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Tourism business clusters: A tool for transforming MSEMs in the tourism industry in Tanzania

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ABSTRACT

This study explores the need to consider the tourism business cluster's approach in Tanzania to transform the tourism industry. The methodology for this study was qualitative. The study involved 114 respondents, who were randomly drawn from the sample frame of tourism businesses maintained by the tourism organizations in Tanzania. It was found that over 98 percent of the tourism MSMEs in Tanzania were not familiar with tourism value chains. Even those who seemed to understand the concept (2%) understood only the most visible sub-sectors of travel and tourism, especially at the destination level and on issues such as air, road, rail transport, accommodation, food, and beverage outlets. Over 99 percent of the tourism MSMEs operate in isolation from other sector players in Tanzania. The need for the establishment of tourism clusters is crucial in ensuring that Tanzania destination continues to be competitive.

1. INTRODUCTION

The economic imbalances exist among regions in several countries across the world, including Tanzania. For instance, in Tanzania, the northern tourism circuit which has diverse attractions of Kilimanjaro Mountain, Arusha National Park, Tarangire National Park, Lake Manyara National Park, and Ngorongoro Conservation Area along with many other attractions, is far well developed compared to the rest of the circuits in the country (Batinoluho, 2020).

The interregional economic imbalances can be addressed with help of bringing together tourism businesses with certain similar or related traits. The tourism industry and its economic businesses are able of mitigating the economic imbalances among regions or circuits, and significantly contribute to national economic development with efficient utilization of resources and maintain competitiveness in the tourism industry (Lee, Jang, & Kim, 2020; Yalçinkaya & Güzel, 2019).

Today, with compelling competition among MSMEs and even among larger firms in the tourism industry, business survival is increasingly becoming more difficult. Therefore, tourism businesses are encouraged to cooperate in order to gain strength for sustainable regional development and business competitiveness (Tarigan et al., 2021). The clustering approach is inevitably an important and useful tool for tourism businesses in emerging destinations such as Tanzania (García-Villaverde, Elche, & Martinez-Perez, 2020; Yalçinkaya & Güzel, 2019).

The Concept of Tourism Business Clusters

A cluster is a state whereby various businesses in a given geographical locus cooperate to gain market competitiveness (Akbulut, 2022; Porter, 1998). The members of the value chains conduct business amongst themselves. The clustering approach enables businesses in the same market segment are in the same value chain. This is due to the fact that complementary firms from different market segments in a given geographical location can belong to the same value chain. Similarly, a cluster is referred to as an agglomeration of firms in a certain geographical location which is related to by-products, market, demand, supplies, inputs, and other linkages (Bergman & Feser, 2020; Delgado & Porter, 2021).

The governments across the world are the major drivers of transforming business groups into cluster (Kowalski & Mackiewicz, 2021). This implies that the firms in a certain geographical location (cluster) may decide to come together by themselves or with the support of the local authorities through their strategic plans. While much of the literature focuses on relationships between firms and the processes for clustering, this study intends to shed light on the need for considering clustering as a whole if Tanzania destination wants to maintain its competitiveness across the globe (Tambovtsev, 2022).

Generally, the main concept of tourism business clusters is about 'doing tourism businesses together' such that all players in the value chains share the benefits accordingly. By working together in business clusters, firms can reduce their operational costs and increase their production potential. In tourism business terms, clusters are networks of tourism firms, their clients, and suppliers of all the relevant factors, such as consumables, utilities, equipment, training, finance, and so forth. It also involves research and academic institutions which are the source of their personnel, and capital in form of technology (Feruza, 2022; Mirčetić, Vukotić, & Cvijanović, 2019; Obidjanov & Saidkulova, 2022).

Tourism Business in Tanzania

The tourism sector is one of the key sectors that contribute to the economy at the national and global levels (Indrianto et al., 2022). Before the COVID-19 pandemic, Tourism's contribution in terms of employment was 1 out 4, and 10.3% (333 million) of the all the jobs, 10% (USD 9.6 trillion) of the global gross domestic product (GDP), and the expenditure for the international visitors stood at USD 1.8 trillion (6.8% of all total exports) globally (Filep, King, & McKercher, 2022; Lim & To, 2022).

In Tanzania, the tourism sector's contribution stands at 17.6 percent of GDP, 25 percent of foreign exchange, 4.5 percent of total employment, and 10 percent of total investments (Tryphone & Mkenda, 2022). Despite the Coronavirus Disease 2019 (COVID-19) global pandemic which severely affected the tourism industry in Tanzania, domestic tourism grew by 20.4 percent from 562,549 visitors in 2020 to 788,933 in 2021 with revenue increasing by 27.6 percent from TZS 9.7 billion in 2020 to TZS 12.4 billion in 2021(Ministry of Natural Resources and Tourism [MNRT], 2022). Conversely, inbound tourism increased by 48.6 percent from 620,867 tourists in 2020 to 922,692 in 2021 with revenue increasing by 76 percent from US $ 714.59 million in 2020 to US $ 1,254.4 million in 2021 (MNRT, 2022).

Tanzania promotes itself as "Tanzania Unforgettable", implying that Tanzania is unique in terms of tourist attractions. Since 2008, Tanzania has been nominated as Africa's leading destination each year (Melubo & Kisasembe, 2022; Wamboye, 2022). In 2021, Tanzania emerged the winner out of 54 countries in Africa as Africa's Leading Destination (Tanzania); Africa's Leading National Park (Serengeti); Africa's Leading Beach Destination (Zanzibar); Africa's leading Green Hotel (Hotel Verde); and Africa's Leading Luxury Island (Thanda Island, Zanzibar). Serengeti National Park won Africa’s leading National Park for the third time in a row (2019, 2020, and 2021). Thanda Island was also the top Global WTA destination as the world's leading executive private island in 2021 (Melubo & Kisasembe, 2022; Wamboye, 2022).

From 2012 to 2016, the World Travel Association rated Tanzania, second to Brazil in terms of natural beauty (Richardson, 2022). As a tourism destination, the tourism products for Tanzania are a different amalgam of experiences, albeit to varying levels of development. Unlike other tourist destinations with landmark tourist attractions, Tanzania has unlimited tourist attractions. However, unfortunately, tourism players from the local, district, regional, and zonal/circuit levels are disorganized and each operates in isolation from the other (Pers.com Executive Secretary for Tourism Confederation of Tanzania, 2021).

Tourism Performance during the COVID-19 Pandemic in Tanzania

During the period of January to April 2022, a total of 367, 632 tourists visited various tourism attractions compared to 275, 097 tourists who entered the country during the similar period in 2021. This is an increase of 92, 535 tourists, and equivalent to 33.6 percent (Table 1.1). Out of 367, 632 tourist arrivals, 124, 212 tourists arrived to the country via Zanzibar, which is equivalent to 35.8 percent of total visitors (National Bureau of Statistics, 2022).

According to the Tanzania’s National Bureau of Statistics (2022), there is a positive trend of the tourism growth following the reduced COVID-19 pandemic in the country and elsewhere in the world. Table 1.1 shows that from January to April in 2021 and the same period in 2022, there has been 33.6 percent increase of the international arrivals in Tanzania. The increase in tourists to the country is mainly due to the lifting of the COVID-19 travel protocols world widely.

Table 1. International Tourists Arrivals from January to April 2021 and 2022

Month	2021	2022	Addition	Change (%)
January	79,116	94,128	15,012	19.0
February	79,730	100,936	21,206	20.6
March	72,285	93,784	21,499	29.7
April	43,966	78,784	34,818	79.2
Total	**275,097**	**367,632**	**92,535**	**33.6**

Source: Tanzania Immigration Services Department (2022)

Before the COVID-19 pandemic in 2019, a total of 1,510,151 international tourists visited Tanzania with the largest number of 160,296 tourists entering the country in December 2019. Following the COVID-19 pandemic, the international tourists' arrival declined up to 620,867 in 2020, with a smallest number of tourists counted at 7,105 tourists as of April 2020. In 2021, the number of the international tourists' arrivals increased to 922,692, equivalent to an increase by 48.6 percent. Currently, the increase in growth rates of economic activities related to the tourism sector involving Arts and entertainment (11.7 percent) and accommodation and food services (11.3 percent) are among the indicators showing prospective tourism sector performance in the country (National Bureau of Statistics, 2022).

MSMEs in Tourism Industry in Tanzania

According to the MSMEs Development Policy of 2003, MSMEs in Tanzania include non-farm economic activities particularly services, manufacturing, commerce and mining. Like any other country, Tanzania's definition of MSMEs in the policy is not comprehensive. Various countries have adopted several measures to define MSMEs by using size and level of business operations. The normally applied indexes are the number of employees, amount of investment and sales turnover per year. In Tanzania, micro-enterprises are those engaging up to 4 people and with capital amounting up to TZS 5 million. Small enterprises are mostly formalized businesses engaging between 5 and 49 employees and with capital investment from TZS 5 million to TZS 200 million. Medium enterprises employ between 50 and 99 people and use the capital investment from TZS 200 million to TZS 800 million. This study aims to emphasize on the need for geographical clustering of these types of MSMEs in the tourism industry for making the Tanzania destination more competitive.

Tourism in Tanzania offers a limited variety of experiences for the typical leisure and recreational tourists. As such, Tanzania's entire tourism industry faces poor institutional and technical capacity and coordination among various ministries, the tourism businesses (MSMEs), non-governmental organizations (NGOs), and other institutions involved in the tourism development (Sharma, Thomas, & Paul, 2021). Given this status, Tanzania is required to focus on striving to improve coordination and build capacity among the key industry players. Tanzania offers several major tourism products, including mountains and highlands scenery, various national parks and mixed heritage sites, impressive rivers, lakes, waterfalls, and hot springs, as well as cave formations and a variety of flora and bird species (Bakari, 2021; Jani, 2021; Wamboye, Nyaronga, & Sergi, 2020).

However, from the data and information collected from tourism businesses especially Micro Small Medium Enterprises (MSMEs), these key priority tourism products offered and promoted by Tanzania are still not embraced by all MSMEs. The critical success factors required to develop these businesses into tourism clusters by the government, private sector, and through MSMEs are still lacking. There is a limit to what is on offer on the widespread tourism products compared to the possibilities of all existing tourist attractions and other resources could offer. For instance, given Tanzania's beautiful water bodies such as the largest coastline with over 1,400Km (from Tanga to Mtwara), Lake Victoria, Lake Tanganyika, Lake Nyasa, Lake Rukwa, and several rivers, water-based tourism resources have never been fully utilized since independence in 1961. The inability to fully utilize water-based tourism is because water-based tourism requires special infrastructure, products, and skills, which are apparently lacking in the country. At this stage, the Tourism MSMEs are not integrated into this niche business due to a lack of finance to purchase equipment and the necessary skills required to develop such new products.

Even nature and wildlife tourism products, which are plenty, are still available and some are managed under big private concessions in the country. The requirements for such investments mostly exclude Tourism MSMEs which are owned by the local people who cannot compete with foreign tourism businesses. However, it may be possible to compete if the Tourism MSMEs were included as part of the vision to involve local communities and businesses in developing the tourism sector in Tanzania. Most of the tourism products offer value. For example, the local Tourism MSMEs could tap into cultural and people-centred services. However, this requires Tourism MSMEs to be organized into integrated community-based tourism enterprises. This organized and integrated tourism enterprises approach is lacking in Tanzania. This approach needs to operate in such a manner that the tourism enterprises are concentrated in a few areas of the country and are all connected to the whole tourism value chain across Tanzania. On the other hand, there is a disparity in what is available and what the market is looking for in terms of management and marketing strategies used by Tourism MSMEs in Tanzania (Pers.com Tourism Officer from MNRT, 2021).

Experience from other peer countries such as South Africa and Rwanda show that, through coordination, training and capacity-building, those Tourism MSMEs located in some of the vital tourism hotspots could develop and sustain tourism business if they are supported and guided on creating competitive and complementary products. From a tourism product development standpoint, several challenges could be turned into opportunities if the Tourism MSMEs are more motivated to go beyond offering accommodation, food and drinks service products, and to think more about diversifying their offerings.

There is a general consensus that clusters improve the competitiveness of an economic sector in a given vicinity (Jednak, Kragulj, & Parežanin, 2018; Shiposha, 2020). Since tourism is an engine for national development it is increasingly important and necessary to discuss the need for the business clusters in the tourism industry in a country like Tanzania (Kumar, Pullman, Bouzdine-Chameeva, & Rodrigues, 2022). The debate on the need for tourism clusters in Tanzania is still in an embryonic stage. That is why this research aims to discuss the need for considering a tourism business cluster for transforming the tourism industry in Tanzania.

2. LITERATURE REVIEW

Tourism Clusters Context

The impact of clusters on companies' performance, locally, nationally and regionally explains the big interest in adopting the clustering approach in business development (Garcia-Alvarez-Coque, Roig-Tierno, Sanchez-Garcia, & Mas-Verdu, 2021; Zizka, Pelloneova, & Skala, 2021). Clusters are synonymous with competitiveness, given that they contribute positively to innovative processes, facilitate relations with other institutions, better meet facilitate relations with other institutions, better meet consumer needs, and channel knowledge and information needed for technology development (Fernandes, Farinha, Ferreira, Asheim, & Rutten, 2021; Fundeanu & Badele, 2014; Miljkovic, Trnavac, & Veselinovic, 2021). The role played by clusters in transforming businesses is detailed in the next sections.

Tourism Business Clusters

Globally there is a mixed opinion on the concept of clusters (Bhawsar, 2022; Li, Wei, Li, Lei, & Ceriani, 2022). However, it is possible to consider the clusters in space; however, considering it means there is a mismatch, which is very doubtful (Li et al., 2022). This hesitation is mainly due to the meaning of a cluster which differs depending on its operations and ecological definitions (Li et al., 2022). Accordingly, clusters are complex to understand and not accepted generally, thus causing recognition of clusters in an undependable way that is less accurate (Charles, 2022; Zhu, Xing, Hu, Wu, & So, 2022). Clusters are referred to as groups of companies within an industry in a given geographical area (Charles, 2022; Rocha & Audretsch, 2022; Schoales, 2022). The objective of a tourism cluster is to bring companies that generally work alone, together to build a successful tourism product in a region (Lane, Kastenholz, & Carneiro, 2022; Moayerian, McGehee, & Stephenson Jr, 2022). In other words, a tourism cluster is associated with a touristic product and a touristic destination. In the context of this study, Tourism Clusters are defined as groups of tourism subsectors such as accommodation providers, tour guides, tour operators, arts and crafters, food and beverage providers, and so forth at the local, regional, zonal and national levels.

Clusters in the Tourism Industry

Tourism is vital for economic development at the national and regional levels (Kyara, Rahman, & Khanam, 2022). Despite that in recent years, theories and concepts of clusters have gained exponential growth, their applicability to the services sector in the past was not important, especially in the tourism industry (Weston, et al., 2019).

Recently, the usage of the cluster concept in the tourism industry is very appropriate since the tourism products interact and complement one another, leading to the promotion of joint actions of inter-related companies, and the formation of agglomerates (ILO, 2012). Studies related to traditional industries, look at the importance of the prerequisites for the tourism clusters because the satisfaction of tourists depends not only on the image of the destination’s attraction but also on the quality and efficiency of related services in the value chain, including accommodation, restaurants, malls, recreation and leisure services, transportation, safety and security, curio shops, money services, etc. The involvement of key actors in the tourism value chain apart from just suppliers is required to establish a typical tourism cluster (GIZ, 2020).

Previous Efforts for Establishing Tourism Clusters in Tanzania

In the past, several initiatives for forming tourism platforms ranging from the national, zonal, regional, local, and even sub-sectorial were implemented in Tanzania (MOEVT, 2015). Some of the congregations were not routine clusters. For example, the Ministerial Technical Advisory Committee (TAC) was mentioned in the 2008 Tourism Act, while the Tourism Facilitation Committee (TFC) was prescribed from the global level. Similarly, there were other definite clusters which were promoting changes in the tourism sector which applied to specific businesses, especially in travel, tour operations and hospitality services (MOEVT, 2015).

The main challenge of the previous approach in establishing tourism clusters was duplication in terms of the issues they were addressing, scope, mandate, participants and sometimes their timing. Thus, this study targets to proffer strategies for better tourism business clustering to overcome the pitfalls of previous efforts. Examples of previous efforts include the establishment of the Technical Advisory Committee, Tourism Facilitation Committee, Tanzania National Business Council; Tourism Task Force, and Public-Private Partnership. Also, the past efforts included the formation of Quarterly Public-Private Dialogue, Annual General Meeting for tourism actors, Tourism Pre-fair and Post fair meetings, Tourism and hospitality stakeholders' forum, Biannual stakeholders' meetings, and Cultural Tourism Programme stakeholder' meetings (Anderson, & Sanga, 2019). However, over 99 percent of these associations in form of platforms remain in papers until today, and those which are still surviving are suffocating. For instance, the Tourism Technical Advisory Committee which is established by the Tourism Act, 2008 (Act no. 29 of 2008), has always been on and off. None of these initiatives has culminated into a platform that would bring together players of the tourism sub-sectors such as accommodation, tour guides, tour operators, art & Crafters, event organizers, food & drinks providers, transporters, cultural organizers, etc. This study intends to shed light on the key areas necessary for the establishment of tourism clusters in Tanzania.

The Organisation of Tourism Players in Tanzania

In Tanzania, the tourism players are organized under the Tourism Confederation of Tanzania (TCT), which is an umbrella organization representing the private business sector (Sub-Sector Associations) involved in the tourism industry at the national level (Pers.com Executive Secretary for TCT, 2021). TCT is the apex body for the tourism industry and was formed in June 2000. TCT members include; the Tanzania Association of Tour Operators (TATO); Tanzania Society of Travel (TASOTA); Tanzania Air Operator Association (TAOA);

Hotels Association of Tanzania (HAT); Tanzania Hunting Operators Association (THOA); Tanzania Professional Hunters Association (TPHA); Tanzania Tours Guides Association (TTGA); Zanzibar Association of Tourism Investors (ZATI); and Tanzania Association of Cultural Tourism Organizers (TACTO).

Due to the nature of the tourism industry, which is rapidly growing in Tanzania, TCT has not been able to bring together all tourism players across the country. For instance, the Meetings, Incentives, Conferences, and Events (MICE) organizers; Food and Drinks providers; transporters; Diving and Marine Sports Tourism; and many others are not included in the current TCT representation in the country.

Currently, each tourism organization operates in isolation from the other players at the regional and district levels. There is minimal vertical and horizontal inter-organizational linkage among the tourism associations in the country.

Comparison with Other Countries

A study which was conducted in the USA assessed the variations between accommodation facilities located within specific clusters and outside of clusters, and other groups of facilities which are categorized based on star grades, location and building. It was discovered that the cluster approach is significant in the growth of the accommodation facilities located within the cluster arrangement as it enhances competitiveness among accommodation establishments (Peiró-Signes *et al*., 2014).

The *Montagne Tourism Cluster* in France, in the Centre of the French Alps, is among the clusters which have won the gold prize under the European Secretariat for Cluster Analysis *(*ESCA*)* in the whole of Europe*.* This Cluster represents and promotes the Catalan experience in sustainable mountain tourism development in France and across the globe. The Cluster organizes structured tourism events to promote Catalan excellence for tourism and hospitality in Europe and across the world. The *Montagne Tourism Cluster* is composed of 172 different enterprises in various fields including; education and training institutions;

environment management institutions; institutions for summer development, just to mention a few.

Conversely, the *Innovation, Development Marketing Cluster* in Italy is the only tourism cluster in Europe which has been granted with the silver award by ESCA. The cluster is mainly responsible for sustainable development and promotes Italy as a unique tourism destination in the world. In addition, the *Georgian Tourism Association* is another example of the most successful tourism cluster which comprises of accommodation, tourism operators and wine companies in the country. The cluster works with tourism enterprises to promote sustainable tourism development in Georgia. Another case study is the *Tuscany Wine Tourism* which is the Cluster famous for wine production in Europe. In 2012, the cluster made Europe to become the best Wine Destination in the world, and it was awarded with the Wayne Award offered by the Trip advisor.com (Yalçinkaya & Güzel, 2019).

Tourism Clustering Approach

Accordingly, the ecological characterization of tourism enterprises is a key component for tourism destinations planning to transform their tourism sectors through a clustering model. It is important to note that, not each group of tourism enterprises in a given location is considered as a tourism cluster. It really depends on some factors such grouping of tourism businesses to be categorized as a cluster. Businesses require time to organize themselves, set up their related business networks and then operate properly. In view of this understanding, scholars such as Yalçınkaya & Güzel (2019) defined a tourism cluster as is a geographical concentration of companies and institutions interconnected in tourism activities. Tourism clusters are centered on principles of enhancing complementary attributes in the tourism value chain to operate towards satisfaction of consumer needs, creating massive chances for businesses that opt to work together. This confirming the fact that tourism businesses based on the clustering model have more chances of having multiplier and externality effects than others (Diez-Vial & Fernandez-Olmos, 2014).

3. METHODOLOGY

Tourism Clusters Context

The study employed a qualitative method in which Focus Group Discussions (FGDs) were conducted among MSMEs in the tourism industry in Tanzania. Also, the study employed Key Informant Interviews (KIIs) among top executives of tourism organizations including TCT, TATO, HAT, TASOTA, TAOA, THOA, TPHA, TTGA, ZATI, and TACTO. Also, KIIs were conducted on the officers of the main conservation agencies in the country including TANAPA, TAWA, TFS, and NCAA. In addition, KIIs involved some members from the academic and research institutions that are providing tourism and hospitality education in Tanzania. The determination and selection of the participants and respondents were based on relation to what they referred to as the 'information power' that a given sample holds as adopted from Malterud, Siersma, & Guassora (2016).

The study was conducted in Tanzania’s three tourism circuits, including the Northern Tourism Circuit, Coastal Tourism Circuit and Zanzibar Tourism Circuit. The tourism circuits were selected based on their tourism importance in Tanzania (Batinoluho, 2017; Anderson & Juma, 2011).

The sample of 114 respondents that participated in the study was randomly drawn from the sample frame (1140 formalized tourism businesses) created from the list of tourism stakeholders in the study area, which includes Northern Tourism Circuit, Coastal Tourism Circuit, and Zanzibar Tourism Circuit in Tanzania. According to Kothari (2004), at least 10 percent of the population is a representative sample, thus 114 respondents equal to 10 percent were considered as an appropriate sample in this study. However, the principle of saturation was not ignored. The research design was chosen due to several attempts for establishing platforms in the tourism industry in the country without success. The approach aimed to borrow lessons learnt from the previous initiatives to avoid failures in future attempts. The respondents comprised of 2 senior tourism officers at MNRT; Executive Secretary for the Tourism Confederation of Tanzania; Chairman and Executive Secretary for the Tanzania Tour Operators; 99 Individual Tourism Businesses (accommodation owners, tour guides, tour operators, cultural tourism operators, art and crafters, food and drinks providers, spars operators, recreational facilities owners, events and meetings organizers, aviation operators, transporters, etc.); 6 members from the research and academic institutions; and 4 members from the law enforcement institutions.

Data collection included reviewing the existing tourism and hospitality, and MSMEs documentation, physical and social mapping of MSMEs, in-depth interviews with key informants, Focus Groups Discussions (FGDs) as well as field observation techniques. The data collection was done using the following tools; a checklist of guiding questions to guide Focus Group Discussions (FGDs) and in-depth interviews, and a field data collection schedule.

The data gathered were processed and analyzed qualitatively; whereby the data were first translated and categorized into various themes and sub-themes based on the study objectives in both FGDs and KIIs guides. Then, the analysis was carried out by using a combination of conventional content analysis, direct content analysis and summative content analysis. According to Shava, *et al.,* (2021), qualitative content analysis (QCA) is one of the current most widely used analytical methods, which is successful and applicable in several types of research. It enables understanding of the social realm or processes through interpretation of the reality of verbal or written recorded respondents' information. The method allows the researcher to process large quantities of data obtained from a large sample as it is the case in this study. The study findings are presented in the next section.

Limitations and Delimitations

The study was conducted while Coronavirus (COVID-19) pandemic was still unfolding in the country and across the world. The scholar observed all safety and health guidance provided by the World Health Organization (WHO), and the Ministry of Health in Tanzania, to protect himself, respondents, and all the people he interacted with during the study. The measures included observing social distance, using sanitizers, washing hands with soap before and after every interview session, and wearing masks in some instances where it was deemed necessary.

4. RESULTS AND DISCUSSION

Understanding of the Existing Situation

The study found that over 98 percent of the tourism MSMEs in Tanzania were not familiar with tourism value chains. Even those who seemed to understand the concept (2%) understood only the most visible sub-sectors of travel and tourism, especially at the destination level and on issues such as air, road, and rail transport; accommodation, food, and beverage outlets. Over 99 percent of the tourism MSMEs operate in isolation from other sector players in Tanzania.

The tourism businesses (MSMEs) in Tanzania are heavily dependent on imports of primary supplies and stuff of a suitable quality, both of which are normal areas for local people to participate. With the industry, and therefore the demand for these commodities, growing faster than the increased supply of both the workforce and primary products, it is suggested that expansion and growth in this Tourism Industry will not bring increased benefits to the poor population through such areas unless tourism players unite to establish bargaining power.

Tourism businesses in Tanzania operate in isolation from other businesses in the tourism value chain. The current relationship among the tourism organizations in the country is vertical. The experience from the countries which have adopted the tourism clustering approach shows that it enhances the vertical, horizontal and inter-businesses relationships, which has brought about vast changes in the tourism industry.

Legal and Policy Issues

The study found that the MSMEs in tourism industry face many challenges in achieving meaningful strides to contribute to the economic development. In adequate consistency in legal and policy implementation, such as interference in the operations of the liberalized markets, an education system that is devoid of entrepreneurship and financial literacy, poor allocation of resources to the tourism businesses, and the focus on production while paying little attention to extension services and market linkages are some of the issues for which the government has been blamed for since independence in 1961.

Financing Tourism Business

Financial institutions have not been spared blame either, as their high borrowing rates continue to cripple Tourism businesses in Tanzania. The government, bilateral and multilateral donor agencies are also criticized for promoting dependency on aid through handouts and investing very little in the most productive sector such as tourism at the expense of other sectors. On the other hand, the private sector which embraces MSMEs in the country has failed to seize various opportunities and lacks innovation and competitiveness at local and international tourist market levels.

Collaboration among Tourism Players

In Tanzania, for pro-poor growth to be achieved, more attention needs to be placed on strengthening linkages with the poor for the existing tourism industry, in line with ensuring that tourism players understand the importance of collaboration, using synergies, complementarities, value chain analysis, undergoing a training, coaching, and mentorship.

Also, the study notes that the tourism clusters would improve linkage, which is currently inadequate, between the Local Government Authorities (LGAs) and the Ministry of Natural Resources and Tourism. LGAs are good partners in the tourism industry since they play a big role in tourism development but unfortunately, there is a miss connection between the two institutions. Also, tourism clusters will be relevant platforms for mitigating the existing conflicts between communities and conservation agencies in the country.

Tourism Business Operations

There is a need to increase tourism businesses that directly benefit the poorest of the Tanzanian population rather than increase the overall tourism industry. It was noted that there is a need for redirecting the industry to include more cultural tourism across Tanzania, particularly in the selected ten regions. This is relevant as there is a need for increased local handicraft sales and cultural tourism to diversify the product offers and contribute more so that Tanzania can showcase its worldwide unique cultural heritage more easily.

Market and Competitors Analysis

The study reveals that there is a need to strengthen the tourism value chains in the country to define the essential set of connectors for identifying, isolating, prioritizing, and acting upon vertical, horizontal, forward, and backward linkages in Tanzania. It should be emphasized here that the Tourism Value Chain Analysis can only succeed if product vertical, horizontal, backward linkages and supply are developed in correlation with market demand and are delivered in the destination, under the most conducive enabling environment with highly-focused marketing; and forward linkages to the demand side. Issues such as the core mandate of MNRT, its departments and agencies, and their collaboration with tourism businesses across the country must be reemphasized.

Awareness of Legal and Policy Framework

The study has discovered that tourism MSMEs in the country would like to understand and act on opportunities identified in the tourism value chains to make their cluster sites substantially more competitive. Tourism MSMEs lack knowledge regarding harmonizing regulations and policies that are key to holding the value chain and facilitating an integrated approach with local economic development, thus leveraging tourism as an economic powerhouse.

Formation of Tourism Business Clusters

In Tanzania, the Tourism MSMEs need the training to understand the tourism value chain and its importance in providing opportunities for investment, MSMEs development, and job creation in the indirect sub-sectors. MSMEs need to know that the tourism value chains in other peer destinations are wide, thick, deep, and long and that indirect tourism sub-sectors include home gardening, horticulture, apiculture, pisciculture, floriculture, animal husbandry, arts and crafts, and poetry, as well as agroforestry and agriculture. All of these are income-generating activities for integrated local economic development. Also, the tourism players in Tanzania should understand that tourism value chains provide substantial opportunities for value addition, local processing, packaging, branding, and distribution, thus reducing the need for importing such basic commodities like laundry soap, toiletries, towels, napkins, groceries, juices, milk, and so forth from a neighboring country such as Kenya and items like beef, chicken, fruits, tomatoes, wines, spirits, and other consumables from countries like South Africa, and United Arab Emirates.

Furthermore, the study established that the tourism value chain in Tanzania involves many players across a range of economic sectors. Some invisible sectors in the value chains, especially suppliers of tourism products and those offering experiences that are not usually categorized as part of tourism. Examples include primary producers, and fresh produce suppliers (milk, vegetables, fruits, chicken, beef, processors, and distributors). All these have a role to play in the tourism sector.

There are many government departments, civil society organizations, the private sector, individual players, and other government-affiliated agencies involved on which the tourism sector depends for sustainable delivery of goods and services. There are substantial categories, diversities of goods and service providers that are invisible sectors linked to the tourism sector across the country. Some of these invisible sectors include; banks, fuel filling stations, local markets, supermarkets, architects, street vendors, food and drink vendors, solicitors, bus operators, Uber, Bolt, and taxis, and fast ferries, just to mention a few.

Considering the tourism industry's stated facts and multi-faceted traits, it is evident that Tanzania should adopt the Tourism Business Clusters Model for bridging the existing gaps by providing a viable solution for tourism MSMEs with potential avenues for socio-economic development opportunities. There is a need for supporting the formation of tourism business clusters and building their capacity, with a special focus on tourism MSMEs to strengthen their ability to network, penetrate markets and attract more tourists.

Proposed Model for Tourism Clusters in Tanzania

The study proposes that three pilot tourism clusters be established in the northern tourism circuit in Arusha city, and coastal tourism circuit in Dar es Salaam city and the Zanzibar tourism circuit in Zanzibar Stone Town. Stakeholders in the pilot tourism clusters may include the private sector (businesses), government (MNRT and other state agencies), and research and academic institutions as illustrated in figure 1.2. After the establishment of the tourism clusters, both vertical and horizontal connections should be emphasized. The government through MNRT in collaboration with the tourism private sector organizations especially TCT should take the lead in setting up the proposed pilot tourism clusters.

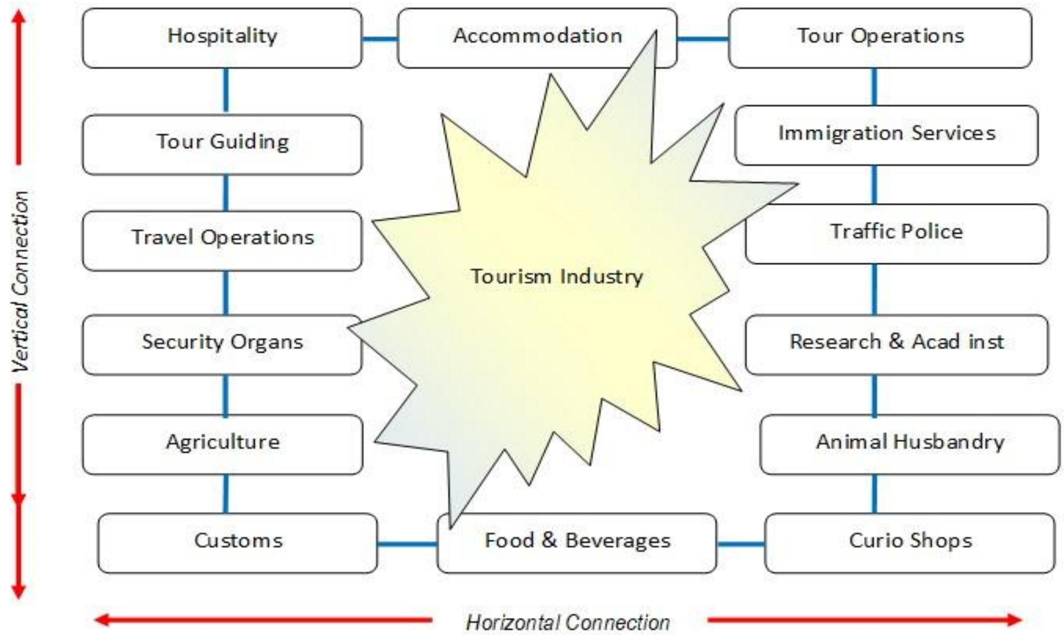

Figure 1. Tourism Sectoral Linkage in Tanzania
Source: Scholar's Own Construct (2022)

5. CONCLUSION

Tourism contributes 17.6 percent to the GDP, 25 percent of the foreign currency, and offers over 1.5 million jobs directly in Tanzania. Given the abundance of tourist attractions the country possesses, most of the tourism stakeholders in the country feel that the contribution of the sector has not been exhausted. Among the reasons for the underutilization of the available tourism potential in the country is inadequate coordination and collaboration among the tourism stakeholders, especially tourism businesses. If Tanzania intends to transform its tourism industry and become a more competitive destination, it should consider adopting the tourism clustering approach, which embraces relationships of players in all spheres, especially vertical, horizontal and inter-businesses relationships. However, further research is needed to establish how will the MSMEs in tourism clusters link up with bigger and well-established tourism companies, especially the multinationals which do not necessarily need to be members of the local tourism clusters. Also, studies are needed to establish a proper modality on how the members of the tourism clusters will be able to share profits and minimize conflicts which may jeopardize the survival of the clusters. Furthermore, currently, the Government has embarked on ambitious tourism promotion campaign to market its abundant tourism attractions across the world through the Tanzania Royal Tour film by Her Excellency Samia Suluhu Hassan, the President of the United Republic of Tanzania. Following such tourism promotion efforts, along with other initiatives, the number of international and domestic tourists in the country is expected to increase in the near future. There is a need for research to measure the impact of these efforts in the country.

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