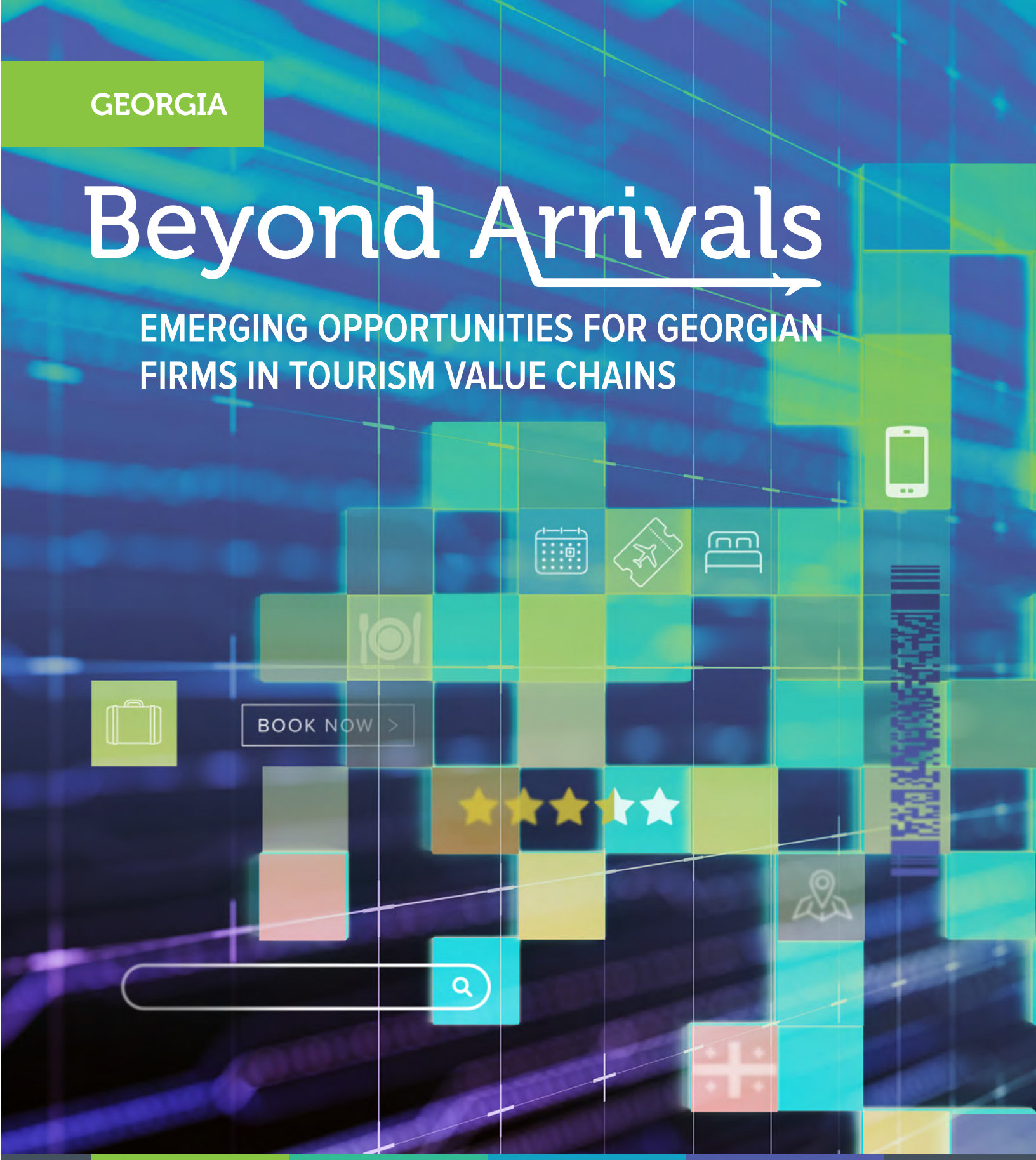
GEORGIA

Beyond Arrivals

EMERGING OPPORTUNITIES FOR GEORGIAN FIRMS IN TOURISM VALUE CHAINS



WORLD BANK GROUP

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Contents

Acronyms and Abbreviations

AI	Artificial intelligence
AR	Augmented Reality
ATS	Adventure Tourism School
B2B	Business-to-Business
B2C	Business-to-Consumer
CAGR	compound annual growth rate
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
EPI	Environmental Performance Index
EU	European Union
eWOM	electronic World of Mouth
FIT	Free Independent Traveler
GDP	Gross Domestic Product
GEL	Georgian Lari
GENIE	Georgia National Innovation Ecosystem
GeoStat	National Statistics Office of Georgia
GIS	Geographic information system
GMGA	Georgian Mountain Guides Association
GNTA	Georgian National Tourism Administration
GoG	Government of Georgia
GVC	Global Value Chains
IFMGA	International Federation of Mountain Guides Associations
MRDC	Mountain Resorts Development Company
NWA	National Wine Agency
OTA	Online travel agencies
PoS	Point-of-Sale
SD	Software Development

SEO	Search engine optimization
SMEs	Small Medium Enterprises
SPRAW	Safe Practices for Rope Access
S&R	Search and Rescue
UGC	Online user-generated content
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNWTO	World Tourism Organization
US	United States
USA	United States of America
USAID	United States Agency for International Development
UK	United Kingdom
VR	Virtual reality
Vrex	Vrex Immersive Inc

Acknowledgements

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Executive Summary

As Georgia targets higher-spending tourism source markets, new global value chains (GVCs) that support them are emerging

Georgia's current tourism offering is oriented toward low-spending neighboring markets and, although there is growth in high-spend global markets, the share is still very small. The majority of international visitor trips are from Georgia's neighboring countries—Russia, Azerbaijan, Armenia and Turkey. This strong regional footprint is partly attributable to Georgia's reputation during Soviet times as a recreational destination. Proximity, low prices, familiarity and language have contributed to this strong position. However, of Georgia's top 15 source markets, tourists from Azerbaijan, Armenia and Turkey have the lowest average total trip expenditure and make the shortest trips. Although Georgia has seen very strong growth from China and India, arrivals to Georgia from the top global tourism source markets[1] in 2018 represented only 7.3 percent of arrivals to the country.

Georgia's government is targeting high-growth, high-spend source markets. In 2015, the Government of Georgia (GoG) launched "Georgia Tourism 2025"; a 10-year vision and strategic plan for increasing the value and importance of tourism for the benefit of the country's economy and ultimately its citizens. The plan—developed with support from the World Bank Group—included infrastructure development, country promotion, service quality improvement and tourism product diversification. Building on this plan, in 2018, GoG developed a marketing, branding and promotional strategy to communicate Georgia's brand positioning, visual and verbal identity guidelines, and promotional objectives and target high-growth, high-spend source markets.

As Georgia's source markets evolve, new GVC structures necessary to serve those markets will also emerge. GoG has identified 26 key source markets based on accessibility, economic factors, cultural relations, and other factors such as the size of diaspora, historical ties and language barriers. A shift towards these new markets will also correspond to changes in consumer behavioral trends and tastes. This, coupled with global industry trends will see new value chain structures emerge, emphasizing activities with differing competitive forces, and presenting differing opportunities to create and retain value.

Georgian firms may need support to respond to changes in emerging tourism GVCs and compete for higher-value-added activities. The report asks and answers two questions: i) How are emerging trends changing the structure of Tourism GVCs and how can Georgian firms benefit from these changes? ii) What policy reforms, capital investment or skills development is needed to increase Georgia's value-chain competitiveness in each of these key tourism offerings?

[1] China & Hong Kong, Germany, United States, United Kingdom, Canada, Italy, France, Ukraine and India

Georgian firms can compete for new opportunities in emerging GVCs, not only during a trip but also before and after a trip has occurred.

Core activities in hospitality and entertainment will continue to be the linchpin of tourism but, as GVC structures shift, Georgia has an opportunity to compete for emerging higher-value-added activities. Traditional activities in the tourism value chain, such as culinary services, accommodation, guides and hospitality training institutions, are the core of tourism GVCs and this will not change. However, new opportunities for Georgian firms to capture value are emerging, not only during a trip but also before and after a trip have occurred. Given that many of these activities are digital, there is a risk that value-chain actors could rely on foreign firms to provide these services. Therefore, the onus will be on local firms to compete for these activities.

Before the trip, value-chain actors are creating value by engaging online communities with shared interests. Rather than focusing on a country-centric message, value-chain actors can monetize digital social interactions by using services such as YouTube, Instagram and Snapchat to engage online communities with a shared interest. Electronic word-of-mouth and other types of user-generated content are fast becoming a widely used source of travel information for internet users. Georgian value-chain actors have not yet responded to these emerging trends, which means that Georgia's nascent digital services community is well positioned to move into this space. However, opportunities for job creation are not limited to digital service providers. As more Georgian firms incorporate travel tech and fintech solutions, emerging GVCs will increasingly generate new in-house roles and support functions. In addition, virtual reality and augmented reality have particular relevance in emerging tourism GVCs and present entrepreneurial opportunities.

During a trip, the availability and integrity of information is key. Millennials and free independent travelers (FITs) are driving demand for local, authentic and immersive experiences. The sharing economy, particularly peer-to-peer services, has grown in response to this demand and has also lowered the barriers to entry for new entrants into tourism GVCs. Support services may be tangible (e.g., tourist information centers, leaflets and guide-books), intangible (e.g., quality ratings for restaurants), or digital (e.g., GPS and map applications). However, Georgia still relies heavily on traditional tour operator models, and as a result, services that support FIT travel are weak.

After the trip, 'small data', as well as Big Data, can be leveraged to create value. Big Data can provide sophisticated insights and streamline marketing strategies. However, leveraging insights from Big Data in emerging tourism GVCs requires extraction, visualization and analysis, which are not yet well cultivated in Georgia. That said, not all data are "Big": value-chain actors can compile consumer preferences and profiles and use these data to improve their own services. In addition, value-chain actors can directly convert data to revenue through post-trip services and relationship management.

Wine & food tourism: An opportunity to showcase Georgia's authentic and unique artisan offering

Georgia has the opportunity to reposition its offering toward emerging 'curious' markets seeking authentic, local experiences. The Georgian National Tourism Administration's (GNTA) marketing, branding and promotion strategy defines wine and food tourism as one of Georgia's three key tourism offerings. Wine and food tourism in Georgia has been somewhat buoyed by nostalgia and is dominated by neighboring markets. However, these markets are saturated and average spend per tourist is relatively low. At the same time, a new 'curious' market is emerging, seeking authentic, local experiences. As one of the oldest winemaking countries in the world with a unique production method, Georgia already has the natural endowments to cater to curious, higher-spending source markets in wine tourism. In addition, an artisan culinary movement is also starting to blossom in Georgia. By focusing on its authentic, local, artisan offering, Georgia is well placed to cater to higher-spending curious markets in wine and food tourism.

Strong public-private dialogue, coordination and collaboration are required to protect, preserve and promote Georgian wine and food traditions and encourage artisanal growth. The Government of Georgia can enact dynamic programs to protect, preserve and promote Georgian wine and food traditions, and better provide support and training for Small and Medium Enterprises (SMEs) and artisans. Greater inter-ministerial coordination and public-private cooperation could amplify online and social media campaigns of SMEs in the wine and food tourism. As prominent source markets for wine and food tourism also coincide with high environmental consciousness, Georgia's traditions in organic and natural wines have a strong role to play in this food and wine segment. In addition, a strong authentic, local offering in wine and food tourism will require other value-chain actors (beyond restauranteurs and wineries) to become customer-facing and develop strong collaborative relationships with one another.

Nature & adventure tourism: Strong gains are threatened by safety and regulatory shortcomings

Georgia's mountain tourism has grown aggressively in recent years, but the lack of regulatory infrastructure threatens Georgia's competitiveness. GNTA has identified nature and adventure tourism as being one of Georgia's key product offerings, including natural landmarks, mountain adventure tourism, water-sports and wildlife tourism. Georgia's mountain tourism has grown aggressively in recent years, presenting an opportunity for Georgia, as European skiers diversify their destinations away from traditional destinations. However, Georgia does not have industry standards, guidelines or institutional training pertaining to search and rescue, or mountain equipment operations, maintenance or procedures. This regulatory gap, coupled with the fact that 77.3 percent of Georgia's international visitor trips come from relatively low-spending neighbor countries and are therefore less exigent, means that the quality of support services in Georgia's nature and adventure tourism offering is comparatively low. Although Georgia's visitors thus far have not demanded these safety regulations as a pre-requisite, growth in arrivals will test the limited capacity of infrastructure and services, and will increase the risk of serious incidents. At the same time, this reputational risk is amplified by the ubiquity of user-generated content and social media.

Addressing these issues can protect Georgia's competitiveness in existing segments. Several policy reforms and investments could address weaknesses in Georgia's nature and adventure value-chain offering. In the area of rescue operations and risk management, there is an opportunity to develop operational guidelines for search and rescue teams; develop mountain resort equipment operational, maintenance and procedural guidelines; cooperate with the Department of Hydrometeorology of Georgia to upgrade avalanche forecasting and operational risk assessment capacity; and implement a helicopter availability scheduling system. In addition, the Government of Georgia can develop a licensing and certification framework to regulate value-chain actors in nature and adventure tourism. Finally, GNTA can coordinate with the insurance regulator (Insurance State Supervision Services of Georgia) and insurance companies to understand why insurance policies that cover personal injury through extreme activities are not currently available for value-chain actors in nature and adventure tourism.

Summary of Actions

	HIGH PRIORITY ACTIONS	MEDIUM PRIORITY ACTIONS	LOWER PRIORITY ACTIONS
Respond to the demand for digital services	**A1.1** Actively manage online presence to better serve visitors and Georgian firms **A1.2** Development of professional digital skills and services in Georgia[2] **A1.3** Digital literacy training for value chain actors[3]	**A1.4** Increase availability and integrity of public information **A1.5** Collaborate with OTAs to monitor guidelines	
Target high-value added Wine & Food strategic segments	**A2.1** Increase coordination between the National Wine Agency, GNTA and private sector	**A2.2** Financial support and training for SMEs and Artisans **A2.3** Launch dynamic initiatives to protect, preserve and promote Georgian food traditions **A2.4** Develop "natural", eco-conscious offering	
Strengthen existing competitiveness in Nature & Adventure strategic segments	**A3.1.1** Operational guidelines for S&R teams **A3.1.2** Operational, maintenance and prodedural guidelines for technical infrastructure and equipment **A3.1.3** Infrastructure to protect lives and assets in high-risk avalanche zones **A3.1.4** Upgrade avalanche forecasting and operational risk assessment capacity **A3.1.5** Helicopter availability scheduling system **A3.2.1** Training framework (new recruits and on-the-job) for mgmt. and technical staff **A3.3** Licensing and certification framework	**A3.2.2** Expansion of taught courses in adventure tourism roles e.g. ski instructors, mountain guides	**A3.4.1** Non-mandatory personal professional insurance **A3.4.2** Standards for non-mandatory professional liability insurance[4]

[2] Component 2.2. of the Georgia National Innovation Ecosystem (GENIE) Project will focus on Digital Economy Skills Development. The terms of reference of this activity includes the training described in Action 1.2

[3] Component 1.3 of the Georgia National Innovation Ecosystem (GENIE) Project includes pilot a community training pilot and subsequent roll out of digital literacy training and eCommerce training.

[4] Linked to Action 3.3


DEPARTURES
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Introducton: Why Global Value Chains and Why Tourism?

Georgia is well positioned to emulate successful small economies in Central and Eastern Europe whose incomes have grown through stronger global value chain integration. Many small European countries have achieved high-income status through stronger global value chain integration with some of the world's major consumption markets. This path to development has created the backbone of the 'convergence machine' and has been demonstrated by several countries with past similarities to Georgia's development context e.g. the Czech Republic, Iceland, Slovakia and Slovenia.

Georgia's economy has grown robustly at an average annual rate of 4.5 percent over the past decade despite relatively low exports. Boosted by remittances and capital inflows, Georgia's growth has been driven by domestic demand and by leveraging productivity gains from sectoral reallocations and first-generation reforms. Although Georgia's total exports have almost doubled over the past 15 years—rising from 23 percent of GDP in 2000 to 55 percent in 2018—export levels are still below high-performing emerging economies. For example, in Estonia, the Czech Republic and Slovakia, exports account for between 80 and 100 percent of GDP.

As Georgia does not have substantial natural resources or a large domestic market, future growth will hinge on leveraging its emerging strength in service exports. The market reach of Georgia's export basket increased from 60 destinations in the early 2000s to approximately 125 in the early 2018. While Georgia outperforms other countries in the region by this measure, there is still substantial scope for further diversification. By contrast, services are much more dynamic export sector in Georgia and are not as constrained by Georgia's lack of natural resources or small domestic market.

Tourism—Georgia's fastest growing service export—is a promising candidate to anchor Georgia's successful integration into GVCs. Georgia's tourism sector already contributes strongly to Georgia's GDP, exports and employment. Between 2009 and 2016, Georgia achieved one of the fastest rates of tourism growth globally. Total international visitor trips more than quadrupled over this period, reaching about 8.7 million in 2018, about half of which were tourists (see Box 1). By 2016, tourism employed 100,500 people (5 percent of total employment) and, in 2018, tourism directly accounted for an estimated 7.6 percent of GDP. According to the Government of Georgia's balance of payments data, 'travel services'[5] receipts increased from US$446 million in 2008 to US$3.2 billion in 2018.

Georgia's government is actively supporting further tourism growth; targeting high-growth, high-spend source markets. In 2015, the Government of Georgia (GoG) launched "Georgia Tourism 2015/25"; a 10-year vision and strategic plan for increasing the value and importance of tourism for the benefit of the country's economy and ultimately its citizens. The plan—developed with support from the World Bank Group—included infrastructure development, country promotion, service quality improvement and tourism product diversification. Building on this plan, in 2018, GoG developed a marketing, branding and promotional strategy to communicate Georgia's brand positioning, visual and verbal identity guidelines, and promotional objectives and target high-growth, high-spend source markets.

As Georgia's source markets evolve, the GVCs necessary to serve those markets will also evolve. GoG has identified 26 key source markets based on accessibility, economic factors, cultural relations, and other factors such as the size of diaspora, historical ties and language barriers. A shift towards these new markets will also correspond to changes in consumer behavioral trends and tastes. This, coupled with global industry trends will see new value chain structures emerge, emphasizing activities

[5] Subcategories under 'travel services' in balance of payments' data includes 'business', 'expenditure by seasonal and border workers', and 'personal travel'.

with differing competitive forces, and presenting differing opportunities to create and retain value.

The aim of this report is to reveal opportunities for Georgian firms to compete for higher-value-added activities in emerging GVCs and to highlight options for GoG to support them. The report uses a qualitative analytical approach[6] to ask and answer two questions: i) How are emerging trends changing the structure of Tourism GVCs and how can Georgian firms benefit from these changes? ii) What policy reforms, capital investment or skills development is needed to increase Georgia's value-chain competitiveness in each of these key tourism offerings?

The report consists of four sections. Section 1 describes tourism trends in Georgia. Section 2 describes structural trends (particularly digital trends) that are influencing the shape of GVCs in tourism, and how these changes could create new opportunities for Georgian firms to capture value. Section 3 focuses on Georgia's wine and food and nature and adventure tourism offerings, identifying options for strategic reposition in both cases. Lastly, Section 4 describes recommended actions for strengthening Georgia's participation in tourism value chains through policy reforms, capital investments and skills development.

6 More information on the methodology and the rationale for its selection is included in the annexes to this report.

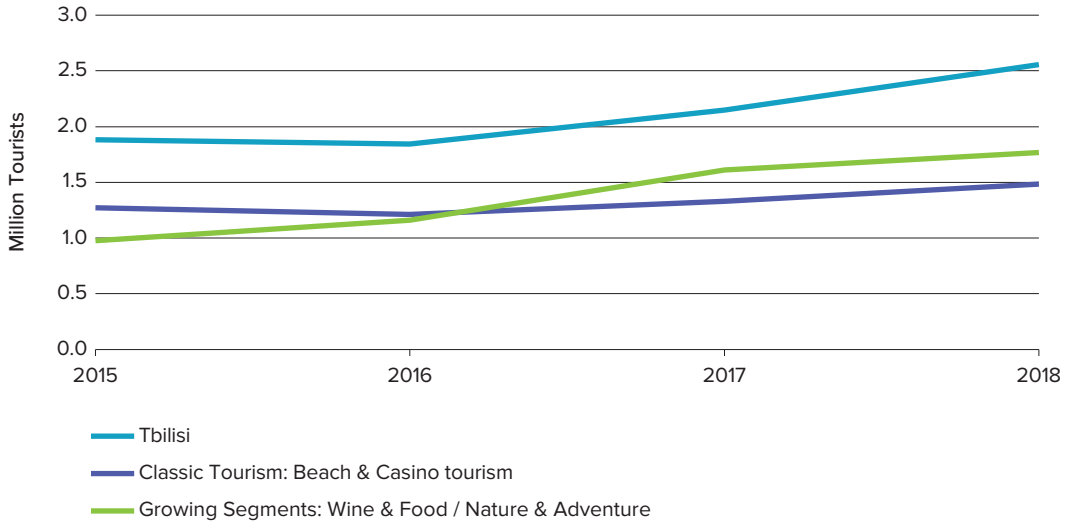
1. Tourism Snapshot

Georgia has extraordinary natural endowments—high mountains, a coast line and vast nature reserves -coupled with a rich cultural heritage and renowned hospitality. As the offering has evolved, so have consumer tastes and preferences. Tbilisi attracts the most tourists to Georgia (Figure 1). Benefiting from its emerging popularity as a 'city break' destination, tourists are attracted to Tbilisi due to its growing notoriety as a wine destination, a vibrant nightlife and arts culture, and several cultural heritage sites. While tourists have increased by about 36 percent since 2015, the share of tourists to Tbilisi vis-à-vis other regions in Georgia has remained stable. Tourists traveling to the Autonomous Region of Adjara (principally beach and casino tourism) grew about 17 percent between 2015 and 2018. However, growth of Georgia's beach and casino tourism is stagnating as other types of tourism have become more popular. Most notably, although wine and food tourism comprises only 5.8 percent of all tourists, it has increased by 77 percent since 2015. Nature and adventure tourism has growth the fastest, having increased by more than 80 percent and amounting to almost 19 percent of all tourists, from 14 percent in 2015.

Georgia's current tourism offering is oriented toward neighboring markets. The majority of international visitor trips are from Georgia's neighbor countries: Russia, Azerbaijan, Armenia and Turkey. This strong regional footprint is partly attributable to Georgia's reputation during the Soviet era as a recreational destination. Proximity, low prices, familiarity and language have contributed to this strong position. However, other factors have also played a part: tensions between neighbors have made Georgia a neutral option, and Russia and Turkey enjoy visa-free travel to Georgia.

The potential growth in Georgia's neighboring source markets is limited as they become saturated and daily expenditures remain low. Georgia dominates its regional

FIGURE 1. **Evolution of main tourism offerings in Georgia, 2015 to 2018**

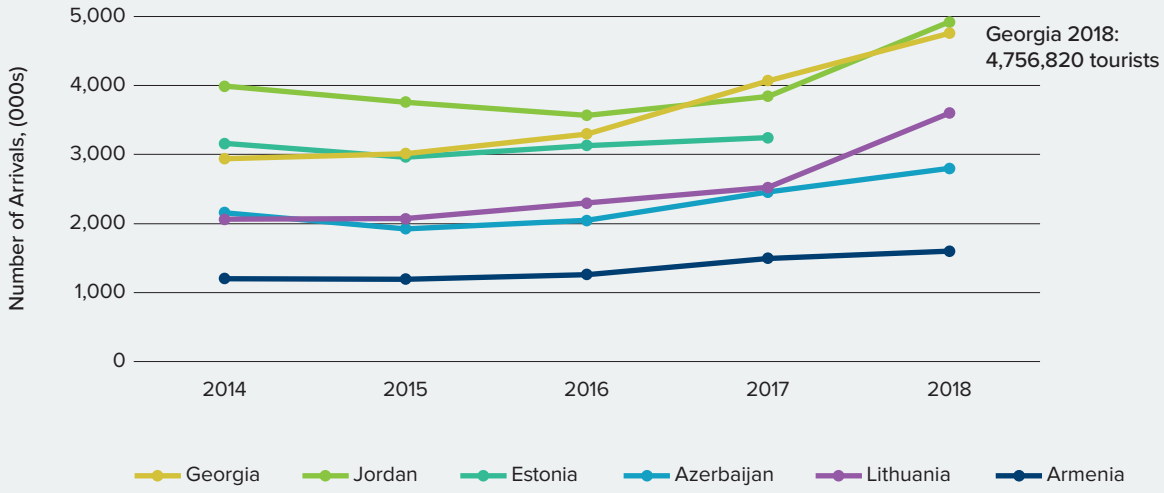


Source: "Distribution of monthly average visits by region to Georgia data" from National Statistics Office of Georgia (GeoStat) has been used to estimate the size of "strategic segments" in Georgia's tourism offering (see Annex 3 for approach and methodology).

BOX 1. HOW MANY TOURISTS CAME TO GEORGIA IN 2018?

Number of Arrivals in 2018...	8,679,544
...Excluding transit trips and workers:	7,203,350
...Excluding same day trips:	**4,756,820 tourists**

Figure 2. Growth in the number of tourists, Georgia vs comparator countries



Georgia received about 4.8 million tourists in 2018 (out of 8.7million international traveler trips) according to GNTA. This is a strong performance compared with other countries of a similar size and comparable geographic location, which received between 1 million and 4 million arrivals in 2014 (according to UNWTO data).

Source: International Visitor Survey 2018, Georgian National Tourism Administration, 2018; UNWTO, 2019.

Note: (i) Arrivals for 2018 for Estonia are currently unavailable; and (ii) UNTWO arrival figures for Jordan, Estonia, Azerbaijan, Lithuania, and Armenia may include transit workers and same-day trips.

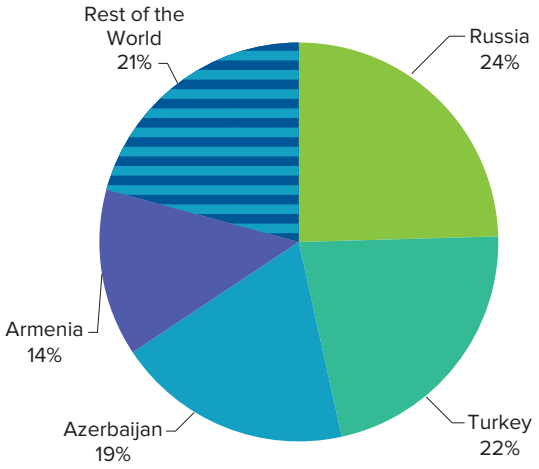
markets, accounting for 87 percent of Armenia's outbound tourism and 38 percent of Azerbaijan's outbound tourism. However, the emotional connection to Soviet-era Georgia will become less prevalent with time, as Georgia does not hold the same sway with younger generations. Moreover, according to GNTA data, Azerbaijan's average total trip expenditure in Georgia in 2018 was only US$142.98, while Armenia's average total trip expenditure was US$200.52 and Turkey's was US$342.74. Of Georgia's top 15 source markets, tourists from these three source markets have the lowest average total trip expenditure and make the shortest trips. In contrast, tourists from the United States are among the highest spenders through a combination of a long length of stay and high daily expenditures. However, the average expenditure per day in Georgia by American tourists in 2017[7] was significantly lower than the average spend by American tourists across other global destinations (US$106 per day in Georgia vs. US$139 per day in other countries) (UNWTO, 2019).

Arrivals from top global tourism source markets are comparatively low, though growth from India and China has been strong. Arrivals to Georgia from top global tourism source markets represented only 8.4 percent of total arrivals to the country in 2018. A notable exception is Ukraine, which itself represents 3 percent of all arrivals. India accounted for about 4,000 international arrivals in 2013, but by 2018 it accounted for about 49,500 arrivals.

[7] UNTWO data for global spend by American tourists is not yet available, therefore a comparison of 2017 figures is included here.

FIGURE 3. The majority of Georgia's tourists in 2018 come from neighboring source markets*

1	Russia	1,106,949
2	Turkey	990,897
3	Azerbaijan	861,889
4	Armenia	611,603
5	Iran	274,479
6	Israel	151,587
7	Ukraine	144,479
8	Poland	66,903
9	Germany	63,712
10	Belarus	57,835
11	Kazakhstan	55,121
12	Saudi Arabia	50,997
13	India	49,434
14	United States	40,733
15	China	30,549



*UNWTO data comprise 'international arrivals' as opposed to 'tourists'. (Therefore, transit trips may be included depending on calculation employed by each country.) Tourist numbers have been estimated based on methodology included in the Annex.

Source: Tourist numbers are estimated based on UNWTO Outbound Statistics and data from Ministry of Internal Affairs of Georgia, GNTA (see Annex 4 for methodology).

TABLE 1. Georgia's top 15 source markets in 2018—Average length of stay and expenditure in Georgia

Country	Length of stay (nights)	Avg. expenditure per day (US$)	Avg. total trip expenditure (US$)
USA	7.8	144.50	1,131.45
India	10.8	99.49	1,070.56
Saudi Arabia	5.0	185.67	928.34
Israel	7.7	115.48	893.80
Poland	6.0	134.21	810.62
Iran	6.8	112.82	769.40
Germany	8.5	89.59	759.75
China	6.7	110.73	736.36
Kazakhstan	7.0	103.91	726.33
Ukraine	8.8	69.77	616.04
Russia	6.3	78.16	492.39
Belarus	7.7	61.18	468.62
Turkey	1.6	214.21	342.74
Armenia	1.8	111.40	200.52
Azerbaijan	2.5	57.19	142.96

Source: GNTA

China has followed a similar, albeit more moderate, trend: in 2013, Chinese tourists accounted for about 6,600 arrivals in 2013 and after five years they had reached about 30,500 visits. While these numbers may seem low, it is notable that India has overtaken all Western European countries (except Germany) and the United States as a source markets for Georgian tourism (Table 2).

TABLE 2. Number of tourists visiting Georgia from top 10 global tourism source markets, 2018

Global Ranking	Source Markets	2014	2018
1	China & Hong Kong	5,919	30,549
3	Germany	27,073	63,712
4	United States	21,264	40,733
5	United Kingdom	15,732	28
6	Canada	2,894	4
7	Italy	9,361	17
8	France	9,958	20
9	Ukraine	124,265	144,479
10	India	258	49,434

Source: Tourist numbers are estimated based on UNWTO Outbound (see Annex 4 for methodology).

As GNTA targets higher-spending tourists, Georgian firms may need support to respond to changes in emerging tourism GVCs and compete for higher-value-added activities that could otherwise be performed by foreign firms. The Government of Georgia has an opportunity to identify the necessary policy reforms, capital investments and skills development that will be needed to help Georgian firms support growth and successfully compete for higher-value-added activities in emerging tourism GVCs. If these developmental factors are not fully understood, there is a risk that as the tourism industry grows: (i) the participation of Georgian firms will be limited to lower-value-added activities and services; and (ii) adjacent sectors could miss out on salient opportunities to integrate into the value chain, resulting in an overreliance on imports. These opportunities are discussed in the sections that follow.

BOX 2. GEORGIA AND THE INDIAN MARKET AND THE CHINESE MARKET

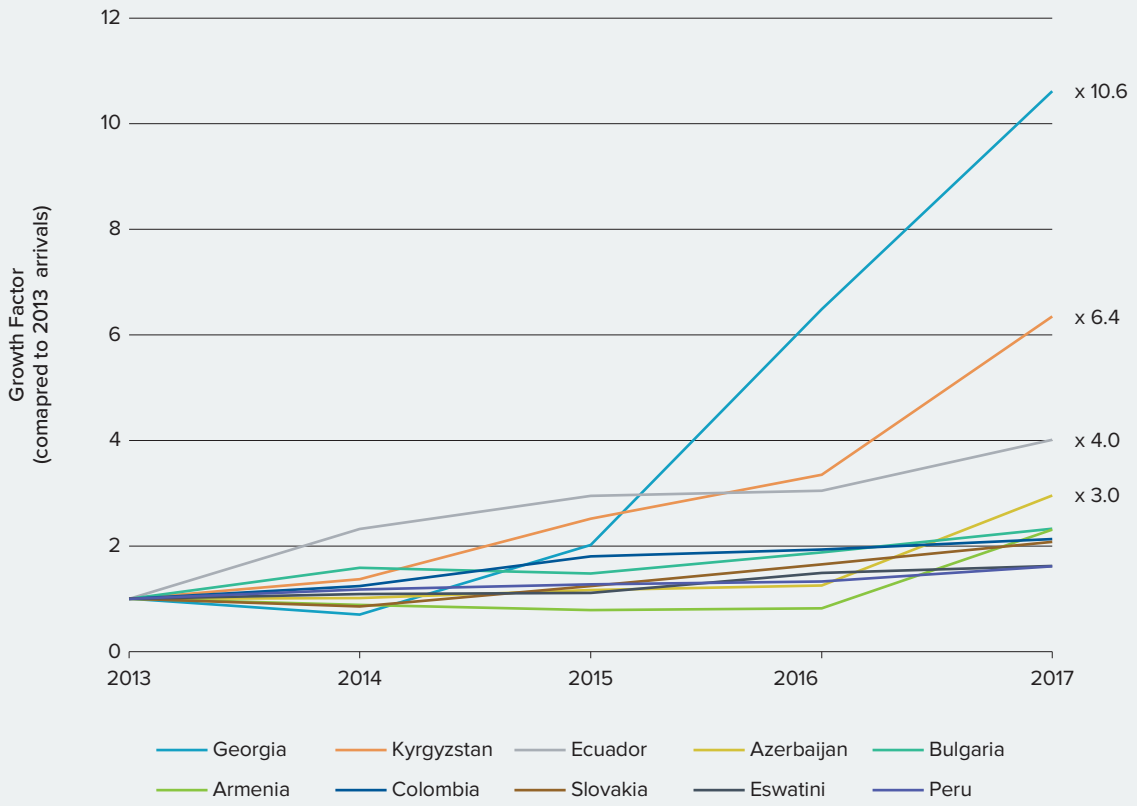
GEORGIA AND THE INDIAN MARKET

Growth of India as a source market for Georgian tourism has been aggressive: accounting for only 4,013 international visitor trips in 2013, international visitor trips from India grew to 42,605 international visitor trips by 2017. This is faster growth than any other destination country receiving a similar number of Indian tourists in 2013 (Figure 4). In addition, Indian arrivals to Georgia are growing 20 times faster than the average rate of Indian departures (961 percent compared with 44 percent).

Though it is true that Georgia ranked number 34th as a destination for Indian travelers in 2017,[1] Georgia also performs well when compared with more mature destinations: Morocco, Argentina, Brazil, Colombia or Costa Rica all receive fewer Indian nationals than Georgia. In addition, in terms of growth for the 2013–17 period, Georgia has shown a better performance than almost any other destination. It is worth noting also that Indians travel mostly for business and only 30 percent of all departures are for leisure, compared with a global average of 53 percent (Capa India, 2018).

[1] Some countries, such as Nigeria, Kuwait, Indonesia, Bangladesh, and Egypt, which potentially could be stronger markets, did not report number of arrivals and as such have not been included in the analysis.

FIGURE 4. **Growth of Indian visitors traveling to similarly ranked destinations, 2013***



*All destinations receiving between 3,000 and 6,000 tourists in 2013. Data have been normalized using 2013 as time-0
Source: UNWTO (2019)

GEORGIA AND THE CHINESE MARKET

Chinese outbound trips are expected to amount to nearly 160 million by 2020. This will be boosted by the fact than more than 35 percent of China's population will achieve upper-middle and high-income earnings by 2030. In addition, annual disposable income is expected to increase to US$10,800 by 2030, doubling the figure for 2015 (Morgan Stanley Research, 2018).

The year of 2018 marked a sharp rise in the number of arrivals in Georgia from China, rising from about 18,179 international visitor trips in 2017 to about 31,855 international visitor trips in 2018 (a 75.2 percent increase). Although this increase in visits to Georgia still only accounts for 0.02 percent of 149 million outbound trips from China, Chinese travelers are increasingly more important as a source market for Georgia. In 2018, Georgia received more travelers from China than any Western Europe country with the sole exception of Germany (UNWTO, 2019).

On average, 45 percent of Chinese tourists are interested in natural scenic attractions, while 41 percent like to visit man-made attractions, such as theme parks. Only 38 percent are interested in visiting historical sites. Fifty-six percent of Chinese tourists rank beauty and uniqueness of tourist attractions as the main factor to visit a country. This is followed by the local environment, including safety (47 percent), ease of visa procedures (45percent) and friendliness of locals toward tourists (35 percent). Cost is only the fifth most important consideration for Chinese tourists, given the rise on disposable income (Nielsen, 2018).

According to Georgia's national statistics office, 50 percent of Chinese travelers visited Tbilisi in 2017, followed by 29.7 percent who visited Batumi, a casino and beach destination, while only 13 percent visited Gori, a mostly cultural destination.

2. Emerging Tourism GVCS are Creating New Opportunities for Georgia

Core activities in hospitality and entertainment will continue to be the linchpin of tourism but, as GVC structures shift, Georgia has an opportunity to compete for emerging higher-value-added activities. Traditional activities in the tourism value chain, such as culinary services, accommodation, guides and hospitality training institutions, are the core of tourism GVCs and this will not change. However, new higher-value-added activities are also creating value in emerging tourism GVCs. As many of these activities are digital (Box 3), there is a risk that value-chain actors could rely on foreign firms to provide these services. As such, the onus is on local firms to ensure that they have the opportunity to successfully compete for these activities

New opportunities for Georgian firms to capture value are emerging, not only during a trip but also *before* and *after* a trip has occurred. The majority of core economic activities in tourism value chains are inherently local and are performed during the period that a traveler is physically in the tourism destination ('during the trip'). In addition, construction, marketing and promotion related activities typically occur 'before the trip'. In emerging tourism GVC structures, not only is the scope of these activities changing, but the potential to create value also exists after a visitor has left the destination (after the trip). These themes are discussed in more detail below.

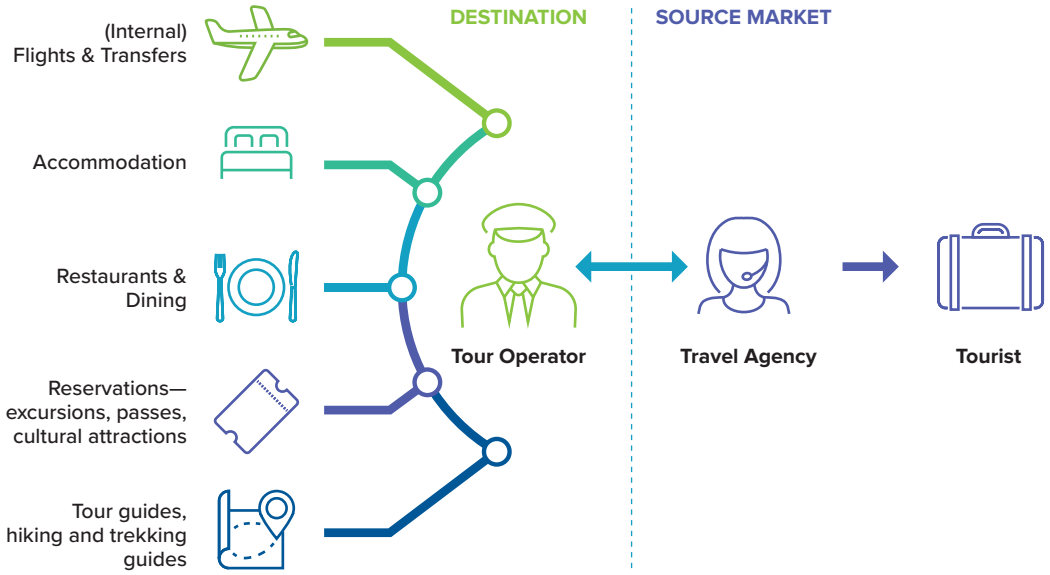
'BEFORE THE TRIP': Engaging communities in virtual spaces

Traditionally, the opportunity to derive value in tourism GVCs 'before the trip' has focused on infrastructure investments, and centrally-financed marketing and promotion. Construction (e.g., accommodation, marinas, museums, theaters and cultural attractions), building quality hospitality services and promoting the offering have long comprised the core set of activities in tourism GVCs. National tourism boards have traditionally played a dominant role in creating and generating value 'before the trip' through funding for national marketing campaigns, supporting the private sector in international trade fairs and conducting market research for the promotion of tourism.

In emerging tourism GVCs, value-chain actors themselves are becoming key marketing and promotion drivers, creating value by engaging online communities and showcasing the tourism experience. Rather than focusing on a country-centric message, value-chain actors can monetize digital social interactions by using services such as YouTube, Instagram and Snapchat to engage online communities with a shared interest (e.g., 'wine' as opposed to 'Georgia'). Directly showcasing positive stories and experiences can greatly influence a traveler's path to purchase. The opportunity is especially relevant for free independent travelers (FITs, also commonly known as fully or frequent independent travelers), who shun the tour operator model (Figure 5), preferring instead to book all elements of their travel themselves. With an ever-increasing number of multi-platform touchpoints, the information monopoly previously enjoyed by tourism boards, travel agencies, guidebook publishers and company websites has been severely disrupted.

Travelers are increasingly comfortable using mobile devices and engage with digital assistants and chatbots to book travel online. Global revenue from online travel booking is expected to reach US$1,091 billion by 2022, registering a compound annual growth rate (CAGR) of 11.1 percent in the period 2016-22 (Allied Market Research, 2016). This growth is fueled by tourists who are increasingly using a range of devices to research their vacation, logging hundreds of digital touchpoints across search engines, travel websites, and social media. Artificial intelligence (AI) is complementing this trend by personalizing content based on past behaviors and preferences. AI is also used in voice and digital assistants and chatbots, which can

FIGURE 5. **Tour operator model typical of traditional value-chain structures**



In traditional value-chain structures, tour operators take responsibility for booking and paying for several aspects of a tourist's holiday in the destination country. In many cases, the tour operator is 'contracted' by an intermediary in the source market; the travel agency. This 'tour-operator model' is still prevalent, especially in destinations with low internet penetration and poor travel connections. As Georgia's connectivity improves, the bargaining power of tour-operators will become weaker.

Source: Author.

automate some of the labor-intensive customer service functions such as research and bookings. Travelers are ready for the technology: 57 percent of travelers want a more personalized experience based on their past preferences and about one-third of travelers would be interested in using digital assistants to book travel (Woo, 2017).

Online user-generated content (UGC) and electronic World of Mouth (eWOM) are fast becoming widely-used sources of travel information for internet users. Reviews, photos, blogs and other travel content published by individuals, as opposed to professional media and travel companies, constitute UGC. However, photos and videos posted to social media networks (including Facebook, Instagram and Snapchat) are another form of UGC often referred to as electronic World of Mouth (eWOM). Consumers may perceive UGC as a more credible source of information than a firm's own marketing materials, because the content is seemingly not distorted by company/organization interests (Herrero, San Martín, & Hernández, 2015). UGC is especially important to consumers during the initial travel research phase, as it helps to filter options and is also heavily used to research more expensive travel purchases such as accommodation (Information and Communication Technologies in Tourism, 2008). According to a survey of more than 30,000 EU travelers, UGC was used by up to 35 percent of respondents. In comparison, only 17 percent of respondents used information offered by a service provider or destination (European Commission, 2016).

While Georgian travel value-chain actors have yet to respond to these emerging trends, Georgia's nascent digital services community is well positioned to move into this space. 'Off-the-shelf' solutions can make website creation simple and affordable. However, in emerging tourism GVCs, a sophisticated mix of digital services is needed to create and maintain an online, multi-platform presence that is proactive and engaging. This includes content creation, graphic design, paid media, digital analytics and digital asset management services. Developing networks with influencers and bloggers is also key. As tourism GVCs become more reliant on online research and booking, each travel service provider will require its own multi-platform and online presence (in accessible languages) that not

FIGURE 6. **Treasury Wine Estates—'19 Crimes' Range**

Photo Source: Author.

only describes its products and services but also allows direct booking. Reflecting the fact that Georgia has long relied on the tour operator model, of 200 hotels surveyed in Tbilisi between March and June 2018 only 30 percent had their own website (Jinchveladze, 2019).[8] Only the chain hotels (Marriott, Radisson, Holiday Inn, Rooms, etc.) had a booking engine on the website itself. Instead, Georgian hotels rely disproportionately on online travel agencies (OTAs), for example Booking.com and TripAdvisor. Georgia's nascent digital services community has an opportunity to respond directly to this market opportunity and capture the potential value.

Job creation opportunities are not only limited to digital service providers, with emerging GVCs increasingly relying on new in-house roles and support functions. As digital services grow in significance, so will the need

[8] About 20 of the firms surveyed that did not have an online presence later procured services from Leavingstone to create a website for them.

for value-chain actors to develop in-house skills to reduce information asymmetry and derive the full potential of these services. Multi-channel property and inventory management systems are best exploited by trained professionals who are conversant in cross-platform management and real-time pricing modeling. The inventory on each channel is managed by a revenue manager and determined by that hotel's revenue goals and performance. Similarly, digital asset management (essential for cataloguing content, managing rights and licenses, routing assets and organizing content by use and theme) may be provided by a third party, but in-house personnel are required to operate relevant software and systems, and to assess the value of the content and media (e.g., the competitiveness of rates, the relevance to the target market, content placement and timing).

Virtual reality (VR) and augmented reality (AR) have particular relevance in emerging tourism GVCs and could provide entrepreneurial opportunities. The key opportunity with travel-related virtual reality and augmented reality is that many VR/AR-related value-chain activities must take place in the destination country itself. Content software development, distribution software development, and playback software development can ostensibly take place anywhere in the world. However, 360 videography, drone operations and management (including pilots, maintenance and repair) and VR consultancy must be local. As headset adoption increases, travel-related VR and AR is increasing in popularity: VR can showcase new destinations to curious travelers, featuring landscapes and tourism experiences in an immersive format that visitors can explore. Similarly, AR has the potential to provide more customer interaction while tourists are in the destination, offering gamification, language interpretation, and interactive storytelling and information sharing (Destination Think, 2018).

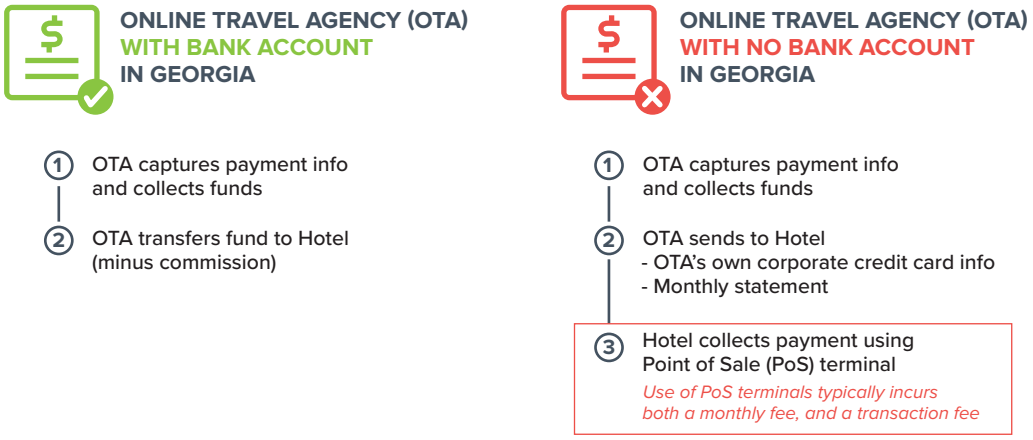
There is already nascent activity in the VR development space in Georgia, but there is additional potential for AR solutions. While much of the focus in VR/AR is in gaming and in the entertainment industry, Georgian start-up VRex Immersive Inc. (VRex) is focusing on VR travel solutions. VRex has had some early success in marketing a mobile VR station that showcases a multitude of Georgia's landscapes and cultural heritage sites. VRex has focused on B2B solutions and training institutions (a training college in Batumi is currently using a VRex solution to train its mountain guides). As the B2C VR market has reached a critical mass globally, there will be further opportunities to use VR packages as a marketing tool to consumers, for 'virtual vacations' (e.g., hiking experiences for wheelchair-users) and as a memento or alternative to vacation photos and videos. However, other applications in Georgia, particularly in AR, are vast. AR solutions could have particular relevance in wine and food tourism and cultural heritage tourism, given Georgia's complicated writing system. As an example, AR applications can go further than simple translation applications, allowing consumers to unlock animated recommendations and stories pertaining to site visits, artefacts, wine bottles or any other products with AR-interactive labels or signage. In the examples shown in Figure 6, using a dedicated application to hover over Treasury Wine Estates' '19 Crimes' range triggers infamous characters depicted on the labels to tell their stories.

In order to monetize these trends and extract their potential value, tourists must be able to make payments directly from multi-platform digital touchpoints. Engaging potential travelers in virtual spaces becomes less potent if that engagement cannot be monetized as 'immediately' as possible. Few Georgian value-chain actors have their own website (let alone social media presence), and none except the chained hotels has booking engines on their websites. Instead, Georgian hotels and guesthouses rely disproportionately on OTAs. Booking.com is particularly popular due to the fact that the company has an office, and more importantly a bank account, in Georgia.

However, lack of familiarity and mistrust in digital payment systems are restricting Georgia's tourism value-chain actors. As Booking.com has a bank account in Georgia, hotels and guesthouses can collect online payments via bank transfer. Outside of Booking.com's commission, there is no additional cost.[9] Even so, an overwhelming majority of Georgian firms do not allow prospective travelers to pay online via Booking.com and instead request payment in-person. In order to collect payment from OTAs without a bank account in Georgia, hotels must 'rent' point-of-sale (PoS) terminals. The cost structure PoS terminals differ, but typically there is a monthly fee (e.g., GEL 50 per month), plus a service charge (e.g., 2 percent) per transaction. As a result, other OTAs without Georgian bank accounts (e.g., Expedia.com) are far less popular in Georgia, and firms that are registered insist on payment-in-person. The opportunity cost is significant: 85 percent of Expedia customers prefer to pay online for security reasons and to reduce the risk of pricing discrepancies on arrival.

9 Hotels and guesthouses can 'boost' listings if they choose, for a fee.

FIGURE 7. **Process for receiving payment from OTAs with vs without Georgian bank accounts**



To collect payment from OTAs without a bank account in Georgia, hotels must 'rent' point-of-sale (PoS) terminals. As a result, other OTAs without Georgian bank accounts (e.g., Expedia.com) are far less popular in Georgia, and firms that are registered insist on payment-in-person.

Source: Author.

There is a role for Georgia's fintech and software development community to integrate travel websites with multichannel ePayment solutions, but the bottleneck lies with value-chain actors themselves. Georgian banks have made a number of ePayment options available to clients. Integration may require software developer services, but the process is relatively simple. However, value-chain actors (e.g., guesthouse owners and tour operators) are they themselves required to register with their banks, to sign a non-disclosure agreement and to receive the API key that can then be passed to a developer. Unfortunately, many of these value-chain actors, especially those that are older or unfamiliar with internet or communication technology, have shown some reluctance to embrace the opportunity.

'DURING THE TRIP': Availability and integrity of information is key

Millennials[10] and FITs are driving demand for local, authentic, immersive experiences (ATTA, 2017). By 2020, millennials are predicted to be making 320 million trips a year globally, constituting a 47 percent increase from 217 million in 2013 (WYSE Confederaton, 2014). As the fastest growing demographic group in travel, millennials embrace FIT and are driving trends, such as an increased emphasis on experience, dining, cultural immersion, and directly connecting with local communities to develop a rich knowledge and understanding of a destination (Fanelli, 2017). These trends are connected to increased environmental and social consciousness in some market segments, as tourists demand responsible and sustainable tourism.

The sharing economy has grown in response to the demand for local, authentic experiences and has at the same time lowered the barriers to entry for new entrants to tourism GVCs. Peer-to-peer services, often facilitated through platforms such as EatWith, Airbnb and ShowAround, are partly fueled by tourists' desire to feel 'local' for the duration of their trip. This growth in the sharing economy has weakened the power and GVC positioning of travel service providers in emerging tourism GVCs. Instead, there is a dispersion of value, as individuals and firms are more easily able to compete for value in tourism GVCs.

Beyond peer-to-peer services, FITs need tangible and intangible infrastructure and services to support travel. FITS are characterized by their rejection of organized group travel and the following of set schedules such as those organized by tour operators. In 2015, Google partnered

[10] According to Pew Research Centre, (a US think tank) 'millennials' were born between 1981 and 1996.

BOX 3—LOCAL DIGITAL SERVICES PROMINENT IN EMERGING TOURISM GVCS BUT WEAK IN GEORGIA

In emerging tourism GVCs, a sophisticated and interconnected network of digital services is needed to create and maintain an online, multi-platform presence that is proactive and engaging. Some of these activities are discussed below. Note that even in cases where such services are available from international vendors, local value-chain actors would need some understanding of the offering to reduce information asymmetry and effectively evaluate return on investment and attribution.

Digital Strategy & Agency Services: Digital strategy service providers outline digital approaches based on an organization's scale of operations, marketing goals, target audiences, budget and staff. Some agencies specialize in travel or international marketing, and help with social media strategies, content curation, influencer marketing, social listening and reputation management. Such agencies could be based in Georgia, but clients with larger budgets or global marketing campaigns may contract international agencies.

Content Creation: Content is the lifeblood of digital value chains. Content must be fresh, available in multiple formats, and compatible across various channels and devices. To be effective, travel content needs to be communicated with authenticity and authority, requiring intimate knowledge of the destination, travel product and competitive set. Content creators can be based in Georgia to effectively and efficiently capture content and leverage search engine optimization (SEO) through strategic content creation.

Graphic Design & Video Editing: An online presence requires the creation and use of logos, images, videos, advertising and other media assets created. As bitesize, visual media continues to dominate online messaging and communication, Georgia will need to strengthen its graphic design and video editing services.

Data Analytics: Device data and platform data can offer valuable insight related to target markets, travel perceptions, booking windows, attribution and campaign performance. These data frequently need to be correlated with other data sets to provide business intelligence for analysis. While there are certainly international agencies and software tools that can assist, data analysis is an essential skill to cultivate in Georgia. Larger value-chain actors may soon consider employing full-time data analysts to measure their campaigns, glean insights and continue to improve their digital presence.

Paid Media Services: Paid media allow travel suppliers to reach target audiences on specific digital platforms. Digital advertising units such as pay-per-click advertising, social media advertising, influencer marketing, and mobile advertising can increase product awareness, website visits, application downloads and bookings.

Digital/Social Media Management: Social, mobile and web channels need to be managed and maintained. Digital media management is labor-intensive and often involves daily writing of articles and posts, editing of content, image selection and design, website content entry, and more. Organizations often have a blended approach to social management with the overarching (monthly/annual) strategy coming from an external vendor and day-to-day management being handled in-house by a staff member. In addition, software platforms such as Percolate, Curata, and Hootsuite, assist with social media management, publishing, engagement and content creation.

Website & Application Development: Basic website design and application creation can be provided in-country to serve the boutique hoteliers and smaller operators. Companies desiring a highly sophisticated, multi-language website with mapping, travel planning, and other tourism features may require that expertise of an international company that has built other such tourism sites.

Digital Asset Management: With the variety of media types needed for an online presence and travel marketing, a digital asset management system is essential to catalogue content, manage rights and licenses, route assets and organize content by use and theme.

Source: Salem (2019)

with Ipsos MediaCT to analyze the digital activity of participants during a live-tracking study. Of 3,500 adult leisure travelers from the United States, 85 percent decided on activities only after having arrived at the destination (Think with Google, 2016). Value-chain services and activities to meet this need may be tangible (tourist information centers, leaflets, guide-books), intangible (e.g., quality ratings for restaurants) or digital (e.g., GPS and map applications).

Georgia still relies heavily on traditional tour operator models, which means that value-chain activities to support FIT travel remain weak. Traditional tour operator models place the onus of bookings and reservations (whether they be accommodation, dining, entertainment or tours) with a travel representative. Tour operators rely on personal and professional contacts to organize memorable trips on behalf of their clients, who in turn have a lesser need for information services. Georgia relies heavily on tour operators and is yet to fully adapt to growing FIT trends. As an example, regular bus or trolley services along wine trails are rare. Similarly, where trails have been marked, they are not always well maintained, nor is there is any difficulty rating system.

Georgia also has an opportunity to develop its digital information services to support FIT travel and other emerging consumer trends. Information and digital services in Georgia (to support individual and non-tour-operator travel) are patchy, and the integrity of the information that is available is relatively low. For example, there are no trekking guide applications, wine or wine tour applications.[11] Similarly, traffic control information (e.g., changes to direction of traffic) is not centrally updated on popular applications such as Google maps. This has an effect on Georgian value-chain actors that rely on such information (e.g., Taxify, a popular ride-sharing application with a software development team in Tbilisi). More worryingly, Georgia.Travel (GNTA's tourism website and the face of Georgian tourism) is static and outdated with poor options for social media integration.

While traditional value-chain actors still have a strong role to play in emerging tourism GVCs, successfully integrating travel tech[12] will become increasingly important. Travelers who prefer consistency and predictability will still gravitate toward traditional value-chain actors. However, differentiation will increasingly come through the adoption of travel tech. Major hotel chains such as Marriott International and Hilton Hotels, among others, are investing in smart hotel concepts within existing brands and as part of new experiential concepts. 'Smart' hotels integrate digital technologies for more convenient and more personalized experiences. The ability to use mobile-phone applications to unlock rooms, order room-service, control room temperature and operate in-room amenities are examples of smart hotel concepts.

Georgia firms have the opportunity to fill the gaps in tourism GVCs rather than relying on foreign service providers. Some travel tech will reduce the emphasis on service jobs in emerging tourism GVCs. However, the influx of technology can also create new jobs. New channels may require localization, installation, maintenance and support. Technological advances such as those described above will also require local systems integration, for example, property management, conference management, food and beverage, online marketing and sales software.

'AFTER THE TRIP': Data does not have to be 'Big' to create value

Big Data can provide sophisticated insights and streamline marketing strategies. Tourists leave digital footprints before, during, and after the trip, advertently and inadvertently logging travel preferences, browsing habits, spending and more (Saikumar, 2018). Destinations also generate their own data sets through marketing activities, visitor numbers surveys and other research. Combining these datasets can provide sophisticated insights into consumer preferences, facilitating streamlined marketing strategies, enhanced product development and better performance assessments.

However, leveraging insights from Big Data in emerging tourism GVCs requires extraction, visualization and analysis that are not yet well developed in Georgia. Data management requires experienced data scientists to collect, curate and analyze available data. While foreign firms can perform data analytical services on behalf of Georgian firms, Georgia will need to cultivate its own data scientists who have a familiarity and understanding of the Georgian context, as well as cultural and linguistic skills to best interpret and apply findings. As Big Data usage in tourism often involves tracking consumer behaviors, there are privacy implications that will need to be carefully monitored and managed by trained professionals. In addition, leveraging Big Data will require a clear framework to guide intra-agency cooperation, especially where collection, analysis

[11] Georgian start-up, Vinicorn, is in very early stages of developing a wine-tasting and preferences application.

[12] Travel tech refers to the full gamut of travel-tailored technology. This may include flight tracking, booking engines, journey planners, integrated consumer solutions, hospitality management software, virtual & augmented reality services and solutions, smart (IoT-integrated) travel accessories.

and data-sharing are the responsibility of different entities. Lack of clarity in 'ownership' of the data and rights therein can also be a key barrier to the efficient use of Big Data.

At the same time, not all data are "Big": value-chain actors can compile consumer preferences and profiles and use these to improve their own services. Small and medium value-chain actors can record and review trends in their own consumer base (e.g., nationalities, age range, preferences) by using basic software. This information can then be used to improved services or make targeted changes (e.g., translating websites into certain languages or offering discounts on certain national holidays). Georgian value-chain actors are seemingly not using (or collecting) these data.

In addition, value-chain actors can directly convert data into revenue through post-trip services and relationship management. The leveraging of data need not be limited to the confines of data scientists. After the trip, visitors are still in 'virtual reach' of value-chain actors. If given permission, sophisticated value-chain actors can use the information provided by past visitors to continue to provide products and services even after they have left the destination. For example, wineries can connect past visitors to retailers in their respective cities or annual subscriptions to partner (international) events, products and services.

3. Strategic Positioning: Wine & Food | Nature & Adventure

This section examines the potential for value-chain upgrading in two of Georgia's key tourism offerings as defined in GNTA's marketing, promotion and branding strategy: wine and food, and nature and adventure.

WINE & FOOD: Opportunity to showcase Georgia's authentic and unique artisan offering

GNTA's marketing, branding and promotion strategy defines wine and food tourism as one of Georgia's three key tourism offerings. GNTA notes that "tasting Georgian cuisine and wine" is the main motive for 66.6 percent of international visitors. Its 2018 marketing, branding and promotion strategy defines the tourism offering as including historic wine tourism, wine routes and trails, unique cuisine, and festive gastronomic experiences (for example, harvest festivals or cheese festivals).

Wine and food tourism is a niche offering in itself, but it also contributes to many other tourism segments. The wine and food tourism market, estimated at US$42 billion in 2017, emphasizes the relationship between wine, food and culture (Horng & Tsai, 2011). Global 'wine tourism' alone—traditionally an exclusive tourism segment—has grown in recent years. Revenue from wine tourism increased by 10 to 15 percent between 2013 and 2016, reaching US$22 billion (Wine Industry Network, 2018). While it might be considered niche, the distinction between 'food and wine' and other types of tourism is often blurred. Tourists are increasingly motivated by a desire to engage with local foods. For example, 18 percent of travelers surveyed in 2016 cited gastronomy as their main purchase driver compared with only 8.1 percent in 2010 (World Food Travel Association, 2016).

Wine and food tourism in Georgia has been somewhat buoyed by nostalgia, though the average spend per tourist from ex-Soviet markets is relatively low and the market is saturated. During Soviet times, Georgia enjoyed a strong reputation as a recreational destination, much of whose offering focused on wine and food. As a result, names of Georgian resorts (for example, Sukhumi, Pitsunda, Gagra, Borjomi, Tskaltubo, Batumi, Abastumani), as well as names of local wines and mineral waters, have become well-known brands in ex-Soviet countries. A nostalgic, emotional connection to Georgia among middle-aged and older citizens in ex-Soviet countries has led to consistent demand for Georgia's wine and food tourism offering. But while this connection has buoyed demand, the average spend per tourist from ex-Soviet source markets is relatively low. Furthermore, this emotional connection to Soviet-era Georgia is waning, given that Georgia does not hold the same sway with younger generations.

At the same time, a new 'curious' market seeking authentic, local wine and food experiences is emerging. A growing market segment comprises the 'curious' culinary traveler who is passionate about food and more willing to tread the less-beaten path. These travelers crave hyper-local cuisine, cultural context, and hands-on food experiences (Oates, 2016). Unlike the nostalgic food and wine tourists, this consumer group has few emotional ties to Georgia and instead cares more about uniqueness, quality and the 'localness' of the experience.

As one of the oldest winemaking countries in the world with a unique production method, Georgia already has the natural endowments to cater to 'curious', higher-spending source markets. With 8,000-year-old pottery fragments containing residual wine discovered in its southern regions, Georgia is considered one of the oldest wine-making countries in the world and its traditional Qveri method

was added to UNESCO Intangible Cultural Heritage Lists in 2013. Boasting more than 500 endemic grape varieties, Georgia's wine tourism has thrived in recent years due to a strong push from the Government of Georgia to support and promote the sector.

In addition, an artisan culinary movement is starting to blossom in Georgia. Whereas Georgia's wine-producing pedigree has gained some notoriety globally in recent years, Georgia's cuisine is less well-known. However, efforts to unearth and document traditional Georgian foods and recipes in recent years have revealed several traditions that were suppressed during soviet times. As an example, the government has registered graphical indication protections for 13 endemic varieties of Georgian cheese. (During the soviet era, only four types of cheese were available in markets.) These findings have sparked a resurgence in Georgia's restaurant culture, culminating in Georgia's first ever participation at the Bocuse D'Or—a biennial global culinary event held in France—in 2019.

By focusing on its authentic, local, artisan offering, Georgia is well placed to cater to higher-spending 'curious' markets in wine and food tourism. The Government of Georgia has further opportunity to leverage Georgia's wine cultivation heritage and its artisan culinary community to develop an authentic offering that will respond to emerging trends and appeal to higher-spending tourists. Rather than imitating other popular cuisines and eating traditions (e.g., French menu degustation styles, or Spanish tapas), Georgia can emphasize its own gastronomic heritage by showcasing the Georgian supra (feast), which has several unwritten rules and is an important part of Georgian social culture. Dishes are served in several stages; cold dishes are served on the table before the feast starts (salads, vegetables and herbs, appetizers, several varieties of cheese, cold meat dishes and various sauces). Khachapuri, various meat dishes and soups are served in intervals over several hours. There is also an opportunity to celebrate regional dishes that are not common to other regions of Georgia, for example Javakhetian, Kakhetian and Tushetian cuisines.

Prominent source markets for wine and food tourism also coincide with high environmental consciousness; Georgia's authentic, natural wines traditions have a strong role to play in developing an 'eco-conscious' food and wine segment. Travelshift, a marketplace software firm specializing in travel bookings, identified 10 countries as being foremost source markets for wine and food tourism in 2015: the United Kingdom (UK), Canada, the United States, Germany, Belgium, Finland, Denmark, Sweden, Norway and Australia (Travelshift, 2016). Seven of these countries are included in the top 15 of 180 ranked countries according to the 2018 Environmental Performance Index (EPI). Assuming that the EPI ranking is a barometer for the environmental and social consciousness among a nation's constituents, there is an opportunity for Georgia to leverage its organic and natural wine and food traditions as part of its wine and food offering (Table 3). Organic designation and labelling have a role to play but their efficacy is limited given that only grapes need be certified 'organic' for the wine to be labelled as such. Georgia's comparative advantage is in its biodynamic, natural wines using preservative-free, sulphite-free production methods in micro-wineries all over the country. Rather than trying to compete with commercial, mass-market wine for export, small boutique eateries, pop-up restaurants and hotels can elevate this offering so that "Georgian wine" goes beyond its association with "first wine" but is equally synonymous with "clean" wine. Georgia can also promote this ethos in the food sector; emphasizing 'farm-to-table' concepts, natural ingredients, and an environment and socially conscious sourcing.

TABLE 3. Wine & Food tourism source markets vs ranking on Global Environmental Performance Index

Country	2018 EPI ranking	Notable wine & food tourism source market?
Switzerland	1	
France	2	
Denmark	3	✓
Malta	4	
Sweden	5	✓
UK	6	✓
Luxembourg	7	
Austria	8	
Ireland	9	
Finland	10	✓
Iceland	11	
Spain	12	
Germany	13	✓
Norway	14	✓
Belgium	15	✓

Source: Yale University (2018), Travelshift (2016)

A strong authentic, local offering in wine and food tourism will require other value-chain actors (beyond restauranteurs and wineries) to become customer-facing and develop strong collaborative relationships with one another. Food and wine travelers are increasingly trying to localize and authenticate their experiences. This means that, beyond wineries, tourists are increasingly interested in visiting farms, farmers markets, orchards, etc. to better connect with ingredients. In addition, many of today's food and wine tourists are demonstrating a desire to 'earn' what they consume. This may translate to collecting ingredients for preparation in local restaurants, participating in the local harvests, participating in blending workshops or attending cooking classes (Wine Industry Network, 2018) (CBI, 2018). Competitiveness in this artisanal segment requires a high degree of collaboration among value-chain actors (Figure 8).

The Government of Georgia can enact dynamic programs to protect, preserve and promote Georgian wine and food traditions, and better provide support and training for SMEs and artisans. There is an opportunity to establish an association comprised of stakeholders, including chefs, farmers, historians, agronomists, influencers, artisans, wineries and storytellers, to protect and preserve Georgian cuisine and promote Georgian culinary traditions inside Georgia. These programs could move beyond recipe archives (e.g., static cookbooks) and instead use digital and social media channels to raise awareness, harness national pride in Georgian cuisine and inspire growth in this emerging subsector. Programs could also include capacity-building (e.g., culinary training, food safety, history, business management), research (e.g., trends and tastes, history and agronomy, as well as recipes), and competitions.

Greater inter-ministerial coordination and public-private cooperation could amplify online and social media campaigns of small and medium-sized firms in the wine and food tourism. In 2013, Georgia's National Wine Agency (NWA, part of the Ministry of Environmental Protection and Agriculture) began a special program to promote Georgian wine for export key foreign markets. In 2020 the annual budget for this effort will reach approximately US$3.5million and will specifically target the USA, UK, Poland, China and Japan. Although the primary objective of NWA's campaigns is to increase wine exports, they could also have the effect of raising Georgia's profile amongst food and wine enthusiasts in countries that coincide with high-growth, high-spending tourism source markets. The details of planned campaigns could be shared with GNTA and with value-chain actors in Georgia's tourism sector so that they can leverage this public spending. Using identical hashtags on the same day as NWA-funded campaigns, incorporating key words and mirroring messaging could amplify the efforts of value-chain actors to engage travelers and help to target search results and drive online bookings. Similarly, GNTA can better define areas of planned engagement and can make digital media and resources (e.g., marketing material, images, logos and banners) publicly available through the GNTA online portal.

BOX 4 – FLAVORS OF THE USA | RESTAURANT AUSTRALIA: DYNAMIC CAMPAIGNS THAT CHANGED PERCEPTIONS

BRAND USA: FLAVORS OF THE USA CAMPAIGN

In 2014 Brand USA, the USA's official destination marketing organization, sought to change perceptions of food from the USA. Conscious that the image of gastronomy in the United States may have been heavily influenced by culinary exports like McDonalds, Burger King and Starbucks, Brand USA decided to leverage and showcase its wide-ranging and multi-ethnic food experiences.

Market Intelligence

Despite the rise in culinary tourism, Brand USA had little market intelligence on the USA's culinary tourism potential. In order to understand travelers' relationship to food and its influence on travel decisions, Brand USA conducted a study in December 2014 of its key target markets. This research resulted important country-specific insights including desire for local foods and specialties and attitudes to USA foods.

Activities

With these insights on hand, Brand USA launched a global culinary tourism campaign: "Flavors of the USA", which included marketing and storytelling about the USA's culinary legacy, events, a microsite, social media marketing, a magazine and marketing partnerships. Formally spanning from 2015-2106, The focus of the campaign was telling the stories of U.S. food culture, its farming regions, its chefs, gastronomic roots and history—offering a unique side of the USA. This story was told using tantalizing photos and videos on Brand USA's new website, guidebook with recipes, social media platforms and marketing campaigns.

The campaign included a close partnership with the pre-eminent chef organization James Beard Foundation, the United States Department of State, and key celebrity chefs, who visited U.S. embassies in key source markets around the U.S. Independence Day celebrations—making them food centric and reinforcing the main storyline. Brand USA also partnered with Food Network (International) and Travel Channel (International) to create and broadcast a series of vignettes featuring notable American chefs showcasing regional cuisines from their hometowns and favorite U.S. destinations (Brand USA, 2015).

The campaign also hired digital influencers from key tourism markets and hosted them on trips to experience the food culture of famous regions. They told the story of their experiences on their websites and social channels using the hashtag #TasteUSA. The culinary theme was also carried into travel-trade marketing. Brand USA developed six culinary themed itineraries for its familiarization tours for 60 Australia and New Zealand travel agents (Travel Weekly, 2016).

The campaign also created a partner program for its destination partners, states, regions and cities in the USA. The culinary tourism platform was especially effective at telling the story of Brand USA's hundreds of destination partners. Rural destinations like Louisiana leveraged the culinary tourism platform to tell its story online. Louisiana invested some of its international marketing budget in telling the story of its Cajun and creole cuisine and was able to reach international audiences in Brand USA's target markets.

Success Metrics

- The campaign generated 1.03 million incremental visitors to the United States, who spent $3.04 billion on fare receipts with U.S. carriers and other purchases during their visit - resulting in $6.6 billion in total sales and nearly 45,000 incremental jobs (Brand USA).
- The campaign hashtag #TasteUSA still has nearly 10,000 uses on Instagram
- The culinary influencer campaign with SortedFood resulted in 1.2 million video views across all platforms and 2.6 million total reach (Sparkloft, 2016).

The Campaign's Legacy

Market insights and custom research helped shaped Brand USA's messaging and market activity. These insights allowed Brand USA to better customize its messaging to its audiences, information it uses in its campaigns today. The overall culinary campaign still continues in various forms. In 2018 Brand USA is filming Roadfood™ - a culinary television series that highlights the best roadside dining attractions featuring destinations like the Florida Gulf Coast, Wisconsin, Ohio, Arizona, Colorado, and New England and will appear on its online TV channel GoUSA TV (Brand USA, 2018). The culinary focus will continue to be a main message for the U.S. destinations, especially those with vibrant food scenes and will continue to grow on the website.

TOURISM AUSTRALIA: RESTAURANT AUSTRALIA

Tourism Australia, the Australian Government agency responsible for attracting international visitors to Australia, recognized that there was a gap in the perception of the country's culinary offer and the reality. Specially commissioned market research showed that only 26% of people who had not visited Australia, associated the country with good food wine. However, the country was ranked 2nd across 15 major markets for its food and wine experiences amongst those who had visited Australia. The research findings were particularly poignant as the same rese**arch showed that great local food and wine was a major factor influe**ncing holiday decision making; indeed, it was more important to respondents than 'world class beauty' and 'natural environments' (Tourism Australia).

Actions

Tourism Australia launched the four-phase Restaurant Australia culinary tourism campaign spanning from 2013-2017, pictured below. TA developed custom research, key messaging points for its partners and restaurants which were well publicized, and campaign materials.

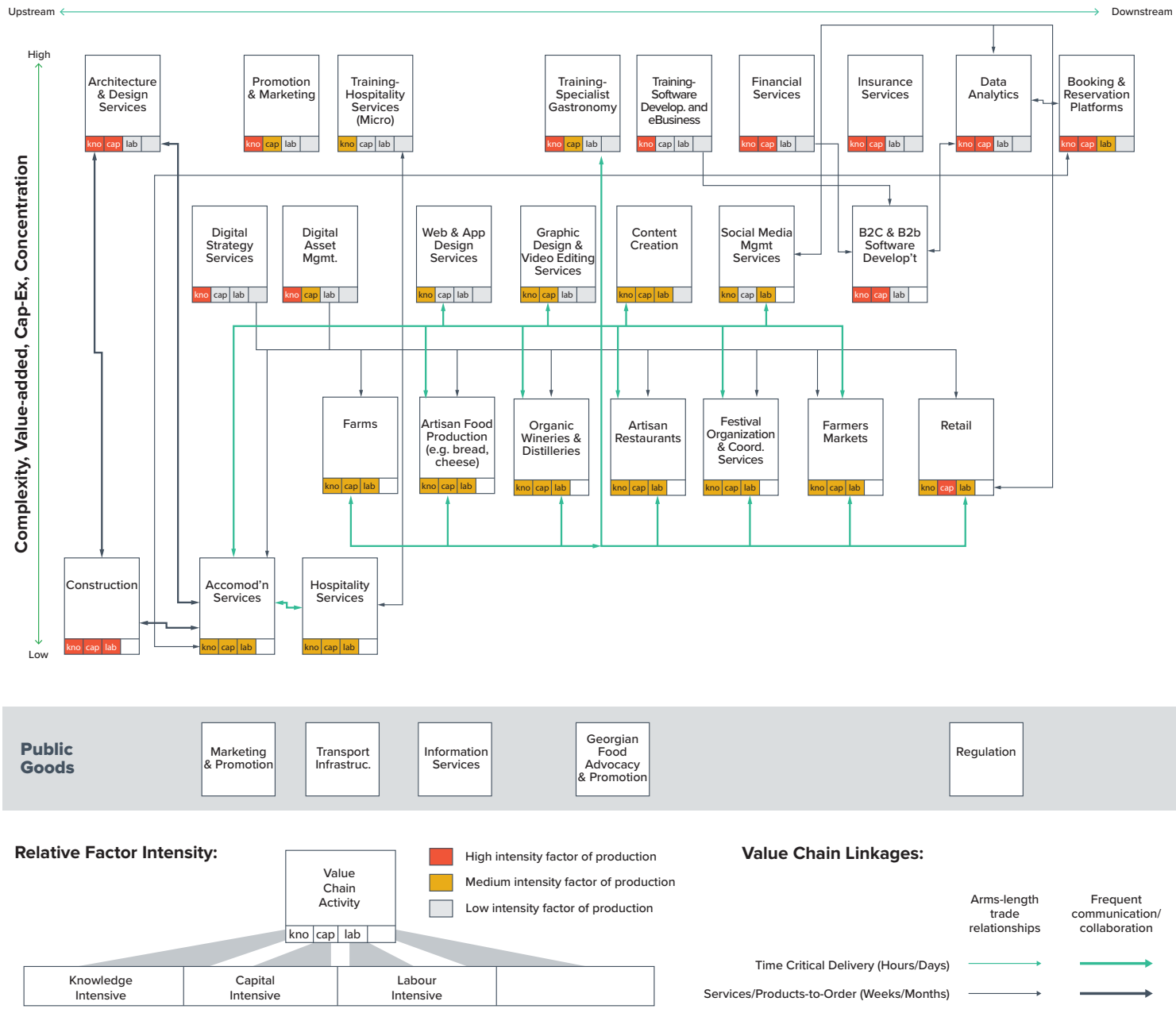
Tourism Australia also produced a series of immersive visuals, which married beautiful scenes from Australia, messages from celebrity chefs, the country's unique food and ingredients. A highlight of this element was a stunning video advertisement showcasing culinary tourism destinations all over Australia plus in addition to shorter videos featuring top 'foodie' cities like Sydney and Melbourne.

Success Metrics

- Since the campaign has launched, Tourism Australia has yielded the following results:
- Spending on food and wine by international visitors in Australia has increased by 38% to US$4.1 billion in 2017 and now accounts for almost one in four dollars spent.
- The campaign's dedicated hashtag #restaurantaustralia has been posted more than 230,000 times on Instagram, and has been adopted by its partners.
- The principle campaign video had garnered over 4 million views on YouTube.

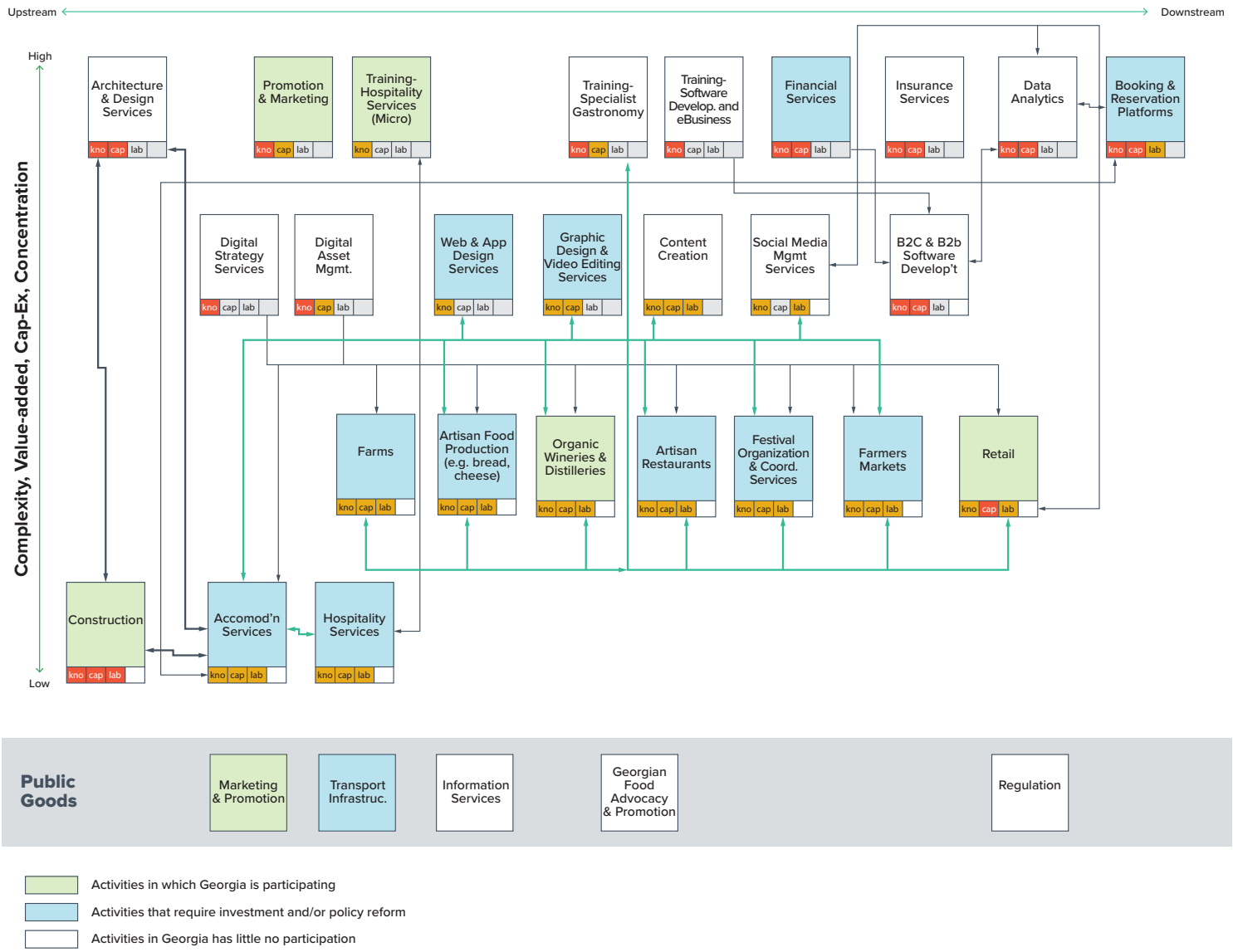
Source: Tourism Australia, Salem (2019)

FIGURE 8. **Structure of emerging GVCs in wine and food tourism (Artisan)**



Source: Author's analysis.

FIGURE 9. **Georgia's participation in emerging wine and food tourism GVCs (Artisan)**



Source: Author's analysis.

NATURE & ADVENTURE: Strong gains are threatened by safety and regulatory shortcomings

As part of its marketing, branding and promotion strategy, GNTA has identified nature and adventure tourism as one of Georgia's key product offerings. The analysis defines the group as including:

- **Natural landmarks:** Caves, canyons, mineral lakes, gorges, waterfalls;
- **Caucasus adventure:** Hiking and trekking, mountain climbing, rock climbing, paragliding, off-piste and heli-skiing, mountain biking, white-water rafting, horseback riding;
- **Water-sport:** Kayaking, sport fishing; and
- **Wildlife tourism:** Flora and fauna, forest walks, hunting and fishing.

According to Adventure Travel Trade Association projections, the international adventure travel market can be valued conservatively at US$683 billion, with a 21 percent CAGR since 2012.[13] Euromonitor, a private market research firm, has valued the global soft-adventure market at US$470 billion in 2016 and expects it to grow at around 20 percent CAGR until 2020 (Euromonitor International, 2018). The firm also estimates that this soft-adventure market already accounts for 238 million tourists. The mountain and ski tourism is estimated in about 400 million visits worldwide. It is assumed that there has not been much change in this figure in the past 15 years, but there has been a shift in the regions that capture the demand (Vanat, 2018). From 2016 to 2018, there has been a modest 4 percent increase in the number of visits. The Alps are the biggest destination in the world, capturing 43 percent of all visits annually. The second visit destination is America, capturing 21 percent of visits. Eastern Europe and Central Asia capture 9 percent of all visits (36 million) worldwide.

Georgia's mountain tourism offering is particularly well-rooted. During the Soviet era, Bakuriani in southeastern Georgia was the main training base for the national Olympic team. As a result, Georgia has a fairly well-established alpine sports and winter tourism offering. The country currently has four main ski resorts: Gudauri, Bakuriani, Mestia (including Tetnuldi and Hatsvali) and Goderdzi offering downhill and cross-country skiing, heli-skiing, night skiing and snowboarding.

Georgia's mountain tourism has grown aggressively in recent years, but infrastructure and services have not expanded at the same rate. During the 2016-17 season, 400,000 tourists visited Georgia's mountainous region accounting for about 20 percent of total visitors (GNTA, 2018). Some 60,000 skier visits were made by foreigners in 2018, five times higher than the number of foreign visitors in 2015 (Vanat, 2018). This increase presents an opportunity for Georgia, as European skiers diversify their destination from traditional destinations, such as the Alps, to new markets in Eastern Europe. However, tourism infrastructure and services have not expanded to match this increased number of arrivals.

TABLE 4. Number of ski-lift passes sold in Gudauri[14]

Year	Visits
2017-18	345,997
2016-17	270,199
2015-16	201,821

Source: Mountain Resorts Company, Ministry of Economy.

While Georgia's nature and adventure tourism arrivals continue to grow, a lack of rudimentary safety regulations, protections and procedures threatens the country's fragile competitiveness. Georgia does not have industry standards or guidelines pertaining to hotel quality, search and rescue, or mountain equipment operations, maintenance or procedures. This regulatory gap, coupled with the fact that 80 percent of Georgia's tourism arrivals come from relatively low-spending neighboring countries and are therefore less exigent, means that the quality of support services in Georgia's nature and adventure tourism offering is comparatively low. Although Georgia's visitors thus far have not demanded these safety regulations as a pre-requisite, the increasing number of arrivals will test the limited capacity of infrastructure and services and increase the risk of serious incidents. At the same time,

[13] Note that the consumer survey did not includes Asian or domestic travelers, so the number could be greater.

[14] Information only accounts for tickets sold, which is used as a proxy for visits. The 2018 data from the Ministry of Economy are for actual visits.

this reputational risk is amplified by the ubiquity of user-generated content and social media.

The Mountain Resorts Development Company lacks structured search and rescue training, operational guidelines, avalanche forecasting capacity and/or operational risk assessment capacity. Search and Rescue (S&R) teams in Georgia lack formal, standardized training. Similarly, Georgia's Mountain Resorts Development Company lacks operational or risk-management guidelines for search and rescue. Georgia's off-piste rescue capacity and has no avalanche forecasting and operational risk assessment capacity. This is of particular urgency given that key infrastructure (e.g. the Kobi-Gudauri Ski Lift) has already been built in avalanche red zones. In addition, only two helicopters across Georgia are available for use during search and rescue missions. Gaining permission to use either during critical incidents is reportedly complex, time-consuming and puts tourists at risk.

Independent professionals in nature and adventure tourism (for instance ski instructors, equipment-hire firms and para-gliding firms) do not require licenses or certification to establish operations in Georgia. As there is no legislation requiring ski instructors or mountain guides to be licensed, there are currently only 20 mountain guides in Georgia certified by Georgian Mountain Guides Association (GMGA)[15] of which only two have certification from an International Federation of Mountain Guides Associations (IFMGA) certified association.[16] In the meantime, untrained and unlicensed opportunists from Georgia and neighboring countries are able to capitalize on the lack of regulation. Similarly, there is no legislation to monitor and regulate firms that trade in high-risk adventure sports that form part of the nature and adventure tourism offering, including para-gliding and heli-skiing, or those that hire out critical equipment, for example, jet-ski hire, scuba-diving equipment hire and ski-equipment hire. There are some nascent efforts to address this issue; the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is partnering with private firms to try to increase safety management skills of inbound tourism service providers (including awareness and training programs). GMGA, in cooperation with the Swiss Development Cooperation, have drafted a law to address the issue. However, this still awaits discussion by the sectoral committee and would cover mountain guides only.

As there has been no need for certification, Mountain Resorts Development Company lacks institutionalized training mechanisms for new recruits and/or systematic professional development in management and operational roles. There is no systematic training mechanism in Mountain Resorts Development Company for new recruits, for refresher training or for professional development. At the mountain resort management level, training gaps include Geographic Information System operation and management, spatial planning, risk and infrastructure management, and inspection and testing. Similarly, systematic training schemes are needed in technical roles across the value chain (for example, ski-lift operators and slope-grooming and maintenance of electrical, mechanical and hydraulic cable installations).

More broadly, there is also an urgent need to expand the availability of training courses and to develop a pipeline of new, younger adventure tourism professionals. The Adventure Tourism School (ATS) in Gudauri is a public-private-partnership between Ministry of Education, Mountain Resorts Development Company and GMGA. It is Georgia's only educational facility providing taught courses in adventure tourism offering training programs in mountain guiding, backcountry ski guiding, ski instruction, and SPRAW (Safe Practices for Rope Access). However, ATS only has the financial capacity to train approximately 30 mountain guides over a two-year period[17]. Not only is the school's capacity insufficient to support training and certification of Georgia's adventure tourism providers it does not address the need to develop a pipeline of new, younger adventure tourism professionals. Georgia has the opportunity to emulate other countries with a more mature mountain tourism offering and provide training to through dedicated schools for teenagers and young adults (e.g. L'Ecole Nationale de Ski et d'Alpinisme in Chamonix-Mont-Blanc). Georgia programs could also target young people from lagging mountainous regions who may have some alpine skills but little access to formal training and certification in this area.

Raising quality is also constrained guides voluntarily seeking professional insurance policies, are not able to cover themselves (or a third party) in the event of injury. While insurance policies in Georgia do cover occupational hazards, insurance companies have not been able to offer cover to

15 As of May 2019.

16 GMGA is an IFMGA candidate and hopes to be certified by 2020.

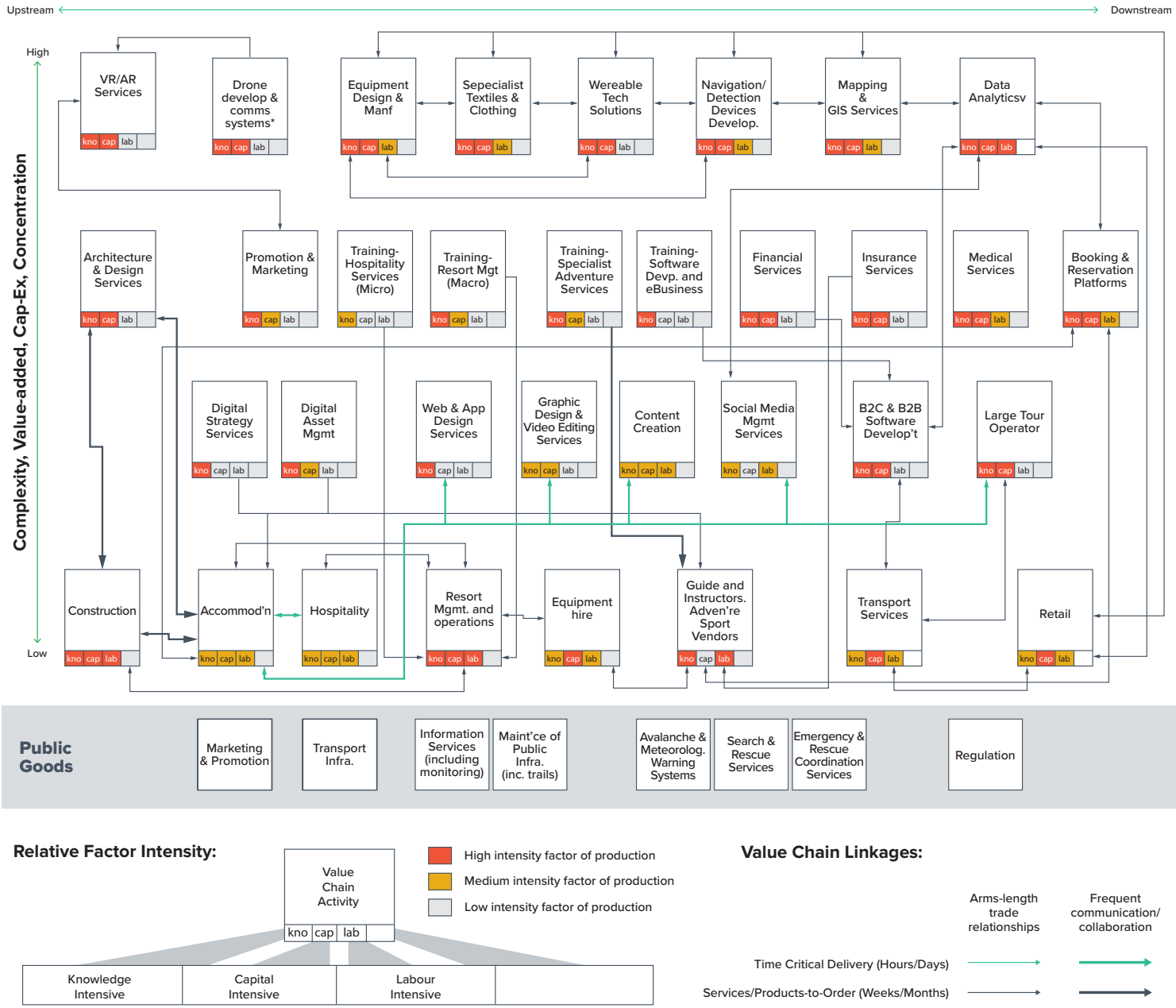
17 Note that as the course takes two years to complete, it is only offered every two years as the school does not have enough resources to manage two cohorts at the same time

professional service providers in adventure tourism (e.g., mountain guides and S&R personnel) who voluntarily seek professional insurance against injuries incurred through their work. Additionally, as there are very few industry standards and guidelines in the tourism industry, there is little sectoral legislation against which to write insurance products. As a result, there is little professional liability insurance for value-chain actors in nature and adventure tourism in Georgia. Professional liability insurance is not only relevant for high-risk roles such as ski-instructors and paragliding instructors, but also exposes other value-chain actors, such as equipment-hire firms and chefs.

Georgia's mountain tourism infrastructure is highly biased towards winter tourism limiting economic activity during summer months. Aside from tobogganing runs in Bakuriani, there is very little summer adventure tourism infrastructure across Georgia's mountain tourism resorts. This limits the potential for economic activity during the winter months, stunting job creation and growth. Mountain Resorts Development Company, GNTA and the Agency of Protected Areas could consider investing in marked bike trails and hiking trails, campsites, ziplines and adventure parks to increase the tourism offering.

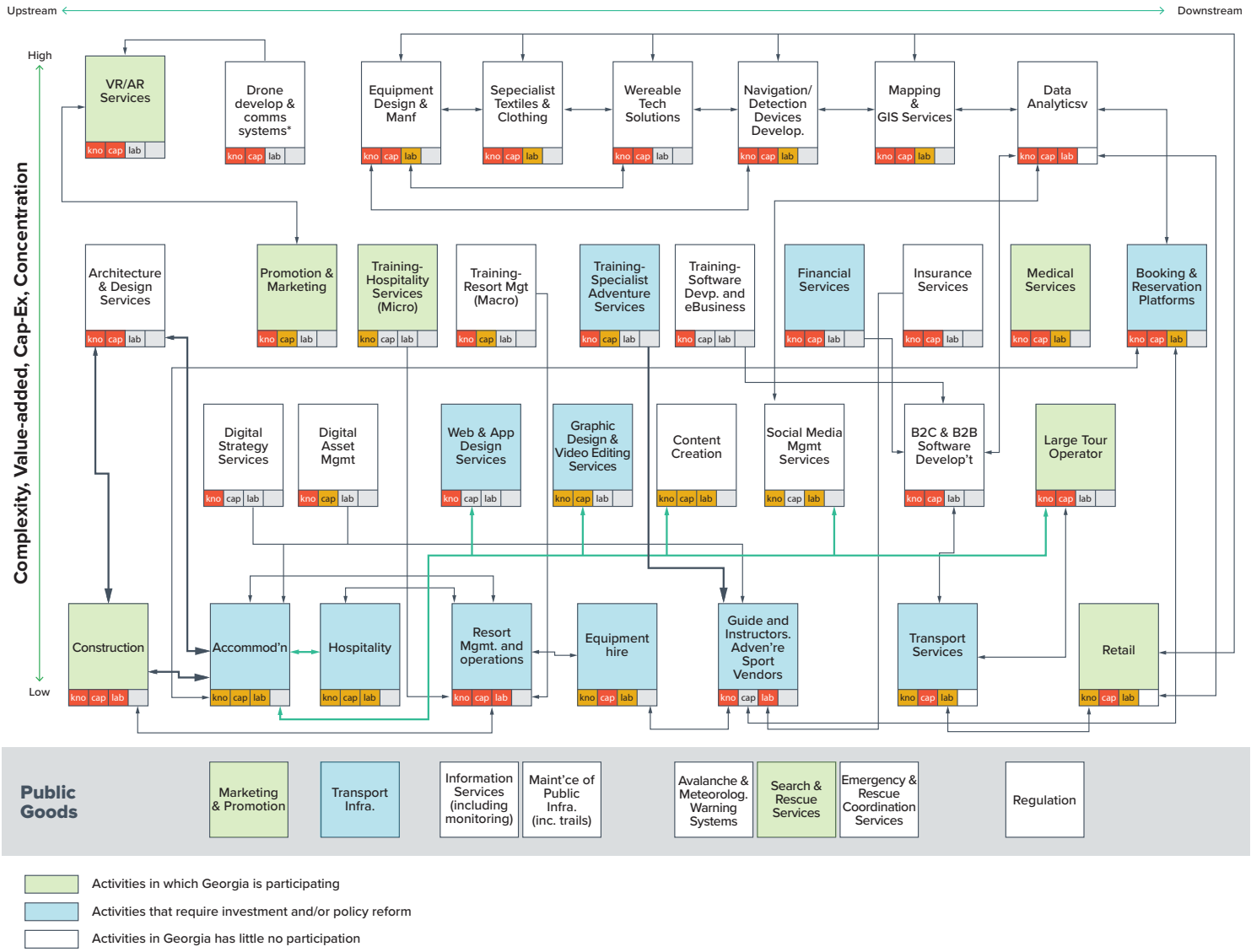
Addressing these issues will not immediately transition Georgia toward higher-value-added activities, but it will protect Georgia's competitiveness in the strategic segments it is already competing in. Beyond the development of virtual reality and augmented-reality solutions, higher-value-added activities in emerging nature and adventure tourism value chains include the development of wearable technology and navigation and detection sensor technology. Georgia is not currently participating in these activities. Neither are Georgian firms participating in traditional higher-value-added activities, including equipment design and manufacture, specialist textile and clothing manufacture, monitoring and surveillance services, and avalanche warning system design and integration. Addressing the safety regulations, protections and procedures described above will not immediately transition Georgia toward higher-value-added activities but it will go some way to protect Georgia's competitiveness in the strategic segments it is already competing in and de-risk the offering.

FIGURE 11. **Structure of emerging GVCs in nature & adventure tourism**



Source: Author's Analysis

FIGURE 12. **Georgia's participation in emerging nature & adventure tourism GVCs**



Source: Author's analysis.

BOX 5—ADVENTURE TOURISM IN GEORGIA

Mtskheta-Mtianeti: Gudauri is Georgia's most popular ski resort, hosting more than 250,000 visitors during 2016-17 season. With Georgia's most advanced ski slopes, and being only two hours away from Tbilisi, the resort continues to grow and expand. Proximity to the Russian-Georgian border has also made the resort attractive to Russian skiers who can enter through the Zemo Larsi checkpoint without a visa. The mountainous town of Stepantsminda is also close to one of Georgia's most recognizable and popular peaks, Mkinvartsveri (also known as Mount Kazbek), which is popular for climbing, hiking, trekking and camping.

Svaneti: Mestia, the capital of the Svaneti region, is home to Georgia's Svan minority with its unique language, architecture and cuisine. Traditionally a summer hub for trekking tours, the town has become a winter destination alongside two other ski resorts in the region, Hatsvali and Tetnuldi. Svaneti offers skiing and snowboarding, paragliding, trekking and horse riding.

Samtskhe-Javakheti: Bakuriani is about three hours by car from Tbilisi and mainly consists of beginner-friendly slopes, though one lift accesses much steeper forested terrain. The annual snowfall is the lowest of all of Georgia's ski resorts. A significant number of Bakuriani's visitors are there only to 'escape' the city and enjoy the après ski, and do not buy ski passes.

Adjara: The Autonomous Republic of Adjara has a warm subtropical climate and is the second most popular holiday destination in Georgia (after Tbilisi). Although most visitors go to Adjara for its seaside resorts, Adjara is also famous for its protected areas, including Mtirala National Park and State Botanical Garden. In addition, the Goderdzi Pass in the Adjara mountains is currently being developed into a winter resort.

Kakheti: Kakheti region in eastern Georgia is famous for its wine-making traditions and it is one of the most popular tourist destinations in Georgia. In addition, Kakheti has very diverse geographies, including arid deserts and forests, fertile valleys and mountains. It also boasts six nature reserves, including Lagodekhi, Vashlovani and Tusheti National Parks, which attract hikers and campers.

Other adventure resorts under development include Bakhmaro in Guria region and Racha. Bakhmaro is traditionally a summer resort town that has only recently begun to develop its winter tourism offering. Racha is a very remote region that could offer multi-day ski touring or mountaineering trips.

	Number of ski pistes	Number of cableways	Total lenght of pistes	Top Elevation	Distance from closest int'l airport	Number of rooms	Number of beds	Share of visitors in 2016-2017
Gadauri	20	11	70km	3,276m	135km	1,283	3,163	67.0%
Bakuriani*	23	15	27km	2,702m	176km	1,836	5,338	27.9%
Tetnuldi	9	5	30km	3,165m	213km	690**	1,628	2.2%
Hatsvali	5	4	7km	2,348m	213km	690**	1,617	1.8%
Goderdzi	4	3	8km	2,364m	104km	46	102	1.1%

Source: Bolkvadze (2019). Galt & Taggart (2018)

4. Actions For Upgrading

(See page 38 for Summary of Actions)

EMERGING GVC STRUCTURES: Respond to the demand for digital services

Action 1.1	**Actively manage online presence to better serve visitors and Georgian firms**
Priority	HIGH
Description	Georgian National Tourism Administration should consider moving away from intermittent website upgrades. Instead the Tourism administration can actively manage its online presence on a daily basis; updating and upgrading applications as devices, platforms and operating systems evolve. Georgia.Travel (GNTA's tourism website) could evolve into a UX/UI-positive, social media friendly web portal with a worthy sister mobile application. Such a portal would include easy-access, easy-share information related to accommodation, travel, tickets and 'things to do in Georgia'. A separate microsite could also include access to digital assets for value-chain actors (e.g., images, logos and banners) that can be downloaded directly from the site. Communicating terms and conditions of use can be integrated into the download process.
Responsible Entities	Georgian National Tourism Administration

Action 1.2	**Development of professional digital skills and services in Georgia, including web design, application design, content creation, graphic design, social media management services)[18]**
Priority	HIGH
Description	• **Software Development (SD)** — SD for front-end web applications (Javascript, PHP, Python) — SD for back-end web applications (Java, Python, PHP, C#, C++) — SD for desktop applications (C, C++, C#, Java) — SD for application development (Java, Kotlin, Swift) — SD for embedded systems (C, C++, Java) • **Digital Marketing** — Developing digital marketing strategies — Multi-channel advertising: video, mobile, search engine, social media and digital display - Calculating return on investment, effectiveness measurement and attribution
Responsible Entities	Georgia Innovation and Technology Agency

[18] Component 2.2. of the Georgia National Innovation Ecosystem (GENIE) Project will focus on Digital Economy Skills Development. These terms of reference include training described in recommended Action 1.5 of this reportt.

Action 1.3	Development digital literacy training for value chain actors
Priority	HIGH
Description	Developing familiarity with financial management and accounting solutions, electronic payments, fintech solutions, multichannel management, digital and social media marketing . GNTA can also collaborate with GITA to develop a series of short courses, seminars and webinars on property management systems, tourism marketing, online travel agents etc.
Responsible Entities	• Georgia Innovation and Technology Agency • Georgian National Tourism Administration

Action 1.4	Develop strategy to increase integrity of public information on Google Maps, Google Business and other leading information platforms
Priority	MEDIUM
Description	Develop a strategy to maintain the integrity of information on leading information platforms. Publicly-managed services (e.g., traffic services, trails) can be accurately reflected online. For example: • The Roads Department of Georgia (Part of the Ministry of Regional Development and Infrastructure) can, on an ongoing basis, raise tickets on Google Maps to flag incorrect road names, wrong info about one-way and two-way roads, incorrectly drawn roads, and road closures and missing roads. • Enterprise Georgia (part of Ministry of Economy) and the National Agency of the Public Registry (of the Ministry of Justice of Georgia) can encourage and inform program beneficiaries about the importance of an active and constantly updated online presence. • The Agency of Protected Areas and GNTA can also partner with leading online platforms (e.g., AllTrails) to map trails.
Responsible Entities	• Georgian National Tourism Administration • Agency of Protected Areas • Roads Department of Georgia • National Agency of the Public Registry • Enterprise Georgia

Action 1.5	Collaborate with major online travel agents (OTAs) to establish operating and monitoring guidelines for online listings
Priority	MEDIUM
Description	Establish operating guidelines that will allow major online travel agents (e.g. booking.com) to more closely monitor service providers (e.g. hotels and guest houses) and ensure that listings are accurate.
Responsible Entities	Georgian National Tourism Administration

WINE & FOOD: Target high-value added strategic segments

Action 2.1	**Increase coordination and communication between the National Wine Agency, GNTA and the private sector**
Priority	HIGH
Description	The details of government-funded campaigns financed by National Wine Agency in the USA, UK, Poland, China and Japan could be shared with GNTA and with the private sector to better leverage public spending (US$3.5m in 2020). GNTA too could better communicate areas of planned engagements, and coordinate and collaborate with the private sector in their implementation.
Responsible Entities	• Georgian National Tourism Administration • National Wine Agency

Action 2.2	**Financial support and training for SMEs and Artisans**
Priority	MEDIUM
Description	Provide training targeted towards artisan chef and restaurant owners (rather than larger commercial ventures). This would differ from the Micro and Small Business Support program, administered by Enterprise Georgia which already includes basic business management trainings. Instead the training should be focused on restaurant management, culinary training, Georgian history as well as business management. A regulatory environment that can accommodate pop-up restaurants and micro -restaurant sis also necessary to support this market.
Responsible Entities	• Enterprise Georgia • Ministry of Economy and Sustainable Development • Ministry of Education, Science, Culture & Sport

Action 2.3	**Launch dynamic initiatives to protect, preserve and promote Georgian food traditions**
Priority	MEDIUM
Description	Bring stakeholders together (including chefs, historians, agronomists, influencers, artisans, wineries and storytellers) to protect, preserve and promote traditional Georgian gastronomy outside and inside Georgia. The group would also spearhead capacity building, advocacy and research.
Responsible Entities	• Georgian National Tourism Administration • National Wine Agency • Ministry of Education, Science, Culture & Sport • Georgia Innovation and Technology Agency • Ministry of Environmental Protection and Agriculture

Action 2.4	Build on traditional wine traditions to emphasize 'natural', eco-conscious offering
Priority	MEDIUM
Description	Georgia can do more to elevate and emphasize its natural and organic wine traditions such that "Georgian wine" goes beyond synonymity with "first wine" but also preservative-free, sulphite-free "clean" wine. Georgia can also promote this ethos in the food sector; emphasizing 'farm-to-table' concepts, natural ingredients, and an environment and socially conscious sourcing.
Responsible Entities	• Georgian National Tourism Administration • National Wine Agency

NATURE & ADVENTURE: Strengthen existing competitiveness in strategic segments

THEME: RESCUE OPERATIONS AND RISK MANAGEMENT

Action 3.1.1	Develop operational guidelines for Search and Rescue teams
Priority	HIGH
Description	Leverage resources such as ASTM International's S&R guidelines to institutionalize operational techniques, including visual signals, rescue techniques and snowmobile operations.
Responsible Entities	• Mountain Resorts Development Company • Ministry of Economy and Sustainable Development

Action 3.1.2	Develop operational, maintenance and procedural guidelines for technical infrastructure and equipment
Priority	HIGH
Description	Develop mountain ski resorts equipment operations and procedural guidelines, including inspection and testing, ski lift infrastructure management, maintenance of electrical, mechanical and hydraulic installations and subsystems of cableway installations.
Responsible Entities	• Mountain Resorts Development Company • Ministry of Economy and Sustainable Development

Action 3.1.3	Reinforce and protect infrastructure built in avalanche red zones
Priority	HIGH
Description	Identify infrastructure built in high-risk avalanche zones (e.g. Kobi-Gudauri) in mountain resorts of Georgia under the management of Mountain Resorts Development Company and invest in reinforcement and protective structures to safeguard tourists, local workforce, homes and livelihoods.
Responsible Entities	• Mountain Resorts Development Company • Ministry of Economy and Sustainable Development

Action 3.1.4	Upgrade avalanche forecasting and operational risk assessment capacity
Priority	HIGH
Description	Invest in an Avalanche Terrain Identification, Zoning, Classification and Mapping System and incorporate systems into operations (in collaboration with Hydromet) for geographical regions under the management of Mountain Resorts Development Company. Develop public information and warning protocols to communicate risks to local and foreign visitors (in collaboration with GNTA).
Responsible Entities	• Mountain Resorts Development Company • Ministry of Economy and Sustainable Development • Hydrometeorological Department (part of National Environment Agency) • Georgian National Tourism Administration

Action 3.1.5	Implement helicopter availability scheduling system
Priority	HIGH
Description	In addition to investing in additional helicopters and critical emergency equipment and infrastructure, Mountain Resorts Development Company can implement a helicopter availability scheduling system so that in the event of a serious incident, necessary permissions can be granted and helicopters can be mobilised without increasing the risk of injury or death.
Responsible Entities	• Mountain Resorts Development Company • Ministry of Economy and Sustainable Development • Defense Forces of Georgia

THEME: TRAINING AND PROFESSIONAL DEVELOPMENT

Action 3.2.1	Design institutional training framework (new recruits and on-the-job) for adventure tourism professionals
Priority	HIGH
Description	Design formal, institutionalized training mechanism for new recruits and experienced professionals in adventure-tourism resorts at both the Macro and the Micro level: (i) MACRO-LEVEL: mountain tourism resort management and development, including GIS operation and management, spatial planning and risk management; (ii) MICRO-LEVEL: formal training for mountain tourism technicians, including ski-lift operators, slopes grooming and maintenance of electrical, mechanical and hydraulic cable installations. Government agencies could consider partnering with international organizations that focus on local employment, environmental sustainability and best practice (e.g., Vail Resorts or Aspen Resorts Company) or Georgian organisations with training capacity (e.g. Adventure Tourism School and Georgia Mountain Guides Association).
Responsible Entities	• Ministry of Education, Science, Culture & Sport • Mountain Resorts Development Company • Ministry of Economy and Sustainable Development • Adventure Tourism School • Georgia Mountain Guides Association

Action 3.2.2	Support expansion of taught courses to train and prepare a new cadre of adventure tourism professionals
Priority	MEDIUM
Description	Design and support initiatives that could Georgia's training capacity from Georgia's current baseline (30 mountain guides every 2 years) Government of Georgia may especially target young people in rural areas who may have some latent skills but little access to formal training. Courses could include; Mountain guides, alpine
Responsible Entities	• Ministry of Education, Science, Culture & Sport • Mountain Resorts Development Company • Ministry of Economy and Sustainable Development • Adventure Tourism School • Georgia Mountain Guides Association

THEME: REGULATION

Action 3.3	Develop licensing and certification framework to regulate value-chain actors in nature and adventure tourism
Priority	HIGH
Description	Gradually introduce a licensing and certification framework to ensure that value-chain actors (including instructors, guides, equipment hire firms and extreme sports firms) operate safely, have the necessary experience and training, and are updating operations in accordance with the latest industry techniques.[19] Any initiative should be supported by budget and resources to monitor value-chain actors and ensure compliance with the licensing and certification framework.
Responsible Entities	• Ministry of Economy and Sustainable Development • Mountain Resorts Development Company

THEME: INSURANCE

Action 3.4.1	Identify market failures that have limited availability of professional personal injury insurance for adventure tourism professionals
Priority	LOW
Description	Georgian National Tourism Administration can coordinate with the insurance regulator (Insurance State Supervision Services of Georgia) and insurance companies to understand why insurance policies that cover personal injury through extreme activities are not currently available for value-chain actors in nature and adventure tourism.
Responsible Entities	• Georgian National Tourism Administration • Insurance State Supervision Services

Action 3.4.2	Develop standards against which professional liability insurance can be drafted[20]
Priority	LOW
Description	Develop standards for high-risk ventures (e.g., paragliding tours, jet-ski hire) against which professional liability insurance can be drafted.
Responsible Entities	Ministry of Economy and Sustainable Development

[19] This should build on work done by USAID and GNTA (through the Governance for Growth Program) to prepare the new tourism law currently under review.

[20] Linked to Action 3.3

Summary of Actions

	HIGH PRIORITY ACTIONS	MEDIUM PRIORITY ACTIONS	LOWER PRIORITY ACTIONS
Respond to the demand for digital services	**A1.1** Actively manage online presence to better serve visitors and Georgian firms **A1.2** Development of professional digital skills and services in Georgia[21] **A1.3** Digital literacy training for value chain actors[22]	**A1.4** Increase availability and integrity of public information **A1.5** Collaborate with OTAs to monitor guidelines	
Target high-value added Wine & Food strategic segments	**A2.1** Increase coordination between the National Wine Agency, GNTA and private sector	**A2.2** Financial support and training for SMEs and Artisans **A2.3** Launch dynamic initiatives to protect, preserve and promote Georgian food traditions **A2.4** Develop "natural", eco-conscious offering	
Strengthen existing competitiveness in Nature & Adventure strategic segments	**A3.1.1** Operational guidelines for S&R teams **A3.1.2** Operational, maintenance and prodedural guidelines for technical infrastructure and equipment **A3.1.3** Infrastructure to protect lives and assets in high-risk avalanche zones **A3.1.4** Upgrade avalanche forecasting and operational risk assessment capacity **A3.1.5** Helicopter availability scheduling system **A3.2.1** Training framework (new recruits and on-the-job) for mgmt. and technical staff **A3.3** Licensing and certification framework	**A3.2.2** Expansion of taught courses in adventure tourism roles e.g. ski instructors, mountain guides	**A3.4.1** Non-mandatory personal professional insurance **A3.4.2** Standards for non-mandatory professional liability insurance[23]

[21] Component 2.2. of the Georgia National Innovation Ecosystem (GENIE) Project will focus on Digital Economy Skills Development. The terms of reference of this activity includes the training described in Action 1.2

[22] Component 1.3 of the Georgia National Innovation Ecosystem (GENIE) Project includes pilot a community training pilot and subsequent roll out of digital literacy training and eCommerce training.

[23] Linked to Action 3.3

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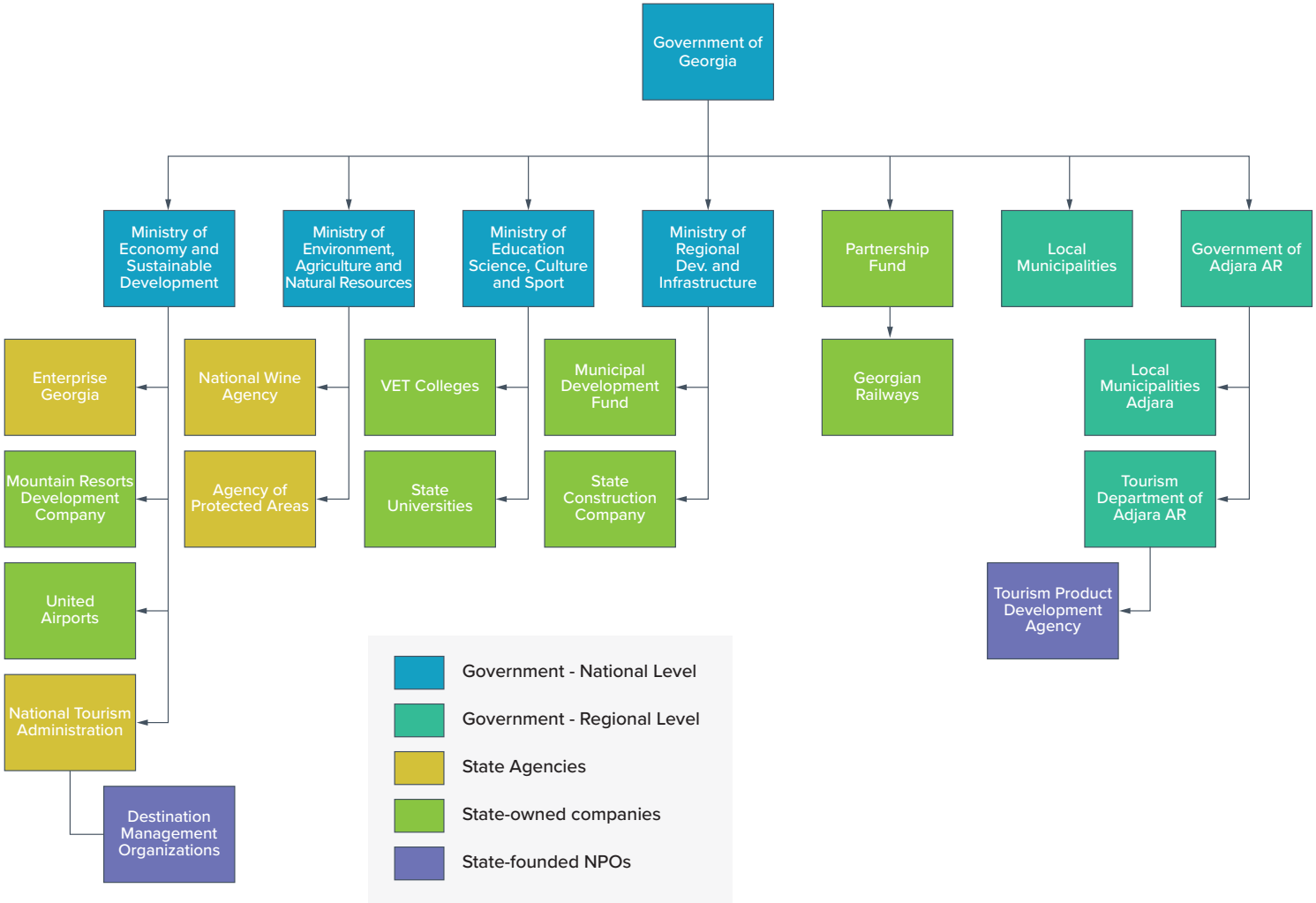
ANNEX 1: Public Sector Stakeholder Map Tourism Value Chains in Georgia

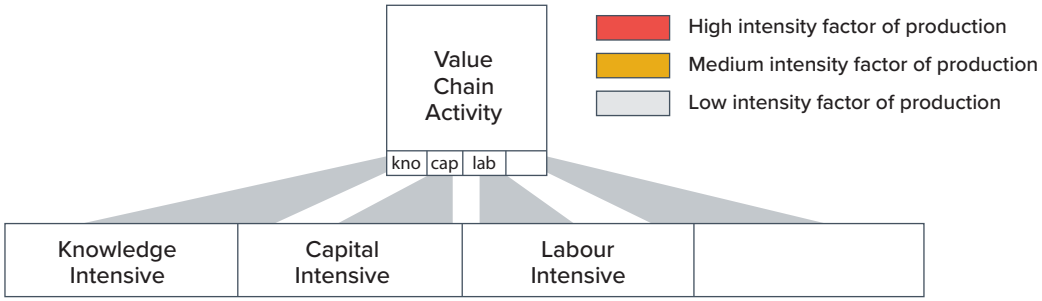
FIGURE 13. **Public sector stakeholder map—Tourism value chains in Georgia**



Source: Bolkvadze (2019)

ANNEX 2: Interpreting Value Chain Maps

Relative Factor Intensity:



Value Chain Linkages:

ANNEX 3: Approach & Methodology

Opportunities for better international integration and insertion into GVCs vary by industry. These opportunities also depend on a wide array of other factors, including global demand trends, sourcing and localization, the strategies of multinational corporations, specific competitive dynamics within each phase and strategic segment of the chain, and the type and rate of innovation within the industry. Some of the factors at least partially under a country's control are alignment of resource endowments and provision of complementary public goods with the required cost structures and minimum efficient scale to compete in a specific phase nationally, regionally, or globally.

Rodrick (2013) has observed recurring patterns of structural change, particularly in East Asia and other high-income countries in recent history. Economies have moved from agriculture and informal economic activities where value-addition is low to light manufacturing (e.g., apparel, footwear, simple electronics), then to heavy industries (e.g., automotive, machine tools) and finally to services (e.g., finance, insurance) where productivity and value addition is found to be significantly higher.[24]

Policymakers have accordingly followed that linear logic to foster economic development. However, Rodrik (2014)[25] asserts that globalization and the division of labor, global demand patterns and the growing emphasis on technology and skills have radically altered that linear development path. Furthermore, the scattered nature of value-chain activities, means that the capacity to capture value from a specific industry is determined by the policies of foreign competitors, as well as domestic strategy.

Not all value-chain activities can act as a stepping stone to the next. Indeed, each value-chain activity has different potential to catalyze economic development and productive transformation. Therefore, as we move into a new, more uncertain phase of industrialization, it is important to understand where and how value is created within the GVC so as to know which value-chain segments and activities to compete for.

In response, the World Bank Group (WBG) has developed a qualitative analytical approach to value-chain competitiveness analysis that can better inform project design and help WBG clients identify strategic options to retain a greater share of value-added from the global industries they participate in.[26]

This qualitative analysis goes beyond quantifying 'how much' value is created by each country participating in a GVC, and instead focuses on how value is created and by whom. It is based on concepts

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24 Rodrik, D. (2013) Structural Change, Fundamentals, and Growth: An Overview. Institute for Advanced Study. Available From: http://j.mp/1HgaMHD

25 Rodrik D. (2014) New Growth Strategies Available From: https://www.theciip.org/sites/ciip/files/documents/Keynote%20-%20Prof%20Dani%20Rodrik.pdf

26 This approach can be coupled with more quantitative approaches employed across the WBG to provide insight at three levels: (i) macro (including quantitative econometric analysis, network analysis of trade/investment relationships); (ii) meso (including quantitative econometric analysis, network analysis of I-O tables); and (iii) micro (including quantitative analysis, firm-level analysis, segmentation by business models).

developed by Professor Michael E. Porter, and implemented by the European Foundation for Cluster Excellence (in association with the European Commission and IESE Business School), in Europe and Latin America in the past 15 years. In incorporating this approach in its analytics, the WBG is able to help clients leverage industry-specific public policy and investment options to catalyze private sector development and foster income growth of the bottom 40 percent of the population.

METHODOLOGY

STEP 1: GLOBAL INDUSTRY DEEP DIVE

Background and contextual industry deep dive, including industry dynamics and trends related to global supply (historical reason for success in certain countries/regions, ways in which markets are responding to changes in demand), evolution in demand (geography and product/service), industry cost structure and margins, recent evolution in value chain structure (e.g., localization, specialization and integration among firms). This work relied mostly on secondary research and secondary data.

STEP 2: STRATEGIC SEGMENTATION

Industry 'segmentation' that groups each industry not only by product/service but also by intended market or user group using Global Industry Deep Dive (see Step 1) and Porter's 'Five Forces' analytical tools. Porter's 'Five Forces' analytical tool was also used to assess industry attractiveness by determining the profitability of the industry and identifying the actors within the industry with the most bargaining power (thereby determining which actors capture the bulk of the available profits). In addition, the analysis included some assessment of the evolution (historical and future) of this attractiveness. In addition to traditional secondary resources (e.g., journals and papers), strategic segmentation relied on interviews with industry experts and non-traditional sources of information such as media sources (e.g., online newspapers, magazines), annual report, filings and blogs.

STEP 3: IDENTIFICATION OF PROTOTYPICAL VALUE CHAIN

For each strategic segment identified in Step 2, and using similar resources:

1. An Advanced Buyer Purchase Criteria Assessment focused on the minimum requirements (quality, volume, price, safety, transparency, traceability, financial viability) that commercial buyers (both B2B and consumers) would accept.
2. An assessment of geographic strategic options identified the advantages and disadvantages of targeting a local/global market using a single product offering, or regionally-adjust product/brand strategies.
3. Key Success Factors—those characteristics that a firm needs to compete well—were identified for each strategic segment.
4. (i), (ii) and (iii) was used to 'map' the ideal value chain for each strategic segment and identify:

a) the optimal distribution of activities between the local, regional and global levels of the value chain in terms of minimum efficient scale of operation and production runs;

b) the type (knowledge-intensive, capital-intensive, labor-intensive, natural resources and energy-intensive) and level of intensity (low, medium, high) of each value chain activity; and

c) typology of value-chain linkages (just-in-time, made-to-order, on-stock) by time (24 to 48 hours, weeks, months) and information exchange (high or low information exchange) that are required to compete effectively in a specific strategic segment.

STEP 4: GEORGIA'S CURRENT POSITIONING

Those segments in which Georgia's industries are currently participating were identified through a series of missions. Georgia's performance in those segments were assessed (vis-à-vis regional, as well as global, competitors) and the 'ideal value chain' for those segments were compared with the Georgian context. Specific policy, investments and/or institutional interventions that might be required for Georgia to better compete in those segments and capture more value were identified.

STEP 5: BENCHMARKING AND FEASIBLE STRATEGIC OPTIONS

Strategic repositioning options for Georgia, including higher-value-added segment(s) that could be targeted; viable policy options to maximize value addition within the segment(s); and necessary investments and institutional changes that would be needed to support the development of Georgia's productive capacity within the segment(s) were identified.

ANNEX 4: Estimating Tourism Numbers – Methodology, Assumptions and Caveats

The UN World Tourism Organization (UNWTO) collates outbound statistics from UN member states. In each case, collection and counting methodologies differ. As an example, data may or may not include transit trips, seasonal and border workers and same trips. This report has employed the following methodology, assumptions and caveats to present a stronger approximation of the number of tourist arrivals to Georgia and the source markets mix to improve the understanding of existing demand.

METHODOLOGY

a) GNTA 2019 survey data categorizes inbound tourists by visitors by citizenship and by purpose of visit. 'Purpose' categories included:

- Business
- Leisure
- Health and Medical
- Visiting Family and Friends (VFF)
- Transit
- Shopping
- Religion
- Education
- Other

b) The authors of this report have considered Business, Leisure, Health, Medical and VFF to be true tourist arrivals. In total, those categories represent 79.18 percent of all international visitor trips, though data are provided **by country**.

c) Figure 3 and Table 2 utilize GNTA and UNWTO outbound statics 'arrivals' data, which have been revised down to comprise tourism arrivals as defined above.

ASSUMPTIONS

9-month data for 2019 is the time series used[27]. The methodology assumes that the purpose of the visit—and the distribution thereof amongst citizens of any one country – is the same for 2019 and 2018.

CAVEATS

Any of the trips may be same day trips. This information is not captured.

Shopping can be considered tourism. It is not included here as Georgia's retail tourism offering is weak. Shoppers are more likely to be border traffic.

[27] As was provided to WBG by GNTA

GEORGIA

Beyond Arrivals

EMERGING OPPORTUNITIES FOR GEORGIAN FIRMS IN TOURISM VALUE CHAINS

WORLD BANK GROUP

65912