

The Impact of Tourism on Curaçao's Economy: A Scenario Approach.

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Abstract

■ As of 2010, Curaçao is an autonomous country within the Kingdom of the Netherlands. The government wants to support tourism development. However, various development strategies are possible. This article presents four scenarios of marketing and investment strategies that will affect the number of tourists from The Netherlands and North America (USA and Canada) in different ways. A multiplier model was used to calculate the economic impacts of the four scenarios. By doing so, this article shows how the government's decision to support particular marketing and investment strategies may have certain outcomes for the number of jobs in Curaçao's tourism industry.

Key Words:

Tourism Impacts, Tourism Employment, Curaçao Tourism, Scenario Approach, Model Results

Resumen

■ Desde el 2010, Curazao es un país autónomo del Reino de los Países Bajos. El gobierno desea apoyar el desarrollo turístico, sin embargo existen varias estrategias de desarrollo posibles. Este artículo presenta cuatro escenarios de estrategias de marketing e inversión que afectarán el número de turistas provenientes de los Países Bajos y América del Norte de diversas maneras. Se utilizó un modelo multiplicador para calcular el impacto económico de los cuatro escenarios. Por medio de dicho procedimiento, este artículo muestra cómo la decisión del gobierno de Curazao de apoyar estrategias de marketing e inversión en particular podría tener ciertas consecuencias para el número de empleos en la industria del turismo en Curazao.

Palabras clave:

Impactos turísticos, empleo turístico, Turismo de Curazao, aproximación a la realidad, modelo resultante.

Introduction

■ As of 10-10-2010, Curaçao is an autonomous country within the Kingdom of the Netherlands. The island is located in the southwestern Caribbean, just 70 km north of South America (Curaçao Tourist Board [CTB], 2011). Curaçao covers an area of 444 square kilometers and has 142,000 inhabitants and is therefore the biggest island in the former Dutch Antilles (Central Bureau of Statistics, 2009). Curaçao is a Caribbean island, with white beaches and a popular underwater diving world. It has a tropical climate and temperatures around 30°C, which makes it a popular holiday destination for tourists, particularly from The Netherlands and North America ¹.

Curaçao's tourism sector is a significant contributor to the country's economy. Therefore, the government wants to support tourism development (Marcouiller & Xianli, 2008). This article describes several scenarios of tourism development, the consecutive changes in tourism numbers from the Netherlands and North America, and the resulting impacts on Curaçao's economy. Dutch and North American tourists differ in their holiday pattern; North American tourists mainly stay in hotels during their holiday, Dutch tourists mostly stay in an apartment, rent a car and visit local supermarkets and beaches. Each group therefore has its own impact on the island economy and changes in their number of visits to Curaçao will influence tourism employment in different sectors. The results of this study give insight into the economic impacts of several ways of tourism development. In the future, using the findings of this research, the government of Curaçao may modify its tourism strategy, targeting its product development and marketing activities to specific tourist groups.

The purpose of this paper is to suggest the best strategy for the government creating jobs that are based on the tourism industry. In order to achieve this, a Dutch impact model is used. This model is developed to allow a simple calculation of tourism expenditures and the number of jobs directly and indirectly related to these expenditures. In order to use the model, data concerning the numbers of tourists staying in different types of accommodation and their expenditure are needed. Tourism expenditure is defined as the total expenditure in visitors' consumption during their journey and stay at the destination (Valdés, Torres & Dominguez, 2007).

To determine the role of tourism in the economy, tourism has to be defined. There are multiple definitions of tourism. "Attempts to define tourism are made difficult

because it is a highly complicated amalgam of various parts. These parts are diverse, including the following: human feelings, emotions and desires, natural and cultural attraction, suppliers of transport, accommodation and other services and government policy and regulatory frameworks" (Holden, 2008). United Nations World Tourism Organization (UNWTO) has defined tourism as 'the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes' (UNWTO, 1994).

The remainder of this article is organized as follows: Section 2 compares North American and Dutch tourists; Section 3 explains the model that is used; Section 4 presents the results of the model computations, and, lastly, Section 5 includes a conclusion and discussion.

North American versus Dutch Tourism

■ The yearly arrival numbers shown in Table 1 indicate that North American together with Dutch tourists make up 38 percent of the total arrivals in Curaçao (CTB, 2006). Because these markets are so important to Curaçao's tourism industry, changes in their touristic behavior will influence that part of the economy that is based on tourism. Therefore, this paper concentrates on these two tourist groups.

In this study, the holiday behavior of North American and Dutch tourists is compared. First, the expenditure of tourists from The Netherlands and from North America are discussed.

Table 2 shows the difference in expenditure of Dutch and North American tourists. The North American tourist spends more per day than a Dutch tourist. On the other hand, the length of their trips is shorter than those of Dutch tourists. The total amount of money spent on a trip to Curaçao is nearly the same for both groups.

Table 3 shows the differences in types of accommodation for North American and Dutch tourists. North American tourists prefer to stay in large hotels, while Dutch tourists prefer large hotels, bungalows or their

Table 1: Arrival nationality (percentages)

The Netherlands	23
North America (USA & Canada)	15
Other	62

Source: CTB, 2006.

1. With North America is meant: USA and Canada.

private holiday homes. These differences in accommodation lead to differences in expenditure patterns tourists show during their stay. The percentages shown in Table 3 are an estimate based on the history of arrival numbers (CTB, 2006).

In 2007, the world was hit by the economic crisis. This substantially influenced the flow of tourists to Curaçao in the years thereafter. Table 4 shows that after 2007, North American visitors diminished from 53,097 in 2007 to 50,924 in 2008 and 42,055 in 2009, which was a result of the financial crisis in North America that began in 2007.

However, the total number of arrivals was still growing in 2008 because the economic crisis started later in the rest of the world and did not strike Europe until the summer of 2008 (Rijksoverheid 2011). A possible explanation is that Latin America remained relatively stable during the crisis that affected the US financial system. "Despite rising fears and forecasts, predicting an economic slowdown in the region, most Latin American economies have shown resilience amid the US market convulsions. Latin America's banking systems may be

strong enough to weather the storm because many have not invested significantly in the US market, and their domestic financial markets are not as developed as those of other Western countries" (Fagá, 2008).

Furthermore, Table 4 shows that after the economic crisis there was no decline in people arriving from The Netherlands; the numbers are still increasing. A possible explanation is that many Dutch people visiting Curaçao own private homes, which was the case of 33% of the Dutch visitors in 2006. The only travel expenses for private home owners consist of plane tickets.

The conclusion is that Dutch and North American tourists turn out to have different holiday behavior. This means that the choice of a marketing and investment strategy will have certain effects on the number of arrivals of each group. At the moment, the trend on the island is to build new luxurious resorts. Simultaneously, the numbers of old hotels and apartments have declined. With this shift in types of accommodation supply, there will be a change in the number of tourists from North America and The Netherlands.

Table 2: Expenditure of tourists from North America (USA & Canada) and The Netherlands

	Expenditure per day in US dollars	Length of stay in days	Total expenditure per trip in US dollars
North America (USA & Canada)	168.55	6.7	1129.29
The Netherlands	119.32	9.8	1169.34

Source: CTB, 2006.

Table 3: Visitor arrivals by accommodation types for the Netherlands and North America in 2006 (percentages)

	The Netherlands	North America (USA & Canada)
Large Hotels	35	68
Small Hotels	5	15
Bungalows	21	1
Apartments	3	1
Guesthouses	0	0
Private Homes	33	14
Other	3	1

Source: CTB, 2006.

Table 4: Visitor arrivals to Curaçao

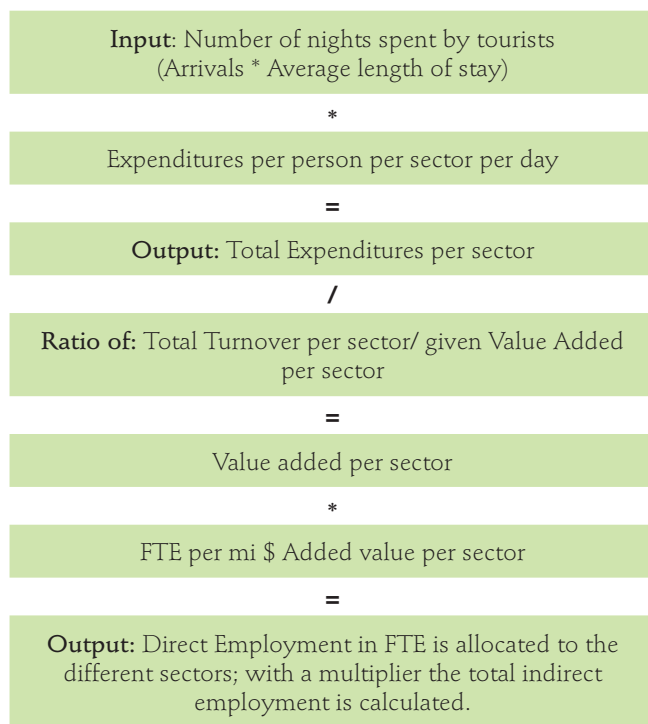
	Total	The Netherlands	North America (USA & Canada)
2001	204,603	56,530	34,464
2002	217,963	55,256	40,903
2003	221,395	75,999	43,805
2004	223,427	73,826	47,218
2005	222,099	77,879	50,792
2006	234,383	85,246	54,850
2007	299,730	100,384	53,097
2008	408,942	113,696	50,924
2009	366,837	126,209	42,055
2010	365,000	127,000	42,000

Source: CTB, 2010; the data for 2010 are estimations.

The model

■ For this paper a model developed by ZKA Consultants and planners has been used: the ZKA impact model. ZKA Consultants and planners is a consultancy that focuses on the tourism and leisure industry in the Netherlands and surrounding countries (ZKA, 2009). The ZKA impact model calculates, based on expenditure and reliable key figures, the employment that is generated by the tourist expenditure. In a relatively simple way, the number of nights spent and the tourist expenditure can be put into the model. The model calculates the effects on turnover and employment. Figure 1 describes the steps that are necessary to calculate the output.

Figure 1: Schematic approach of the ZKA impact model



The model uses different ratios for the different sectors, because not all sectors generate the same percentage of Added Value. Sectors where the repurchase rate is low will generate more added value than a sector with a high repurchase rate. Another component that influences the ratio is the number of subsidies that a sector gets from the government and the amount of VAT that sectors have to pay.

The data in the model can be divided into different categories. For this research, data were divided into different accommodation types. The model calculates the differences in turnover and employment over the different

accommodation types. With the outcome of the model, conclusions can be drawn about these different accommodation types.

After the direct employment generated by the tourist expenditure is calculated, the indirect employment can be determined. The ZKA impact model uses a multiplier of 1.37. This means that 1 Full Time Employee (FTE) directly generates 0.37 FTE indirectly. This number is calculated by taking into account the role of purchase, service providers and others (ZKA, 2009). In this research, no changes were made to this multiplier, as the data needed to calculate a multiplier for Curaçao specifically were lacking.

The ZKA impact model is a simple multiplier model which shows indicative effects on tourism employment for each scenario. As the model was developed for The Netherlands, the model does not correctly reflect the economic structure of Curaçao. This means that the actual number of jobs related to tourism expenditure will deviate from the numbers presented in this article. More importantly, the use of multiplier models for the economic evaluation of tourism policy is widely discussed. The main reason is that multiplier models have “the presumption that the increase in economic activity represents the net change in activity in the economy overall; there is generally nothing said about offsetting negative effects elsewhere in the economy” (Dwyer, Forsyth & Spurr, 2004). However, this study shows that each scenario will have different effects on tourism employment. These effects need to be studied in more detail, when strategies are defined by Curaçao’s government.

Scenarios and results

■ The year 2010 is used as a baseline, with the number of arrivals having been estimated at 365,000. The most recent data on visitor expenditure concern the year 2006. Therefore, in this research the assumption is made that the expenditure profiles per accommodation type have not changed over the period 2006-2010.

Assuming there is no change in tourism strategy nor in the distribution of tourists over the different accommodation types, it is possible to compute the number of nights spent per accommodation type for 2010. Next, four scenarios have been designed for the future:

0) Scenario 0 is the baseline scenario, which assumes that the situation in 2015 will remain unchanged relative to 2010 (See Table 5).

1) Scenario 1 assumes that in the upcoming period 2010-2015, the government and the hotel industry will focus their marketing efforts towards North American tourists. As a result, North American arrivals would increase by 20% per year. Marketing efforts towards Dutch tourists would end, which would lead to 10% fewer Dutch tourists, with the exception of the Dutch owning private homes in Curaçao. Arrivals from other inbound markets will increase by a normal 5%, as no other changes will be made.

2) Scenario 2 assumes that in the upcoming period 2010-2015, the government and the hotel industry will focus their marketing efforts towards Dutch tourists. As a result, Dutch arrivals would increase by 20% per year. Marketing efforts towards North American tourists would end, which would lead to 10% fewer North American tourists. North Americans would now prefer the big resorts in neighboring island Aruba. Arrivals from other inbound markets will increase by a normal 5%, as no other changes will be made.

3) Scenario 3 assumes that the government and private entrepreneurs will decide to build new luxurious resorts. Due to the increasing stock of resorts, the number of nights spent in hotel/resorts will increase by 25% and all other accommodation types will decline equally by 25%, with the exception of private homes. It is expected that this change in accommodation supply would attract more North American tourists to Curaçao.

Table 5: Number of overnight stays in 2010 and 2015 according to Scenario 0

Accommodation type	Number of nights spent
Hotel/resort	1,421,743
Apartment	301,564
Friends/relatives	768,686
Own Property	15,615
Timeshare	43,097
Other	123,671
Not Stated	55,824
TOTAL	2,730,200

Source: CTB, 2006.

The total number of nights in 2010 and 2015 according to Scenario 0 are presented in Table 5. Table 6 presents the number of jobs that is generated when the number of nights spent from Table 5 are used as an input to the model.

Table 7 presents the expected visitor arrivals for Scenarios 0-3

Table 6: Number of jobs generated by the tourism industry in 2010 and 2015 according to Scenario 0 (FTE)

Acc. type	Acc.	Catering	Trade	Entrance fees	Transport	Direct	Indirect	Total
Hotel/resort	2,836	1,189	105	146	267	4,542	1,681	6,223
Apartment	243	66	57	33	48	448	166	613
Friends/relatives	186	279	374	8	94	941	348	1,289
Own Property	0	3	8	0	3	14	5	20
Timeshare	11	32	6	4	3	56	21	77
Other	41	26	24	17	2	110	41	151
Not Stated	118	25	5	2	15	165	61	226
TOTAL	3,435	1,620	579	210	431	6,276	2,322	8,598

Table 7: Visitor arrivals in 2015 (Scenarios 1-3 as percentage deviation from Scenario 0)

	Scenario 0	Scenario 1	Scenario 2	Scenario 3
North America (USA & Canada)	42,000	+20%	-10%	+16%
The Netherlands	127,000	-10%	+20%	-5%
Other	196,000	+5%	+5%	+4%
TOTAL	365,000	0%	+10%	+2%

Tables 8 and 9 present the results of the model estimations. Table 8 shows the percentage deviations from Scenario 0 for Scenarios 1-3. Table 9 presents the number of jobs generated under Scenarios 0-3. It appears that Scenario 3 creates most jobs.

Conclusion

■ Tourists from North America (USA & Canada) and The Netherlands differ in accommodation use and expenditure. Knowing that the total expenditure per visit is nearly the same for both tourist groups, and, in absolute numbers more Dutch tourists arrive, it could be stated that Dutch tourists are better for Curaçao because, in total, they spend more on the island. However, on aver-

age, North American tourists spend more per day. The employment that is generated by the tourist expenditure is shown in Table 9.

In Scenarios 1 and 2, tourism from other countries would increase by 5%. In Scenario 1 North American tourism would increase by 20% while Dutch tourism would decrease by 10%. This would lead to an increase in employment of 218 FTE (+2.5%). In Scenario 2, North American tourism would decline by 10%, while Dutch tourism would increase by 20%. This would lead to an increase in employment of 566 FTE (+6.6%).

Table 9 shows the sectors in which the jobs are located. In this respect, there are no major differences between Scenarios 1 and 2.

Table 8: Number of overnight stays in 2015 (Scenarios 1-3 as percentage deviation from Scenario 0)

Acc. Type	Scenario 0	Scenario 1	Scenario 2	Scenario 3
Hotel/resort	1,421,743	+4%	+6%	+25%
Apartment	301,564	-6%	+16%	-25%
Friends/relatives	768,686	+5%	+5%	-25%
Own Property	15,615	-2%	+12%	+0%
Timeshare	43,097	+0%	+0%	-25%
Other	123,671	-1%	+11%	-25%
Not Stated	55,824	+0%	+0%	-25%
TOTAL	2,730,200	+3%	+7%	+1%

Table 9: Number of jobs (direct and indirect) generated by the touristic sector according to Scenarios 0-3 (percentage deviation from Scenario 0 in brackets)

Acc. Type	Scenario 0	Scenario 1	Scenario 2	Scenario 3
Hotel/resort	6,223	6,467	+6%	+25%
Apartment	613	575	+16%	-25%
Friends/relatives	1,289	1,348	+5%	-25%
Own Property	20	19	+12%	+0%
Timeshare	77	77	+0%	-25%
Other	151	149	+11%	-25%
Not Stated	226	226	+0%	-25%
TOTAL	8,598	8,816 (+2.5%)	+7%	+1%

Scenario 3 describes the changes that occur when people prefer to stay in large hotels and resorts. From baseline to Scenario 3, there are only 1.2% more arrivals. Yet, according to this scenario, the total amount of FTEs will grow by 11.2%. Table 9 presents the differences in sectors for the employment. When hotels and resorts cover a bigger part of the total arrivals, more jobs will be created in the Accommodation Sector and fewer jobs in the Trade Sector. Table 3 shows that 83% of all North American tourists prefer to stay in hotel or resort, where only 40% of the Dutch tourists prefer this. This means that investment in resorts would have to go hand in hand with a marketing campaign aimed at the North American market (USA & Canada).

From the scenarios used in this research, it appears that if the government and private sector do not want to invest in extra hotels and resorts, Scenario 2 (more Dutch tourists, fewer North American tourists) would be attractive. However, if the government, in cooperation with the private sector, decides to invest in hotels and resorts (Scenario 3), this could generate more extra jobs than the other two scenarios, provided sufficient numbers of North American tourists could be attracted. The consequence of this may be that, if more and more people prefer to stay in hotels and resorts, employment in the Trade Sector will decrease.

This article shows the employment impacts of several ways of tourism development. However, in order to genuinely assess scenarios for tourism development, research needs to be done into social and environmental impacts as well. By doing so, the government of Curaçao can safeguard the sustainable development of tourism.

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