested as part of Phase II from the Economic Impact Proposal presented by the DPI<sup>14</sup>. The next sections present a summary of the findings and the methodological notes on how the input-output model was constructed.

**Table 33. Expenditure Categories**

<b>Activities</b>
Learn to dive package
Dive Trips
Snorkel boat trip, Klein Curacao, etc.
Yacht, windsurf, jet ski rental
Equipment purchase
Equipment rental
<b>Place of stay</b>
Accommodation
Meals
In hotel and restaurants
Supermarkets
<b>Transportation</b>
Rental car, jeep, bicycle, motorcycle
Taxi and public transportation
Bus tour/ excursion
Gasoline
Trip to other islands
<b>Attractions</b>
Admission charges, casino, nightlife
<b>Electronics/Cameras/Film etc</b>
Toys and sports equipment
Jewelry and watches
Perfume, cosmetics, personal care
Clothing and footwear
Sundry books, newspaper, cigarettes
Duty free at the airport
Shopping for souvenirs

<sup>14</sup> See DPI (March, 2010) Report to the Curacao Commissioner of Tourism: Orlando, FL.



## Economic Impact Calculations

The main purpose of this report is to estimate the tourism impact on the economy of Curacao. The Curacao Tourist Board (CTB) provided us with 2007 and 2008 information for tourists' expenditures during 2007 and 2008. This information has been gathered through monthly intercept surveys collected at the international airport by the CTB. The CTB collected a total of 3,390 surveys during those two years (2007: 1,938 and 2008: 1,452 surveys). The data set used for the current analysis encompasses respondents who reported their travel expenditures and number of days spent at the destination. The assessment procedures for the estimation were conducted for both total tourist expenditures at the destination, and expenditures for each hospitality sector separately (e.g. lodging, food and restaurant meals, shopping). This computation was performed to capture visitors' spending patterns variability across hospitality sectors. Consequently, each hospitality sector might have its own most attractive tourist segment.

The first step in measuring the economic impact of tourism on the island economy is measuring the '*direct impact*' of the change in tourist spending within the economy. We measure the change in tourist spending on lodging, meals, shopping, attendance at attractions, and other types of tourist spending while on the island. The final step was to calculate the effects of spending by category on the variables of interest, such as output and employment. In addition to the money that tourists spent in hotels (direct effects), hotels in turn must also purchase from other suppliers, such as utility, cleaning supplies, produce, etc and other materials required for operations.

This additional buying from hotels and other hospitality firms causes production elsewhere in the economy to rise. This

additional production is called the '*indirect effect*' of tourism. An input-output analysis therefore is basically an analysis for tracing the interdependency among economic sectors, and it measures the direct and indirect effects to the economy as a whole when the demand for goods and services changes.<sup>15</sup> For a more detailed discussion regarding the methodology carried out for this Report, please refer to the section on Methodology.

The DPI team found multiple challenges during the estimation process.<sup>16</sup> Two challenges deserve special attention. The first is related to the questionnaire design, which allowed for the integration of multiple currencies for all spending categories. In order to convert multiple currencies to one standard currency (US\$) the exchange rates provided by the World Development Indicators from the World Bank were used. Such procedure allowed a straightforward conversion of the expenditure data from the Visitor Exit Survey by year into a more comprehensible data set. The second issue emerged due to the time elapsed between surveys, where upon possible errors during the data collection process presented a challenge to determine with certainty the total spending per segment. Moreover, the respondents could have been confused by the wording of the questions related to the section of expenditures, as the questions were not precise as to whether the respondent should refer to expenditures made by the individual or by the immediate party.

In order to estimate the total economic impact of tourism in Curacao, the DPI had to develop an input- output framework that incorporated data from the 2004 supply and use tables for Curacao. The supply and use tables provided a detailed

<sup>15</sup> For the purpose of this report, induced effects were not considered by the report due to the in-availability of data.

<sup>16</sup> For a thorough discussion regarding the challenges faced with the data analysis, see DPI (2010), Visitor Exit Survey Report.



overview of the supply of goods and services by domestic production and imports and the use of goods and services for intermediate consumption and final use. More specifically, the use table also includes the components of value added (e.g. compensation of employees, taxes on production, and consumption of fixed capital) that are generated by domestic industries. In summary, these tables give detailed information on the production processes, the interdependencies in production, the use of goods and services and generation of income generated in production. Balancing supply and use tables provide a coherent data set that links industries, products and sectors.

The transformation of supply and use tables into an input-output model requires various assumptions such as a fixed product sales structure. This model assumes that each product has a unique sales structure, irrespective of where it was produced. Even though other assumptions are preferable (e.g. the product technology assumption), the model adopted in this study is more plausible for the compilation of data and an industry-by-industry comparison of the data. In the case of Curacao, all of the activities are reported in the diagonal of the supply table and no activities are reported elsewhere. Therefore, the use table can be used as an input-output table<sup>17</sup>.

Once these challenges have been overcome, the data were integrated into an input-output model for the island of Curacao. An input-output model is a detailed description of the structure of an economy.

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<sup>17</sup> For a more detailed explanation see EUROSTAT Methodologies and Working Papers: Manual of Supply, Use and Input-Output Tables (page 363) Retrieved from [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-RA-07-013/EN/KS-RA-07-013-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-013/EN/KS-RA-07-013-EN.PDF)



## Overview of Tourists' Spending Characteristics

In order to determine the tourism spending characteristics, the DPI team used two techniques. First, the 2007 tourism spending was estimated by country of origin. Particular attention was paid to the top tourist markets according to the results from the VES Report. The countries considered in the analysis for 2007 include: Netherlands, United States, Aruba, Venezuela, and Others<sup>18</sup>. For 2008, on the other hand, due to concerns with the over representation of certain countries during the data collection, tourism spending was estimated using aggregate figures and did not apply a segmentation procedure.

**Table 34. Tourist Trip Characteristics in 2008**

Tourist Profile			
Per Tourist Spending	Length of Stay	Average Party Size	Per day Spending
\$750	7.04	1.84	\$107

The data reveal that the average spending per tourist in Curacao in 2007 was USD847 with an average length of stay of 7.09 days and an average party (group) size of 1.77 persons. Table 35 reveals the spending per tourist according to the country of origin. The figures suggest that the US tourists had the highest spending per day with USD161. On the other hand, the tourists from the Netherlands had the highest per stay spending with almost 13% more than US tourists and 76% more than the Venezuelans. But the per day spending from Dutch tourists' represents, on average, 60% less than the American tourists' spending per day. Both the Dutch and the American segments scored above the average

tourist spending per stay. The significance of the Dutch tourists to the local economy is not only due to their large share of arrivals but to the fact that their length of stay is almost more than double that of other tourists. The data further reveal that the length of stay has significantly influenced the expenditures of the tourists when in Curacao. The length of stay varies from tourist to tourist, depending mainly on the country of origin. Those from the Netherlands tend to stay the longest, while those from Venezuela stay the shortest. The length of stay is one of the main variables that determine the final utility obtained by the tourist during his/her holiday. The length of stay could be determined by the price per day stay, prior knowledge of a destination and trip related characteristics such as the type of accommodation, the way the trip was booked, the number of people in the travel group, etc. The Curacao product seems to contain some elements that could negatively affect the length of stay and hence the spending capacity. For example, about 35 percent of those visiting the islands are not staying in hotels; as the Dutch tourists visit the island more frequently (meaning they are becoming more loyal) they are inclined to stay in private dwellings; close to one hundred percent of the tourists book services via travel agents thereby signaling some risk perceived in local providers. This trip related behavior influenced the duration of the stay and hence the tourists' expenditures. Expenditure patterns indicate that more expenditure is for lodging, followed by meals, shopping, transportation, and finally, activities and nightlife.

<sup>18</sup> The term "Others" refers to the aggregations of countries with very small market share



**Table 35. Tourist Profile by Segment**

Tourist Profile				
	Per Tourist Spending	Length of Stay	Average Party Size	Per day Spending
Aruba	\$345	6.63	1.48	\$52
Netherlands	\$845	11.38	2.01	\$74
USA	\$1,102	5.89	1.90	\$187
Venezuela	\$726	4.49	1.69	\$162
Other	\$885	6.75	1.52	\$131

**Table 36. Tourist Spending Behavior**

Tourist Spending Behavior					
	Aruba	Netherlands	USA	Venezuela	Other
Hotel	38%	42%	49%	36%	41%
Meals	21%	20%	18%	12%	16%
Transportation	12%	17%	13%	11%	11%
Activities	2%	2%	2%	1%	2%
Nightlife	3%	4%	3%	4%	2%
Shopping	24%	15%	14%	36%	27%
	100%	100%	100%	100%	100%

Table 36 presents the spending behavior of tourists by segment in 2007. It reveals that 72% of the travel budget was spent on hotels and meals, and that only 4% was spent on activities<sup>19</sup>. It is noticeable from this table that the segment spending the most at hotels is the US market, with 50% of their total spending. Other dominant markets such as the Venezuelans and Arubans spend on average 40% of their budget in hotels. The Dutch tourist, however, is the segment with the lowest share of spending at hotels with only 30%. Because lodging has the highest potential for buying goods and services supplied locally, the Dutch spending distribution seems to display a missed opportunity as an important source for local income generation.

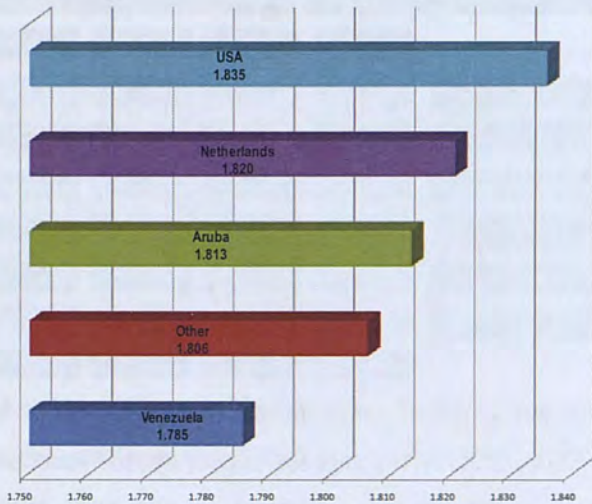
For every dollar spent in Curacao, the Dutch and the Americans have the highest impact on the local economy. Tourists from both countries have the highest multiplier effects. However, it is important to point out that the Dutch tourists spend more time gazing at the Curacao product than buying compared to the American tourists. It is of concern to us that we noticed a declining trend of U.S. arrivals to Curacao in 2007 and 2008, by 2.5 percent and 5.4 percent, respectively. This concern is warranted because the U.S. market represents the highest spender per day.

The previous analysis suggests that the U.S. market seems the most attractive market for Curacao. While the U.S. only represents twenty per cent of the total arrivals, it ranks second by total direct expenditures with 17 percent. By increasing the U.S. market share either by more arrivals or extending the length of stay to one week, and assuming that the spending behavior remains unchanged, the total direct expenditures would be higher than the sum of all of the most relevant segments. It behooves the Curacao destination managers therefore to make tourism offers that are increasingly directed towards the U.S. tourists. This is an important strategic priority especially in a marketing environment that seems to gather more from arrival numbers than from tourist spending and longer stays.

<sup>19</sup> This confirms the low level of engagement in activities while visiting Curacao. See DPI (2010) Visitor Exit Survey Report.



**Figure 6. Impact Multiplier by Country**



**Tourist’s Spending Characteristics 2008**

The tourists spending characteristics in 2008 display a negative trend compared to 2007. Spending per tourist was significantly less than 2007. While the average tourist spent USD847 per stay in 2007, in 2008 that amount dropped almost thirteen percent descending to USD750 per tourist per stay. Spending per day per person consequently dropped from USD119 to USD107. This should be reason for concern. While the amount of arrivals increased from 300,000 in 2007 to 409,000 in 2008 (an increase of more than thirty six percent), and, while the length of stay remained almost unchanged, the spending per tourist per day decreased significantly - by 11.2 percent. We are not sure why this has been the case but it certainly warrants an in depth analysis to discern what happened with tourists’ spending in 2008. The drop in U.S. arrivals between 2007 and 2008 could be an explanation of why the spending per tourist per day decreased so significantly in 2008 compared to 2007.

In terms of the spending distribution, we noticed that accommodation increased somewhat, but the ranking of the distribution remained similar to 2007.

**Table 37. Tourist Spending Profile 2008**

Tourist Spending Behavior	
Hotel	32%
Meals	19%
Transportation	9%
Activities	2%
Nightlife	4%
Shopping	34%
Total	100%

**2007 and 2008: A Comparison**

Despite the dramatic increase in tourist receipts from 2007 to 2008, the spending per person has dropped significantly from USD847 to USD750 in 2008. With a significant increase of over 100 thousand additional tourists visiting Curacao (300,000 in 2007 compared to 409,000 in 2008), their total spending per trip reflected a decrease of almost 13%. It seems plausible that the Curacao marketing campaign may have succeeded in terms of attracting additional tourists to the island. However, the ability of local businesses to secure additional revenues from the tourist influx is not evident and should be considered worrisome, as local businesses had not been able to capitalize on generating additional value for their products. The value of the product of Curacao appeared to have suffered as more people bought the same amount of



products at lower prices, or that more tourists were spending their time gazing at the product without buying.

While the average spending per tourist in 2007 and 2008 was much higher than the average spending per tourist of USD692 from 2001-2008, there appear to be some worrisome trends in the spending behavior of tourists in Curacao for the two years under review. Thirty-five percent of tourists do not stay in hotels, one in two does not visit restaurants while on the island, almost every tourist who visits Curacao does not buy from local suppliers. Finally, the U.S. segment, which is the highest spender per stay, is showing a decreasing trend in visit.<sup>20</sup> These mitigating behaviors oppose acquisition of a higher value that could be added from the tourist product thereby limiting the multiplier potential of tourism in the local economy.

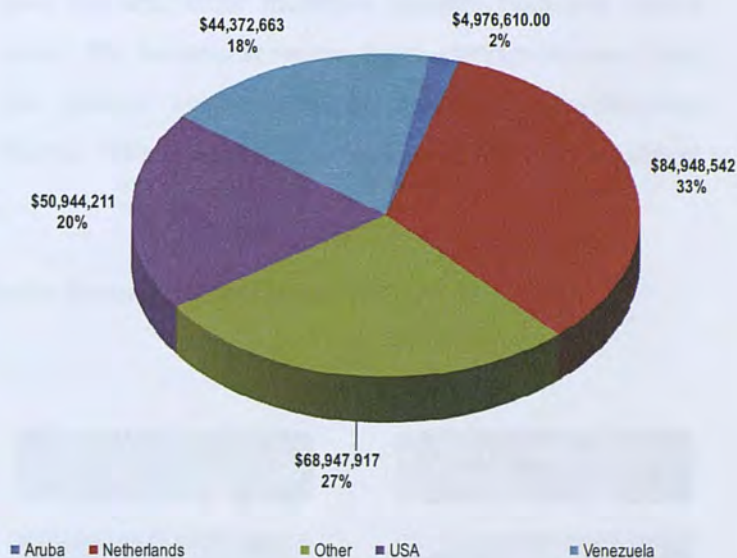
#### Tourism Direct Economic Contribution to Curacao

The direct impact of tourism was estimated by using the average total expenditures made by tourists in Curacao. The average tourist expenditures were calculated per trip and per day, and the information is based on the Visitors Exit Survey.

Direct tourism spending has been estimated at USD254 million in 2007 and USD305 million in 2008. This implies a significant increase of over 20 percent (20.55%) within a one-year span. A closer look at the evolution of the tourism receipts from 2001 to 2008 reveals that, except for two years (i.e., 2004 and 2005), Curacao has enjoyed a double digit increase of tourism receipts through 2006-2007 indicating the highest one year increase, namely 31.5 percent. In general, over the first eight years of the 21<sup>st</sup> century, Curacao scored

an average of 13.3% annual increase in tourism receipts. This in itself is a remarkable accomplishment.<sup>21</sup>

Figure 7. Total Direct Impact by Segment



The direct spending per country of origin reveals an interesting pattern. The Dutch market represents the highest share in terms of spending (33%), followed by Other (27%),<sup>22</sup> the United States (20%), and Venezuela (18%). The chart emphasizes two important aspects of the profile of tourists patronizing Curacao. First, the presence of high volume of arrivals and yet low spending capacity. For example, the segment “Other” is an amalgamation of tourists of many countries visiting Curacao but with a relatively low impact in

<sup>21</sup> The increase from 2007-2008 is the second highest in the first decade of the 21<sup>st</sup> century. In our inquiry on the island regarding the plausible explanation for this significant increase, it appears that the most attributed cause is the so-called ‘Venezuelan effect’. Yet, the evolution of the tourism receipts is indicating that the attribution to the ‘Venezuelan effect’ may not tell the whole story.

<sup>22</sup> The percentages from “Other” countries were truly too small, and too diverse to list.

<sup>20</sup> See DPI (2010), Visitor Exit Survey Report.



spending per person. Another example is the Venezuelan market that is second in terms of arrivals yet ranks fourth in terms of spending. The USA, while representing a potential market with high per day spending, so far only accounts for 20% of total receipts. This is clearly revealed figure 7.





## The Economic Footprint of Tourism

Tourism has a total economic footprint of USD321.1 million in 2007 and of USD391.2 million in 2008.<sup>23</sup> In calculating the total economic impact, the study applied the WTTC average leakage ratio for the Caribbean, i.e., 30.8%. The estimated direct spending was therefore reduced by 30.8%, and the result was put into the input-output model. The results are depicted in Table 38.

Spending of tourists displays spillovers into non-tourist sectors in the local economy. For every U.S. dollar spent directly in 2007, eighty-one cents went into the non-tourism sector. This pattern is almost completely repeated in 2008, with the difference, however, that recipients appeared to have received more monetary benefits from the tourist sector. The non-tourist sectors that benefited the most from this spillover are in order of magnitude manufacturing, finance, utilities, real estate, transportation, and agriculture.

Table 38. Direct Impact and Direct Impact with Discount Factor for Curacao<sup>24</sup>

2007		2008	
Direct Impact	Direct Impact w/ Discount Factor*	Direct Impact	Direct Impact w/ Discount Factor*
Wholesale \$55,977,946	Wholesale \$38,736,739	Wholesale \$103,301,320	Wholesale \$71,484,513
Hotel/Rest. \$159,043,423	Hotel/Rest. \$110,058,049	Hotel/Rest. \$169,229,239	Hotel/Rest. \$117,106,633
Transportation \$34,413,118	Transportation \$23,813,878	Transportation \$26,959,391	Transportation \$18,622,899
Other \$4,755,456	Other \$3,290,776	Other \$7,213,961	Other \$4,992,061
<b>Total \$254,189,944</b>	<b>Total \$175,899,441</b>	<b>Total \$306,703,911</b>	<b>Total \$212,239,106</b>

The results indicate that while the hotel and restaurant sector is the largest recipients of the direct spending from tourists, the wholesale and transportation sectors are also significant in terms of direct spending of tourists.

The relative impact of higher demand in tourism is depicted in figure 8. Being aware and understanding the structure of linkages of the tourist sector with the non-tourist sector in the economy provides some insightful information regarding partnership opportunities with the rest of the economy. The tourism industry posted a GDP contribution of 12 percent in 2007 and of 14 percent in 2008. This implies that the tourism's share in the economy is growing. A majority of the amount in 2007 and 2008, i.e., 55 percent has been the result of direct spending by the tourist. The multipliers were 1.81

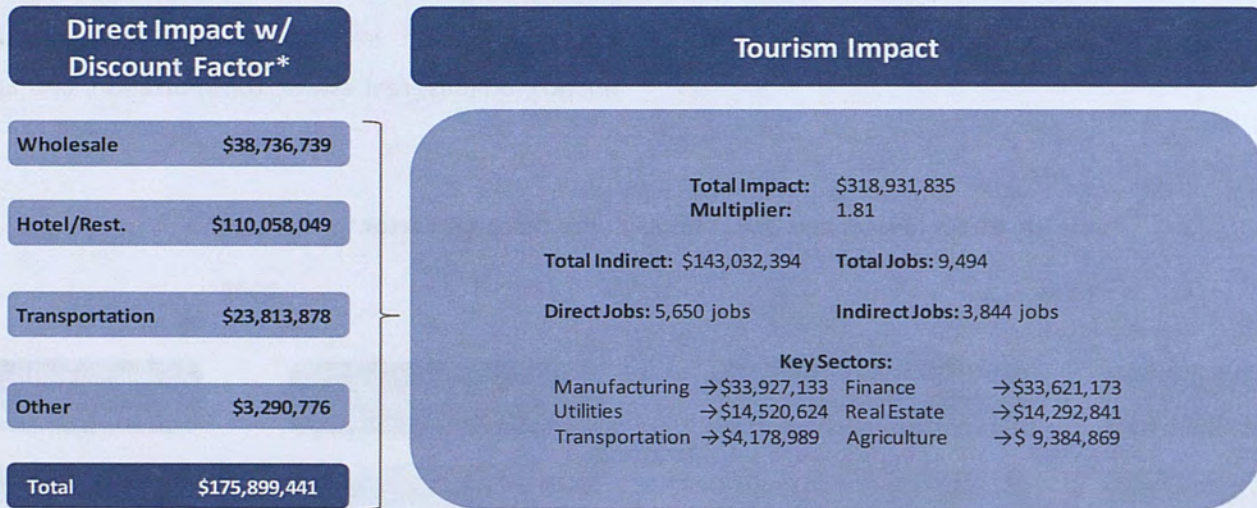
<sup>23</sup> For the measurement of the total economic footprint of Curacao, the study took into consideration the amount of the tourist spending which will not be retained by the host economy, but would leak instead into imports and pays for the use of foreign factors of production. The leakage sum was drawn from the Tourism Satellite Accounts from the World Travel and Tourism Council (WTTC) that provide data on the direct and indirect effects of Tourism Spending in the Caribbean. See, WTTC (2007), *Caribbean, Navigating the Path Ahead*, London.

<sup>24</sup> Wholesale refers to shopping, and Others refers to activities.



and 1.79 for 2007 and 2008, respectively.<sup>25</sup> The multipliers in Curacao are smaller however than the average in the Caribbean, which scored 2.16 in 2007 according to the WTTC.

**Figure 8. Tourism Impact 2007**



<sup>25</sup> The ratio of indirect to direct effects is known as the ratio multiplier of tourism, which is widely used to measure how a unit of tourist spending in the economy (e.g., hotels, restaurants, souvenir shops, etc.) reverberates through backward linkages to non-tourist sectors of the economy. The higher the multiplier, the greater the backward linkages will be between the tourism industry and other sectors of the economy.

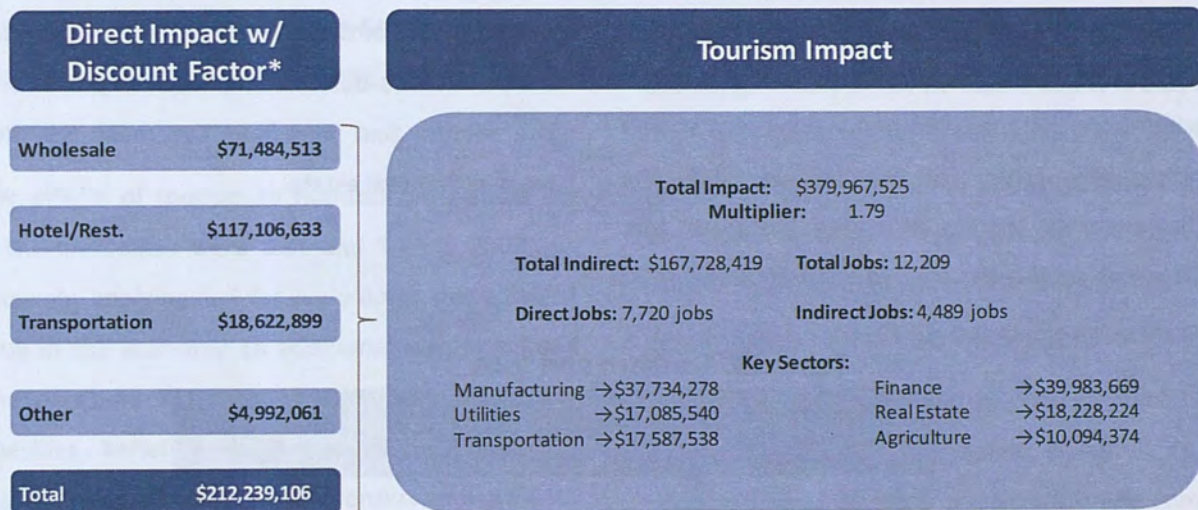


### Tourism Impact Curacao 2008

The ratio multiplier effect could have significant distributional consequences. With the exception of wages, most of the income generated through direct effects within the tourism economy goes to hotel and restaurant owners, namely local or international companies. By contrast, the income generated through indirect effects trickles down to the lower income layers of the economy. Since most of the industries

that supply the tourism economy are non-high tech and labor intensive, the majority of backward linkages are forged by smaller unskilled producers. From a policy perspective, increasing the ratio multiplier promotes an equitable distribution of the tourism pie and offers a sustainable livelihood to smaller and lower-income producers in a broad array of economic sectors. The total impact of tourism for 2008 is depicted in figure 9.

**Figure 9. Tourism Impact 2008**





## Tourism and Jobs

The economic push provided by tourism is also reflected in job creation induced by the tourism sector. In 2007, tourism generated a total of 5,650 direct jobs, while simultaneously causing the non-tourism sector to create 3,845 indirect jobs (for a total of 9,494 jobs). In 2008, an additional 2,070 new direct jobs were created for a total of 7,720 direct jobs. At the same time, an additional 644 new indirect jobs were created for a total of 4,489 indirect jobs (for a total of 12,209 jobs). From the period of 2007 to 2008 a total of 2,715 new jobs (direct and indirect) were created via tourism.

Even though the number of total jobs that resulted from tourism has increased from 2007 to 2008, the decrease in per tourist spending from 2007 to 2008 had a significant impact on the employment sector. For example, in 2007, the spending from every 40 tourists generated one direct job, while in 2008 one direct job was created for every 46 tourists.

Therefore, an additional six tourists were needed to generate one additional direct job. More efforts and resources had to be expended in order to create the same amount of jobs thereby suggesting that the competitiveness of the product, Curacao, appears to be eroding while the opportunity costs for Curacao appear to be increasing.

Nevertheless, tourism remains an important engine of job growth in the Curacao economy. Tourism as percentage of the total labor force was 14.9% and 17.4% for 2007 and 2008, respectively. Tourism has been a significant engine of job creation in the Curacao economy, provided much of the needed employment in the Curacao economy. It is estimated that over 60% of the total employment generated in Curacao since 2001 was due to tourism development on the island.<sup>26</sup> The sectors that benefited the most are: manufacturing, finance, and real estate.

**Table 39. Tourism and Jobs**

Industry Sector	2007			2008		
	Direct Jobs	Indirect Jobs	Total Jobs	Direct Jobs	Indirect Jobs	Total Jobs
Agriculture	-	111	111	-	120	120
Manufacturing	-	1,258	1,258	-	1,399	1,399
Utilities	-	66	66	-	78	78
Construction	-	54	54	-	64	64
Wholesale/Trade	2,280	-	2,280	4,208	-	4,208
Hotels-Restaurants	2,729	135	2,865	2,904	169	3,073
Transportation	496	295	791	388	366	754
Finance	-	818	818	-	973	973
Real Estate	-	472	472	-	602	602
Government	-	-	-	-	-	-
Education	-	8	8	-	9	9
Health	-	12	12	-	17	17
Other	144	615	760	219	693	912
<b>Total</b>	<b>5,650</b>	<b>3,845</b>	<b>9,494</b>	<b>7,720</b>	<b>4,489</b>	<b>12,209</b>

<sup>26</sup> See, for example, Strategic Tourism Master Plan for the Island of Curacao, 2010-2014, Final Draft, December 2009.



## Conclusions and Recommendations

The report estimates the economic footprint of tourism in the island of Curacao. The total economic contribution is USD321.1 million in 2007 and USD391.2 million in 2008. This equals an increase of almost twenty-two percent. Tourism's share of the island GDP is 12.3 percent and 13.8 percent in 2007 and 2008, respectively. This denotes an increasing trend regarding tourism's relevance to the local economy.

In addition, tourism has become an important source of job creation thereby providing a significant dent in the island unemployment. Tourism created 5,650 direct jobs and 3,845 indirect jobs in 2007 and 1,072 direct and 644 in indirect jobs in 2008. Within a year (from 2007-2008), tourism created 2,715 new jobs.

The spillover effects of tourism to non-tourism sectors are significant. The multipliers were 1.81 and 1.79 in 2007 and 2008, respectively, implying that for every dollar that a tourist spent directly in the economy an additional eighty-one and seventy nine cents were generated in non-tourist sectors. Tourism, besides benefiting the typical tourist sector, including hotels, restaurants, shopping, entertainment, etc., has provided significant benefits to local manufacturing, the financial sector, utilities, real estate, transportation and agriculture. This suggests that important partnership opportunities exist between the tourist sector and the non-tourist sectors.

However, the study also identified some areas of concern. The spending per tourist per stay is declining when comparing 2007 and 2008. While 100,000 more arrivals have been recorded between 2007 and 2008, the spending per arrival has dropped by almost thirteen percent. This means that more people are visiting the island while spending less, indicating that the competitiveness level of the product may be eroding. There may be a problem with establishing an optimal segmentation mix based on the most appealing segments that are attracted by the Curacao product.

In addition, the estimated multipliers of Curacao remain below the average of the Caribbean of 2.16, mitigating the magnitude of value added from tourism to the local economy. It means that Curacao's ability is only 82 percent of the typical performance in the Caribbean. It appears as if the ability of local businesses to secure additional revenues from the additional influx of tourist is not evident and should be considered worrisome, as local businesses have not been able to capitalize on generating additional value for their products.

In conclusion, the Curacao tourism product has become a significant source for job creation. However, its ability to add value to the economy is underperforming compared to the rest of the Caribbean. There seems to be two plausible explanations regarding this underperformance: tourists may perceive local suppliers of services as risky, and Curacao might be attracting the improper typology of tourists. Further research regarding this issue is warranted in order to create the optimal segmentation mix for Curacao.

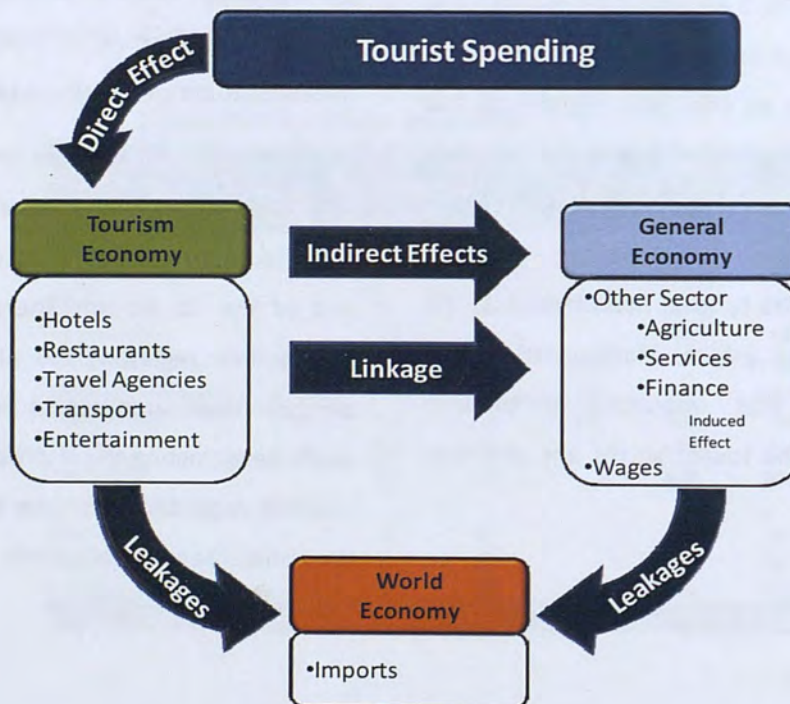


## Tourism Multipliers

The potential benefits of tourism on host economies are exemplified by its primary (direct) and secondary (indirect and induced) channels. The direct impacts from tourism refer to the primary tourist spending at the destination amass from, for example, hotel accommodations, meals and other services. Indirect impacts, on the other hand, are generated when these expenditures spill through the general economy via purchases of goods and services from the local non-tourist sectors of the economy. For example, hotels purchase food from local vendors, acquire furniture, or request additional services. Finally, induced effects correspond to the increased income of wage-earners that support the tourism economy, such as waiters, receptionist, tour operators, and taxi drivers who in turn buy goods and services in the general economy.

The benefits from Tourism to the local economy are gauged on the account of it multiplier effects. The idea of multipliers relates to the ability of tourists' dollars to reverberate throughout different sectors. In other words, the tourism dollar creates desired linkages to the local economy. However, if these linkages to the local economy are for imported products, tourism receipts will then abort any multipliers effects due to the leakages used to render such service. The effects of tourism dollars in a local economy are depicted in Figure 10.

Figure 10. Effects of Tourism: Direct, Indirect, and Induced





## Methodology

### Input-Output Methodology Notes:

The input-output model used in this study was prepared by the authors based on the use and make tables developed by the Curacao Bureau of Statistics.

In this study, an input-output methodology is used to measure the indirect economic impact of tourism with regard to inter-industry linkages and job multipliers (direct and indirect). The input-output model, developed by Wassily Leontief in the 1930s, includes the structure of production and the demand from institutions. This concept was first formalized by Pyatt and Thorbecke (1985) as a conceptual and modular framework for government policy and planning.

The input-output model for Curacao consisted of 40 detailed products that were aggregated into 13 specific sectors based on CNIC classification. The data from the use and make tables provided information about the total value added by industry, imports, exports, and final demand. According to Eurostat Manual of Supply, and Use and Input-Output Tables (2008:363)<sup>27</sup>, if most activities are reported on the diagonal of the supply table, the difference between product-by-product input-output tables and industry-by-industry input-output tables is small. In such extreme cases, without secondary activities (all activities of industries are reported on the diagonal of the supply table), the two prototypes of input-output tables converge and the use table becomes an input-output table.

After careful consideration of the supply and use tables from Curacao, this study adopted the recommendations from Eurostat and verified that the data from the supply table represents a perfect diagonal. Therefore, the researchers proceeded with the formulation of an input-output model by transposing total imports into the use table and consolidating the various products into their corresponding activity.

To better illustrate the composition of the input-output model, an overview of the framework is presented in Table 40, where activities are considered endogenous; and factors, institutions, capital and the rest of the world is considered exogenous.

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<sup>27</sup>EUROSTAT Methodologies and Working Papers: Manual of Supply, Use and Input-Output Tables retrieved from [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-RA-07-013/EN/KS-RA-07-013-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-013/EN/KS-RA-07-013-EN.PDF)



Table 40. Structure of Input-Output Model for Curacao

		EXPENDITURES					
		Endogenous			Exogenous		
		ACTIVITY	FACTORS	INST	OTHER	TOTAL	
RECEIPTS	Endogenous	ACTIVITY	$T_{11}$	O	$T_{13}$	$X_{14}$	$Y_1$
		FACTORS	$T_{21}$	O	O	$X_{24}$	$Y_2$
		INSTITUTIONS	$T_{31}$	$T_{32}$	$T_{33}$	$X_{34}$	$Y_3$
	Exogenous	OTHER ACCOUNTS	$X_{41}$	$X_{42}$	$X_{43}$	$X_{44}$	$Y_x$
	TOTAL	$Y_1'$	$Y_2'$	$Y_3'$	$Y_x'$		

Source: Adopted from Isard et al., 1998<sup>28</sup> and Thorbecke, E. (1985)<sup>29</sup>

As a result, this is then called the *A matrix*, which takes the form of:

To move from the information in a transaction table (also known as the *z matrix*) to an input-output model for

$$A = \begin{bmatrix} a_{1.1} & \dots & a_{1.13} \\ \vdots & \vdots & \vdots \\ a_{13.1} & \dots & a_{13.13} \end{bmatrix}$$

Curacao, we must first define the technical coefficients of production. In the input-output model, a *z matrix* denotes the monetary flows from sector *i* to sector *j*. To develop the set of technical coefficients of production or direct input coefficients, we take the observed  $z_{ij}$ , which represents the flow from *i* to *j* in the transaction table, and divided by  $X_j$ , the total gross output of *j*. These coefficients are denoted by  $a_{ij}$ , so  $a_{ij} = z_{ij} / X_j$ . As a result, this is then called the *A matrix*, were Activities are the only endogenous accounts (see Table 1). Now that all the coefficients have been calculated for the endogenous accounts, each of the  $Z_{ij}$  can be rewritten as  $Z_{ij} = a_{ij}X_j$  and then expressed for each of the endogenous sectors as

$$\begin{aligned} X_1 &= a_{1.1}X_1 + a_{1.2}X_2 + \dots + a_{1.13}X_{13} + Y_1 \\ &\vdots \\ X_{20} &= a_{13.1}X_1 + a_{13.2}X_2 + \dots + a_{13.13}X_{13} + Y_{13} \end{aligned}$$

<sup>28</sup> Isard, W., D. Bramhall, G. P. Carrothers, J. H. Cumberland, L. N. Moses, D. O. Price, And E. W. Schooler. (1998). *Methods Of Regional Analysis: An Introduction To Regional Science*. Cambridge, MA: MIT Press.

<sup>29</sup> Thorbecke, E. (1985) *Social Accounting Matrix And Consistency Type Planning Models*. In *Social Accounting Matrices: A Basis For Planning*, Payatt, G. And Round, J., Eds., Pp.207-256. Washington DC: The World Bank Press.



where  $Y$  represents the final demand. By using these equations, we can make explicit the dependence of inter-industry flows on the total outputs of each activity, and with a matrix notation the system of equations may be compactly expressed as

$$X = AX + Y, \text{ where } A = \begin{bmatrix} a_{1,1} & \cdots & a_{1,13} \\ \vdots & & \vdots \\ a_{13,1} & \cdots & a_{13,13} \end{bmatrix}, X = \begin{bmatrix} X_1 \\ \vdots \\ X_{13} \end{bmatrix}, Y = \begin{bmatrix} Y_1 \\ \vdots \\ Y_{13} \end{bmatrix}$$

In order to solve this system for the vector of gross outputs  $X$  as a function of the final demand vector  $Y$ , we first subtract  $AX$  from both sides which results in  $X - AX = [I - A]X = Y$

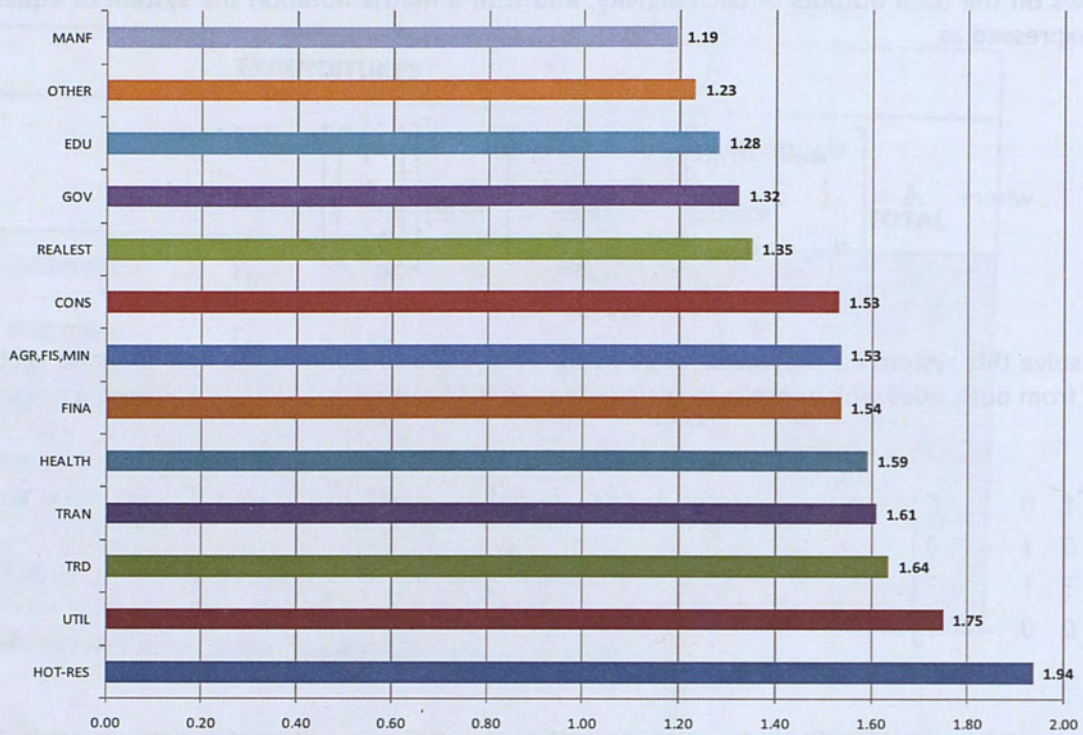
$$\text{where } I = \begin{bmatrix} 1 & 0 & \cdots & 0 \\ 0 & 1 & \cdots & 0 \\ \vdots & \vdots & & \vdots \\ 0 & 0 & \cdots & 1 \end{bmatrix}$$

is an  $n \times n$  identity matrix. Provided that the matrix  $[I - A]$  is non-singular, then the multiplication of  $X$  by  $(I - A)^{-1}$  yields the desired vector of gross outputs as a function of final demand. This is then expressed as  $X = (I - A)^{-1}Y$ .

Based on this model, we determine the total impact of tourism to the Curacao economy by using the multipliers presented in Figure 11. The Service/Hotel/Restaurant sector has the highest multiplier effect with 1.94. This means that for every \$1 spent in this sector an additional \$0.94 is generated. The sectors with the next highest multipliers were utilities, wholesale, and transportation.



**Figure 11. Input-Output Multipliers for Curacao**





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