

The internet strategy of the Costa Rican Tourism Board

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Abstract

This case is set in 2001 when the ICT makes a call for proposals to design, build, operate and market, a new website and introduce a reservations system. A discussion of the factors leading to the spectacular growth of Costa Rica as a destination and of the way in which the Internet has transformed the sector value chain, leads to a benchmarking exercise of ICT as a destination marketing organization, and an analysis of whether the ICT should become involved in handling reservations and how.

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Keywords: Electronic commerce; Tourism; Costa Rica; Hotels; Clusters; Websites

1. Introduction

In mid-2001, the Costa Rican Tourism Board (Instituto Costarricense de Turismo, ICT) completed a strategy review process in which it decided to look for ways to use the Internet more effectively to attract tourists to the country (Table 1). Although the ICT website had been successful, some of its directors thought that it could be improved.

In September 2001, ICT management decided to take bids for a project to design, build, host and market a new website and operate an Internet reservation system. The invitation for bids was very open as there were different opinions about the services and functions the site should have. The bidders themselves were asked to propose the scope of services that they could offer, the presentation format and the commercial arrangements that would be offered to hotels and other tourism operators.

2. The ICT

In 1955, Law 1917 chartered ICT as an autonomous state institution with its own budget, to which industry members could become affiliated. Its functions included: encouraging foreigners to visit the country; promoting the construction and maintenance of recreational facilities and lodging for tourists;

regulating hotel, travel agency, and car rental activities; and seeking a better conservation of the country's natural attractions.

Article 6 of Law 1917 made ICT responsible for the “custody and conservation of areas in a two kilometer radius around the craters of all the country's volcanoes” and further established that “these areas are declared National Parks” (Asamblea Legislativa, 1955). Because of resource constraints, only the Irazú and Tenorio volcanoes became national parks that year. Poás and Rincón de la Vieja were formally established in the early 1970s. The National Park Service was created in 1977. During the second half of the 1970s, the number of tourists originating outside Central America actually declined.

In the early 1980s, emerging economies were hit by the sovereign debt crisis. In Costa Rica, the sudden interruption of external financing led to sharp devaluations of the currency, which made the country inexpensive for tourists and attracted many of them in 1982. Many US visitors were also drawn to the country by the early decision of the Monge Administration to move the Costa Rican Embassy in Israel to Jerusalem. Though short-lived, this boom encouraged the government to design a strong incentive package that would hopefully create a source of foreign exchange that was more reliable than traditional agricultural exports. In 1985, the Tourism Development Incentive Law (Number 6990) was approved, which granted tariff and sales tax exemptions for inputs used by hotels, car rental companies, and in-bound travel agencies. More dramatically even, Article 11 of the law

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Table 1
Tourists by origin

	1975	1979	1987	1995	2001
Total	299,037	317,724	277,861	784,610	1,131,406
North America	87,997	80,259	104,841	349,307	518,595
Canada	4617	5397	7310	41,898	52,661
United States	75,304	66,524	90,581	287,434	429,093
Mexico	8076	8338	6950	19,975	36,841
Central America	161,681	170,247	108,543	218,023	320,277
Caribbean	2007	3174	3438	7125	9298
Souht America	23,887	28,272	21,768	58,600	103,917
Europe	19,461	28,736	32,354	132,057	150,796
Other	4004	7036	6917	19,498	28,523

ICT tourism statistics 1975–2001.

established that 50% of investments made in such tourism related activities by firms in other sectors could be used as a tax credit.

The ICT would play an important role in managing these incentives. To be recognized as an authorized tourist facility and be granted the so-called “tourism declaration”, a company had to be visited by an ICT inspector, who would assess the quality of the facilities relative to international standards. On this basis, the company also received a rating, which in the case of hotels ranged from one to five stars. The tax incentives of Law 6990 were established through tourism contracts.

Encouraged by Costa Rica’s increasingly strong position as an eco-tourism destination, ICT also implemented incentives to promote sustainable development. Beginning in 1998, it awarded the “Sustainable Tourism Certificate” (CST) to hotels that monitored their impact on the environment, controlled their use of water and energy, and were active communicating their environmental concerns. The “Ecological Blue Flag” program, introduced in 1996, rated beaches in terms of cleanliness, clear signaling and waste management.

The ICT collected and distributed tourism statistics and the results of the “Air Surveys” which were taken both in the high season (December–March) and in the low season (April–November). In these surveys tourists were asked to answer a detailed questionnaire as they waited to board their flights to return home. ICT certified firms could suggest that new questions of general interest be included. Results could be broken down by nationality and by travel motive.

The finances of the ICT are shown in Table 2. It had three main sources of income: a 5% tax on airline tickets (8% until

1995), a 3% tax on hotel rooms and interest on government bonds and other license revenue. On average, it spent half of that revenue on promoting the country abroad.

3. Costa Rica as a destination

Many factors made Costa Rica an attractive destination for tourists. Its 4 million people had a relatively high level of education. Public spending on education was 4.9% of GDP in 1999–2000 as compared to 3.8% in Chile and 5.1% in the US (UNESCO, 2002). A high proportion of the people were bilingual, thanks in part to recent programs to strengthen the teaching of English at public schools.

Costa Rica enjoyed an international reputation of peace and stability, and was recognized as a destination with beautiful natural sights. It was one of the most varied countries in the continent in terms of plants, wildlife, and natural resources in general. With only 0.01% of the world’s total surface area, it had almost 4% of all species (INBIO, 1998)). A quarter of Costa Rica’s territory was protected in some way, half of that in the form of national parks (Table 3).

In a territory of only 50,900 km² it was possible to find mountains, forests, volcanoes, and beaches, allowing the country to attract different sorts of visitors. At the same time, the relatively short distances between these attractions allowed tourists to engage in more than one activity during their visit. Costa Rica also enjoyed advantages by virtue of its location. Easy access from North America, the main tourist market, was shown by direct flights from several major U.S. cities.

ICT (2001a) divided the development of tourism in Costa Rica since the 80s into three stages, as shown in Fig. 1: Ecological Tourism Pioneering Period (1980–88), Growth Period (1989–1994) and Evolution Period from an Ecological Tourism Destination to a Nature-based Tourism Destination (1995–2001).

During the pioneering period, dedicated ecologists and academics were drawn to the country by its natural attractions and by its image of peace, consolidated after President Arias received the Nobel Prize in 1987 for his efforts to achieve a peaceful solution to many years of civil strife in Central America, and in clear opposition to U.S. Policy at the time. Visitors would stay at Costa Rican run simple cabins and lodges of 20 rooms or less, or at research stations often managed by foreigners.

Table 2
ICT finances (thousands US\$)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Current income	13,238	14,661	15,908	15,594	15,243	15,597	15,529	16,253	15,890
Tax on hotel rooms (3%)	2352	2577	2698	2621	2747	3170	3461	4277	4253
Tax on airline tickets (5%)	8149	7842	6384	6808	7610	8056	8613	9011	8747
Other (licenses, interest)	2737	4242	6826	6165	4885	4371	3455	2965	2890
Total spending	11,334	11,410	10,228	12,096	12,301	11,010	24,046	12,563	11,431
Administration	3970	4933	4857	3493	3621	3256	16134	3827	3802
Promotion	7364	6477	5371	8602	8680	7754	7912	8735	7628
Tourism revenues (millions \$)	577	626	660	689	719	884	1036	1229	1277

Source; ICT & Central Bank.

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