Over the last decade the global tourism industry has undergone radical changes. We now have a new breed of experienced travellers with higher product and service expectations as well as a greater environmental awareness.

These changes have brought about new challenges, which the tourism industry will certainly have to address. With these challenges in mind, Malta – just like any other destination - must take on these new challenges in order to retain and enhance its competitiveness.

The industry has been experiencing record results over the last few years. Despite these results, we have to continuously pay more attention and must continue updating our tourism product, which undoubtedly is one of the key elements in our tourism chain.

It was for this reason that the Malta Tourism Authority commissioned a tourism product development report. This report has a dual purpose of taking a snapshot of the present state of our product and making a number of improvement recommendations for a long term sustainable product development.

The report identifies those product elements that have become outdated and expired, and which if left unchecked will result in an overall decline in our product quality level. The implementation of the recommendations made in the report will ensure that Malta will be better positioned to compete in the globally competitive tourism market.

A proper product development plan will also help mitigate the seasonality problem, justify higher yielding, and improve profitability.

The implementation of any tourism plan is no easy task, and it cannot be achieved without the participation of all public and private stakeholders. It should involve the active intervention of various government departments and entities together with private entrepreneurs.

Quality is no longer an option for the tourism industry. The delivery of high quality tourism service and products has become increasingly important in influencing travel behaviour. The new challenge is no longer about quantity and numbers, but about improving our quality and standards on which we cannot compromise. The motivation to improve and provide quality stems from a long standing belief that quality pays off.

FOREWORD.

Minister for Tourism Hon. Karmenu Vella
INTRODUCTION.

Over recent years, tourism industry has undergone a radical change worldwide and Malta is no exception. The global economic restructuring, financial constraints, stiff competition among destinations, emerging destinations, cutting edge technology, a more experienced traveller with higher expectations and an increasing environmental awareness, are some of the challenges facing the tourism industry at present. In this context, tourist destinations search for new ways to reinforce competitiveness. Product development is no doubt one of the key elements for achieving success.

For this purpose the MTA has commissioned an in depth study of the tourism product of the Maltese islands. The report was conducted by George Micallef, who has extensive experience on the subject of tourism product development.

The purpose of the report is two-fold. It takes a snapshot of Malta’s tourism product at present whilst providing a better understanding of what it entails, and it makes a number of recommendations for improvement of existing products and the creation of new components in the framework of long term sustainability, with an emphasis on extending seasonality.

Last year was an all time record for tourism in Malta, topping off already significant records in previous years. Arrivals reached a landmark figure of 1.9 million tourists, and the Malta International Airport hosted four million passengers in one year for the first time in its history. Records are certainly great milestones, but Tourism Minister Karmenu Vella asserts that, “these results should not constitute the be-all and end-all of our annual tourism objectives. Sometimes you can register record results on one front, such as volume, by sacrificing another front such as yield. Our policy and strategy are obviously based on the need to sustain growth but to do it in a healthy, manageable manner which does not come at a cost to the long-term survival and prospects of the industry itself. For this purpose it is also important to have in place a tourism product development plan that is in tune with our marketing strategies in the framework of our national tourism policy.”

AN OVERVIEW OF THE REPORT STRUCTURE AND FINDINGS WAS PRESENTED DURING A SEMINAR ORGANISED TO LAUNCH THE REPORT, WHERE A NUMBER OF STAKEHOLDERS REPRESENTING INDUSTRY SERVICE PROVIDERS, MINISTRIES, GOVERNMENT AGENCIES, LOCAL COUNCILS, NGO’s AND OTHER REPRESENTATIVES WERE INVITED TO EXPRESS THEIR VIEWS AND RECOMMENDATIONS ON THE SUBJECT.

The Ministry for Tourism and MTA will be communicating with the various stakeholders to engage them in further discussion in the process of formulating an action plan.

PREAMBLE.

The Government and the Malta Tourism Authority in particular, have over the past years concentrated on improving accessibility through the introduction of new airlines and new routes, and these efforts paid off. Notwithstanding, Government and the Malta Tourism Authority, did also contribute to the development of the tourism product. In fact the MTA and the Ministry for Tourism have been catalysts to change and have spearheaded a number of important tourism projects, such as beach and coastal development, embelishment of tourism zones, recreational facilities, and the rehabilitation of a number of sites, in addition to the extensive investment in the restoration of heritage assets, amongst others.

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THE MINISTRY AND THE MTA HOWEVER DEEMED IT OPPORTUNE TO LOOK CLOSELY AT THE PRODUCT SUPPLY SIDE AND DRAW A TOURISM PRODUCT REPORT OF THE MALTESE ISLANDS. THIS REPORT TAKES A STOCK-TAKE OF THE SITUATION AT PRESENT AND MAKES A NUMBER OF RECOMMENDATIONS TO ASSIST IN THE FORMULATION OF A PLAN OF ACTION.

The Ministry for Tourism and the MTA have commissioned an in depth study of the tourism product of the Maltese islands, which reflects, as accurately as possible, the nature and extent of the tourism product of the Maltese islands.

In the process of compiling this report which spanned over ten months, I have tried to be as comprehensive and adjuimed about the various issues that makes the tourism product, as much as possible, but given the diversity of the issues tackled and the allotted time frame, I cannot say that the product issues tackled in the report are entirely exhaustive. In the process of writing this report, I drew on my experience on the subject and the years of my involvement with the tourism and other public authorities, but I also took on board the input of a number of individuals involved in various sectors of the industry.

This report identifies a number of issues that need to be dealt with if we are to sustain the industry at the levels we are accustomed to and if we aspire to extend seasonality. Even though the overall satisfaction level of visitors to our islands is high, we cannot ignore the signs that we have on the areas that need addressing. The report analyzed successive MTA surveys, which highlight the nature of the main negative comments that mainland Malta in particular receives, which are centered around the infrastructure, such as roads, pavements, road-signs, transportation and poor levels of cleanliness in general.

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This report comprises eleven chapters as shown in the subsequent pages of this brief document, and makes a number of recommendations whilst prioritizing a number of tasks, from products and/or services that fall within the remit of MTA and/or the Ministry responsible for tourism, to others that do not fall within their remit but are highly influential to the sector. It also includes a number of proposals that need to be led by other government ministries or public institutions, or by the private sector or through public-private partnership opportunities.

The report also proposes having in place an effective management system of tourist carrying capacity on a national scale, be it in terms of accommodation supply, seasons, markets or visitation to sites. Malta’s size poses unique challenges which can constitute a series of limiting factors for growth, some of which can be dealt with, others not. This makes it more important that the development of the product follows sustainable development principles and a process of qualitative change which should be adopted across the islands. Sustainability needs to be based on an operative and measurable model supported by a system of key performance indicators.

The subject of product development is indeed very extensive and complex. The report sets out a framework which reflects, as accurately as possible, the nature and extent of the tourism product and the Malta islands. In the process of compiling this report which spanned over ten months, I have tried to be as comprehensive and adjuimed about the various issues that makes the tourism product, as much as possible, but given the diversity of the issues tackled and the allotted time frame, I cannot say that the product issues tackled in the report are entirely exhaustive. In the process of writing this report, I drew on my experience on the subject and the years of my involvement with the tourism and other public authorities, but I also took on board the input of a number of individuals involved in various sectors of the industry.

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1. OBJECTIVES OF THE REPORT

Tourism Product of the Maltese Islands
An Analysis... A Proposal

1. The undertaking of an extensive evaluation exercise of the existing product and services affecting the visitors’ experience, mainly focusing on the tangible elements.

2. Forward proposals to improve the quality and diversity of products for a better and more varied tourism experience to reinforce the competitiveness of our islands.

3. Propose how best to ensure that the various product components supporting the summer business are well maintained and sufficiently adjourned to continue to meet the needs of the visitors, in order that existing visitors’ numbers are sustained.

4. Propose the development of products that can strengthen existing market segments and support new ones, in an effort to improve seasonality. Propose the creation of innovative product components, including “all weather facilities” that can help extend business in the winter and shoulder months.

5. Identify market segments that have added value and identify supporting products required.

6. Prioritize tasks, identifying those that fall within the remit of the MTA and/or the Ministry for Tourism, from those that do not, but are highly influential on the sector. Prepare a set of proposals that need to be led by the various institutions, be it government or private sector, or others.
2. MALTA’S TOURISM PRODUCT OFFER

Looking Ahead

1. Visitors are looking more for the experience when visiting a destination. This chapter categorizes and defines tourism products and elaborates on issues of the product cycle and the process for improving existing products on offer.

2. It identifies how the product differentiation can help us to compete successfully, particularly to improve seasonality.

3. It proposes the type of products that can be developed in line with future market trends, taking into account evolving motivational travel patterns.

4. It looks at climate change issues and the implications this will have on tourism and product development in the future.

5. It also proposes ways to prepare industry stakeholders to embrace green building practices in tourism development.

3. TOURISM SATISFACTION VALUE CHAIN

Customers point of view

1. This chapter analyzes the ratings and comments by visitors on the various products and services on offer that constitute the entire satisfaction value chain, and looks at the various aspects affecting the stay of our visitors. The analysis constitutes the tourists’ overall assessment of their experience in Malta and Gozo covering all the seasons and the cumulative quality perception of the services and products we provide, such as accommodation, restaurants, infrastructure, cultural & coastal matters, tourism information facilities and domestic transportation, amongst other things.

2. Research was based mainly on the extensive surveys undertaken by the MTA, and is categorized as follows.

   - Negatively rated aspects of Malta tourists’ experience
   - Overall rating of Malta holiday experience

3. It highlights the key issues that negatively affect our visitors and identifies the areas that need improvement, taking into account how we performed in recent years in this regard.
4. MOST FREQUENTED TOURIST AREAS

1. This chapter represents an analysis of how our various tourist zones and other highly visited areas, be it the coast, heritage sites, rural areas and the urban environment.

2. It looks at the main Tourism zones, analysing the product and product weaknesses, and identifies the areas that need to be addressed. It puts forward proposals that can improve the aesthetic and overall environmental quality of tourism zones and other highly visited areas, through better street-scaping, land-scaping etc., whilst protecting and promoting the indigenous and cultural ambience in these areas and in the urban conservation areas.

3. It evaluates the three main tourism zones independently, the North, Central and the South Tourism Zone. It also proposes the development of a distinct brand image for each of these three zones.

4. It presents a set of recommendations to raise environmental standards that are expected by tourists across all levels and how safety standards need to be in place.

5. It refers to the need of having in place structures that oversee the proper upkeep and maintenance of these important areas. It also proposes a revision of existing legal regulations and the need to intensify enforcement.

6. The chapter dedicates an extensive section on Historic cities & visitor attractions, with a focus on the Valletta projects and the prioritization of a number of these projects. It also focuses on visitor’s flows and satisfaction levels at museums. It makes a number of suggestions that can incentivise further development within these historic areas.

7. The report also deals with issues relating to coastal development and management, be it beaches, marinas, berthing facilities and marine conservation areas and other protected areas, like the Blue Lagoon. It also makes suggestions on how to make better use of the rocky coast given the high density levels of sandy beaches.

5. MTA LICENSED TOURIST SERVICE PROVIDERS

1. As a destination, we need to see where the market is going in the coming years and how we want to position ourselves. This chapter takes a snap shot of where we stand at present in terms of product supply vis-à-vis the main tourist service providers, and where we aspire to be in the years to come. This is necessary as it will help in the development of the product and will also enable us to meet the market demands of the future.

2. This chapter proposes development guidelines for the accommodation, restaurants/catering sector and other service providers falling directly under the remit of MTA for the coming years in line with market requirements.

3. In particular, it makes an in-depth analysis of the hotel and accommodation sector which is highly influential on tourism. A detailed inventory of the bed supply is presented, identifying gaps, be it in terms of supply, type and quality. It proposes policies to guide the development of the sector so as to ensure that it can meet the needs of the market in the immediate term and to remain sustainable in the long term.

4. It also analysis the situation concerning late night entertainment establishments and makes a number of recommendations to improve the current state of affairs.

5. It evaluates the situation of the diving sector which is a very important market segment, and looks at areas of concern and other matters which need to be addressed.

6. It analyses the situation concerning tourist guides whose existence is challenged by the prevailing market conditions, and proposes ways of improving the sustainability of this important service provider.

7. It also briefly looks at the human resource challenges within the hospitality sector.

6. NICHE MARKET SEGMENTS & EVENTS

Combating seasonability

1. The development of the product has a strategic role to play in achieving marketing goals. The marketing key objective of the existing tourism policy (2012-2016) is to improve seasonality by way of increasing arrivals in winter and off peak months. This has to be achieved without losing sight of the fact that we also have to continue with our efforts to sustain the visitor’s numbers we have so far managed to register in the summer.

2. This chapter is an extensive one, which deals with the identification of a number of market segments that have the potential to increase business in the winter and shoulder months, such as cultural tourism, gastronomy, nature, sport and adventure, wellness and health, business travel, etc. It identifies new products that need to be in place to support these market segments. It also makes proposals for the creation of supporting events, amongst other things.

3. It puts forward a proposal for the creation of an eighteen week programme of events to cover the winter and off peak months. It also proposes how best to catalogue and promote day and evening activities that can occupy visitors during their stay in Malta.

4. This chapter also proposes ways of how other niche market segments can be developed, by exploiting opportunities for further development, such as film location tourism, tertiary education and religious tourism, amongst others.

5. It refers to the benefits of clustering of products and services to support specific market segments and the branding of the destination, as this can be key to the development of certain markets. The concept of creating co-operation links can be a most valuable capital, through knowledge and co-operation between marketers and service providers/products. Clustering may prove to be a successful means for the development of certain market segments. This section makes recommendations in this regard.

6. This chapter also refers to the importance of targeted marketing and the power of integrated marketing communications, which has become a significant example of development in marketing discipline.
7. GOZO

1. An analysis of the urban and rural Gozo reveals certain characteristics which makes the island distinct and of a particular interest to the visitor. This chapter identifies the issues and products that need to be further developed in support of market segments that have the potential to increase business to Gozo.

2. This section also deals with issues concerning the designation of Gozo as an Eco-destination. It refers to the image Gozo needs to maintain and makes proposals as to how best approach this designation on the basis of a better understanding of the different aspects of the Gozo tourism product.

3. Another section of this chapter deals with the accommodation and restaurants supply in Gozo which have distinct issues when compared to mainland Malta.

4. The chapter also deals with the significance and related issues of domestic tourism in Gozo. This was based on research which was specifically conducted for this purpose.

8. PUBLIC PRIVATE PARTNERSHIP

Product development projects

1. Over the years, we have witnessed some successful PPP projects and PPP models in support of the tourism sector. This chapter refers to the benefits and opportunities of PPP projects funding, however, the process would need to be initiated at the earliest stage given the time and the laborious process required for such applications. Consequently such projects will need to be prioritized. Obstacles and bureaucracy that may hinder such projects, like delays with MEPA etc., need to be ironed out if we are to be successful in our bids for EU funding of certain projects.

2. It also identifies some projects/products that can be developed through PPP and proposes respective models than can be applied for some of the projects.

3. Some of these projects can benefit from EU funding however, the process would need to be initiated at the earliest stage given the time and the laborious process required for such applications. Consequently such projects will need to be prioritized. Obstacles and bureaucracy that may hinder such projects, like delays with MEPA etc., need to be ironed out if we are to be successful in our bids for EU funding of certain projects.

9. VALUE OF QUALITY

Not an option for tourism

1. As tourism is essentially a service industry it is important that quality standards permeate every aspect of the services and products we offer. The delivery of high quality tourism service and products is likely to become increasingly important in influencing travel behavior and the destination’s competitiveness. Most countries are choosing to adopt quality standards and labels programme as a means of improving the quality of their tourism product and services and Malta needs to follow this trend. This chapter deals with the importance of quality across all products and service provided.

2. This chapter puts forward proposals that can improve quality through evaluation and accreditation programs for both products and service providers, benchmarking techniques, quality standards and labels, and the need for comprehensive training.
10. MARKETING & PRODUCT DEVELOPMENT

1. Marketing and Product Development are inseparable, therefore coordination is crucial. Product development needs to be guided by proper market intelligence. Regular inventory and assessment of tourist products and resources, facilities and services are necessary. So is the undertaking and analyses of marketing and impact studies, surveys, etc. This is required to ensure that no gaps are created between product supply and demand. This chapter speaks on the importance of synchronizing efforts between marketing and product development. This may require an update of the resources available at MTA and a review of the structure within the organization.

2. This chapter makes reference to the importance of integration, not just between marketing and product development, but at all levels, which makes it necessary to involve all stakeholders. It also calls for better coordination of events and activities.

11. MEASURING SUSTAINABILITY

1. The process of product development needs to take into account the existing peak periods so as to ensure that these are not exceeded, as this could create a series of problems ranging from a shortage of accommodation and/or services, to pressures on the infrastructure and excessive pressures that can adversely affect the tolerance level of the host community.

2. Effective management of tourist capacity on a national scale needs to be in place and adjourned from time to time, be it, in terms of seasons, markets, or accommodation supply, visitation to sites, etc. We cannot risk reaching the stage where the tolerance levels of the host community is exceeded, as this could have a devastating long term affect on the industry. This chapter recommends that an update of the carrying capacity study is undertaken as this will help us in this process.

3. This makes it more important that the development of the product follows sustainable development principles and a process of qualitative change which needs to be adopted across the islands. Sustainability needs to be based on an operative and measurable model. This requires the establishment of system of indicators to monitor and keep on track the principle of sustainable development. The report refers to the European tourism indicator system which was launched recently by the EU which could be a useful tool for our islands.
This report has been commissioned by the Malta Tourism Authority.