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USAID INDO-PACIFIC OPPORTUNITY PROJECT (IPOP) - SRI LANKA TOURISM AND SUSTAINABILITY ACTIVITY

RECOMMENDATIONS FOR PROPOSED
NEW SUSTAINABLE NICHE TOURISM
CATEGORIES IN SRI LANKA

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LIST OF ACRONYMS

ADBI	Adventure Tourism Board Index
AHPC	Australian Health Policy Collaboration
ASEAN	Association of Southeast Asian Nations
BBC	British Broadcasting Cooperation
CAGR	Compound Annual Growth Rate
CNN	Cable News Network
COVID-19	Coronavirus Disease
CTC	Committee on Tourism and Competitiveness
EU	European Union
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GoSL	Government of Sri Lanka
GSTC	Global Sustainable Tourism Council
GWIITS	George Washington University International Institute of Tourism Studies
IFEA	Interational Festival and Event Association
IITS	International Institute of Tourism Studies
IPOP	Indo-Pacific Opportunity Project
IT	Information Technology
ITB	ITB Asia - Asia's Leading Travel Trade Show
KII	Key Informant Interviews
MICE	Meetings, Incentives, Conferences and Exhibitions
MOT	Ministry of Tourism
MSME	Micro, Small, and Medium Enterprises
NSTC	National Sustainable Tourism Certification
OTA	Overseas Tour Operators
PHIDU	Public Health Information and Development Unit
PTGB	Provincial Tourism Governing Bodies
SLCB	Sri Lanka Conventions Bureau
SLITHM	Sri Lanka Institute of Tourism and Hotel Management
SLTDA	Sri Lanka Tourism Development Authority
SLTPB	Sri Lanka Tourism Promotions Bureau
TAT	Tourism Authority of Thailand
TDL	Tourism Development Levy
TSP	Tourism Strategic Plan
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNWTO	United Nations World Tourism Organization
USAID	United States Agency for International Development
WWF	World Wildlife Fund
WWOOF	World-Wide Opportunities on Organic Farms

EXECUTIVE SUMMARY

The Government of Sri Lanka (GoSL) has identified domestic and international tourism as a priority sector for the national economy, with the sector occupying the number three position in foreign exchange earnings in 2018.¹ In addition to revenue generation, tourism employs thousands, with an estimated three million tourism stakeholders in Sri Lanka.² The tourism industry made up 12 percent of the country's GDP and, prior to the recent crises, was the third largest FOREX earner for the Island.³ In 2018, 2.3 million tourists visited the country, generating USD \$4.3 billion in revenue for Sri Lanka.⁴ However, the Easter terror attacks in 2019, the subsequent pandemic, and the island's recent economic crisis were major blows to the tourism sector, resulting in a severe shortfall of foreign exchange earnings and a loss of livelihood to many in the industry. With global travel on the rise, tourism has the potential to assist the country's recovery from the economic crisis it currently faces.

Blessed with an abundance of natural and cultural attractions, Sri Lanka is home to a rich and diverse tourism offering, with many established and emerging experiential and cultural niche offerings sought after by both international and domestic travelers. More can be done to highlight, support and promote these niche products, which will help Sri Lanka fully exploit its potential to be a high-yielding, experience-driven destination.

More than ever, global travelers are seeking immersive experiential travel with an emphasis on local community interactions. For Sri Lanka to improve its competitiveness and move towards increasing its market share in this higher-yielding segment, it is imperative for the island to embark on a destination re-positioning exercise. The tourism offering in Sri Lanka requires differentiation from its competitors. Its tourism products need to be packaged and positioned to meet the demands of travelers seeking an experientially immersive holiday. To do this, the products first need to be specifically identified, and a program developed for each.

This report presents local and global research findings, industry insights, observations, and recommendations to enhance Sri Lanka's positioning as a competitive tourist destination. With the implementation of the recommendations, the goal of the project is to:

1. Strengthen MSME competitiveness through niche tourism product development
2. Develop niche sectors into tangible products for destination tourism
3. Tie sustainability into tourism development, ensuring the sustenance of Sri Lanka's tourism products along with the retention of their authenticity
4. Transform the island into a high-value destination, increasing its appeal and market share
5. Create jobs and opportunities across the tourism sector
6. Enable Sri Lanka to generate foreign exchange for the country

¹ Sri Lanka Tourism Development Authority. 2019. "Annual Statistical Report 2018." <https://sltlda.gov.lk/>. Sri Lanka Tourism Development Authority.

<https://sltlda.gov.lk/storage/documents/0cb228cd03762f638bd515fe83edd453.pdf>.

² Hewage, Indunil. 2022. "Tourism Industry Set to Rebound, Stakeholders Call for Restraint." Daily News. October 12, 2022. <https://www.dailynews.lk/2022/10/12/local/288970/tourism-industry-set-rebound-stakeholders-call-restraint>.

³ Bhowmick, Soumya. 2022. "How Tourism in Sri Lanka Went Downhill: Causes and Consequences." Observer Research Foundation. June 22, 2022. <https://www.orfonline.org/expert-speak/how-tourism-in-sri-lanka-went-downhill/>.

⁴ Sri Lanka Tourism Development Authority. 2019. "Annual Report 2018." <https://www.sltlda.gov.lk/>. Sri Lanka Tourism Development Authority. https://www.sltlda.gov.lk/storage/common_media/03.%20English%20Annual%20Report%202018_Compressed2145817347.pdf.

The research underlying this report covers information on benchmarked countries successfully following a niche tourism strategy to promote their offerings, research on how travel and traveler behavior has evolved over the years, and identification of experiences that resonate with the current international traveler. The Sri Lankan tourism landscape was also reviewed to identify niche categories with potential for development, with recommendations made based on areas consistent with current travel trends. Key source markets and potential source markets were also considered.

Based on an in-depth analysis of this information, twelve niche tourism categories were identified for development and promotion:

- Art Culture & Heritage
- Adventures
- Nature & Wildlife
- Wellness and Healing
- Local Festivals and Cultural Events
- Meetings, Incentives, Conferences & Exhibitions
- Food & Drink
- Agrotourism
- Volunteer Tourism
- Weddings & Celebrations
- Digital Nomads
- Hosted/Curated Experiences

Stakeholder consultations validated the identified niche tourism categories. These consultations included focus group discussions with Micro, Small, and Medium Enterprises (MSMEs) already operating in niche tourism areas, interviews with provincial tourism institutions and industry experts, and multiple online surveys.

Published tourism policy documents were reviewed in tandem to identify gaps and areas of improvement from a governance and policy perspective. In addition, the current registration categories at the Sri Lanka Tourism Development Authority (SLTDA) were analyzed to identify barriers and challenges in the registration process which may prevent MSMEs from obtaining SLTDA registration.

Lastly, the report provides details on the rationale for proposing each of the identified niche tourism categories and their potential for development in Sri Lanka. It is further recommended that these niche tourism categories/products are included in SLTDA's current registration portfolio, enabling MSMEs to register under categories that best represent their tourism business.

The successful implementation of the proposed strategy will allow Sri Lanka to establish its brand identity, increase its appeal and market share, create jobs and opportunities across the tourism sector, and generate much-needed foreign exchange.

I. INTRODUCTION

IPOP is a 4-year activity designed to address economic objectives under the Indo-Pacific Strategy (IPS). It aims to create inclusive and sustainable economic growth, encourage regional cooperation, promote good governance, and improve the management of institutions. Potential IPOP activities range from economic and private sector assessments to quick, on-demand mobilization of technical assistance activities in any IPOP country. IPOP allows rapid mobilization of activities that fall under any of IPOP's four main objectives – (1) Improve Trade & Investment Policy & Capacity, (2) Strengthen Ability to Implement Sustainable & High-Quality Infrastructure Projects, (3) Improve Macroeconomic & Fiscal Policy and (4) Strengthen Democratic Systems to Oversee Public Financial Management.

The Sri Lanka Buy-In under IPOP is a two-year project that assists the Sri Lankan Tourism Development Authority (SLTDA) of the Ministry of Tourism to streamline and implement new policies and procedures to enable fast-tracking and attraction of Foreign Direct Investment (FDI) in the tourism sector.

IPOP is working across three components as part of this project

Component 1: Technical support for potential areas of Growth for MSMEs in the tourism industry

Component 2: Technical support for a sustainable framework

Component 3: Technical support to develop a Sri Lankan Land Bank

Globally established and emerging destinations use niche tourism pillars to differentiate their tourism product. Travelers are veering towards these destinations because they can easily identify with their travel requirements or preferences. With a destination's image heavily influenced by its niche offering, it is essential for Sri Lanka to create a unique image for itself to position its product and attract a higher-yielding mix of travelers.

Tourism is an industry that is driven by people. Niche tourism specifically allows a destination to provide more inclusive opportunities for women, minority communities, and other disadvantaged groups by creating opportunities for them to participate in their own unique way. This participation creates businesses and jobs, promotes empowerment and inclusivity, facilitates economic and social development, and transforms lives, livelihoods, and communities.

Tourism is also an industry that has the ability to accommodate both larger operators as well as MSMEs. Globally, successfully positioned destinations have seamlessly incorporated MSMEs and their offering into the tourism product offering of the destination. With the emergence of the experiential traveler, MSMEs are well poised to offer authentic experiences that resonate with the global traveler.

Niche tourism also provides opportunities for tourism activities to be better dispersed geographically throughout the country, as travelers are now not only focused on merely “tick box” travel, but travel that permits them to fully immerse themselves in a destination, its people, its culture and heritage, and its cuisine. This dispersal reduces the over-emphasis on popular destinations, allowing destinations to mitigate challenges such as overcrowding and negative environmental impacts successfully. Especially for destinations such as Sri Lanka, which are highly reliant on their natural resources to drive tourism, it is imperative that tourism is developed sustainably to ensure climate resilience and the preservation and conservation of natural assets and resources.

2. RESEARCH METHODOLOGY

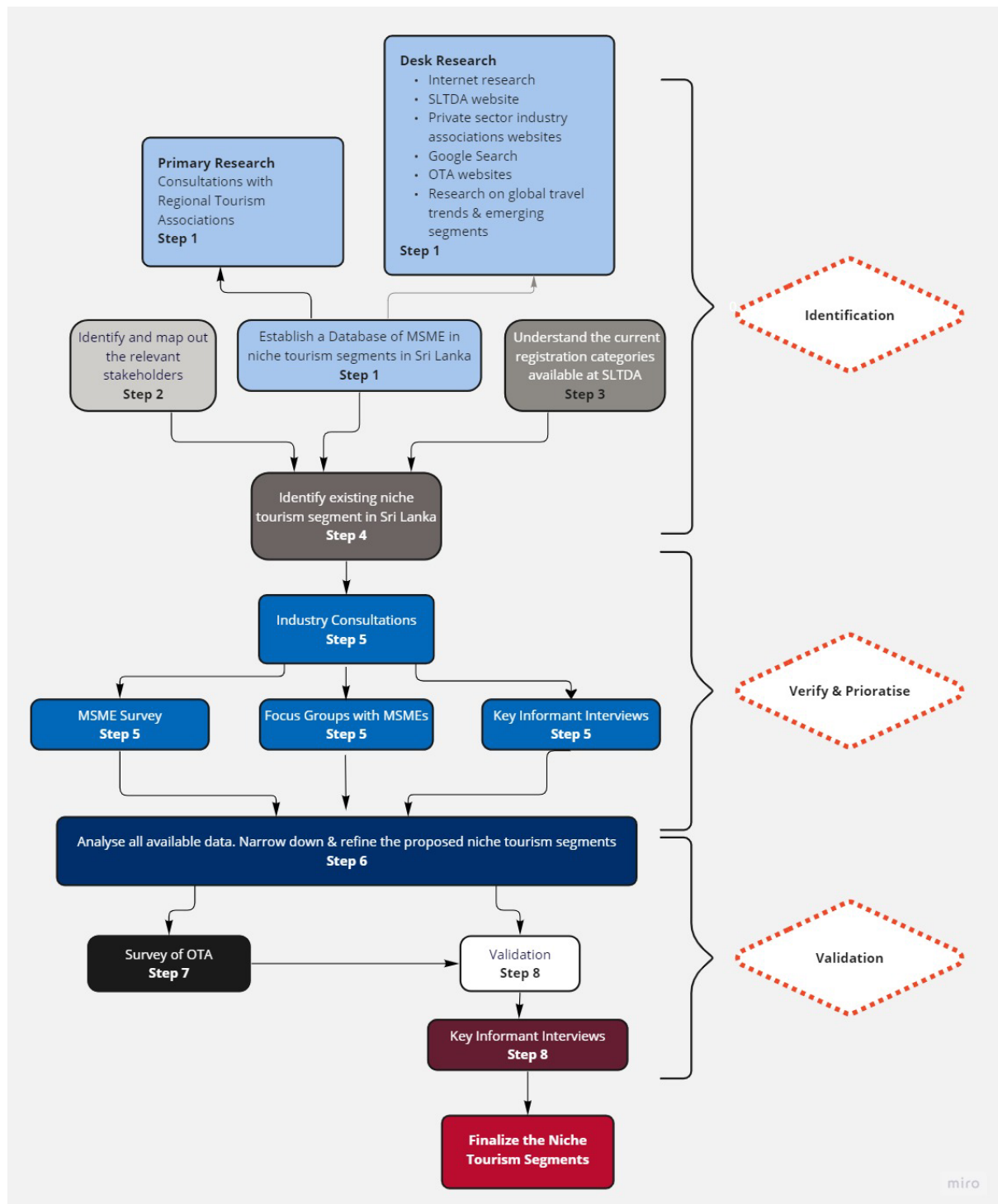
The following mechanisms were followed to study trends, analyze the current global niche offering, identify the potential for Sri Lanka to develop within the niche areas currently in demand, and validate the findings:

- Desk research on global travel trends and emerging segments, reviewing reports published by world tourism bodies, think tanks, and industry experts.

- Reviewed all SLTDA published content and reports, both on and offline, including the Sri Lanka Tourism Strategic Plans and the Draft National Policy Framework.
- Research on existing niche products locally and identification of gaps for potential products that could be eligible for SLTDA registration. The research included reviewing the existing landscape through surveys, online interviews, in-person interviews, questionnaires, and outreach events.
- Conducted internal and external stakeholder engagement sessions to validate findings and recommendations.

The detailed research methodology the team followed for the identification of the niche tourism categories/products can be seen in **Figure I** and is explained in the following section.

Figure 1. Detailed Research Methodology for Identification of Niche Tourism Categories



2.1 DATA COLLECTION AND LITERATURE REVIEW

This research project began with a literature review of: 1) available reports and travel trade publications; 2) policy documents, including the Sri Lanka Tourism Strategic Plan 2017-2020, Strategic Plan for Sri Lanka Tourism 2022-2025, and Draft National Policy Framework; 3) private sector industry association websites; 4) travel platforms such as Airbnb, Booking.com, Trip Advisor; and 5) think tanks and other consumer publications.

This research led to initial observations on global travel trends and rising segments, and emerging ideas about the nature and viability of niche tourism marketing for Sri Lanka.

2.2 DEVELOPING A DATABASE OF MSMEs CURRENTLY OPERATING IN NICHE TOURISM SEGMENTS

To assess the existing niche tourism landscape, all MSMEs that could be located and who are currently operating in niche tourism categories/products were compiled into a database. The database was updated as new information was gathered from provincial-level tourism bureaus, the National Tourism Chamber, district-level tourism chambers, and tourism industry associations. The database now has over 310 MSMEs. The exercise contributed to the identification of niche tourism segments that have organically developed in Sri Lanka over the years.

Currently, 80 percent of the database comprises four categories: Adventures, Food and Drink, Nature and Wildlife, and Wellness. Most operators are based in the Western, Southern, and Central Provinces. This database broadly represents the national landscape, as these three provinces have the highest tourism development.

Table I. MSME Database Niche Category and Provincial Representation

Province	%	Art, Culture and Heritage	Nature and Wildlife	Adventure	Wellness	Food and Drink	Hosted Experience	Agro Tourism	Weddings and Celebrations	Digital Nomads	Total
%		11%	12%	36%	12%	19%	3%	0%	4%	5%	
Uva Province	9%	1	8	10	1	7	0	0	0		27
Western Province	25%	9	5	26	14	10	7	0	5	1	77
Eastern Province	15%	5	3	27	3	3	0	0	1	5	47
Southern Province	17%	7	4	22	5	5	1	0	2	6	52
Northern Province	2%	0	0	3	0	2	0	0	0	0	5
North Central Province	2%	3	3	1	0	0	0	0	0	0	7
North Western Province	6%	1	2	8	6	1	0	0	0	1	19
Central Province	21%	8	7	10	7	29	0	1	3	1	66
Sabragamuwa Province	3%		5	4	0	1	0		0	0	10
Total		34	37	111	36	58	8	1	11	14	310

2.3 IN-DEPTH RESEARCH OF CONTEMPORARY TRAVEL TRENDS

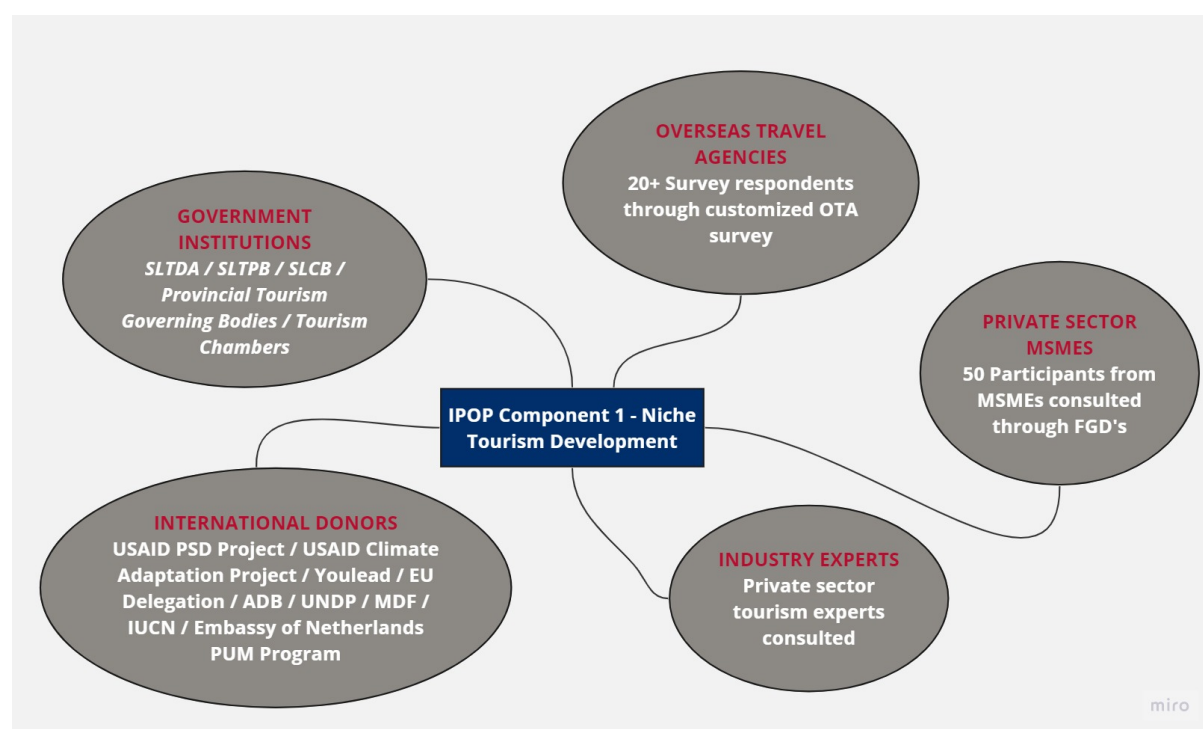
In addition to researching the existing Sri Lanka tourism landscape, international travel trends were reviewed to develop an understanding of what is resonating with international travelers today. Notable publications engaging in travel trend discussions included: Condé Nast Traveler, National Geographic, Responsible Travel, New York Times, and WeTravel Academy. These trends will be discussed later in this report.

2.4 STAKEHOLDER CONSULTATION

The following diagram provides a snapshot of the consultations carried out with multiple stakeholders across the public and private sectors. These consultations included focus group discussions with MSMEs, interviews with government and provincial tourism authorities and industry experts, and on-line surveys of Sri Lankan tourism businesses and overseas tour operators. A detailed stakeholder list

is attached as Annex 1. The results of the stakeholder consultation sessions are detailed throughout this report.

Figure 2. Map of Stakeholder Consultations



FOCUS GROUP DISCUSSIONS

The Project conducted a series of focus group discussions (FGDs) with key stakeholders across the country to validate initial data on proposed niche tourism categories and products, including the Sri Lanka Tourism Development Authority (SLTDA) registration scheme and doing business sustainably.

The FGDs were conducted virtually with Micro, Small, and Medium Enterprises (MSMEs) from around the country who are operating in what can be considered “niche” tourism categories. A report summarizing key findings and insights from the focus group discussions was provided previously and is attached as Annex 2.

A total of eight focus group sessions were held in three languages – five were conducted in English, two in Tamil, and one in Sinhala, with a total of 50 participants, of which 39 were male and 11 female. An intentional effort to make the focus groups inclusive resulted in women participating at a higher rate than in the tourism industry as a whole (See Figure 3 and 4 below). Participants represented diverse niche products, with the predominant one being adventure tourism (

Figure 5), and were also geographically diverse (

Figure 6).

The objectives of the focus groups were threefold:

1. To validate the proposed niche tourism categories developed based on extensive desk research to promote and register at SLTDA.
2. To identify any new niche tourism categories and products that warrant consideration but that may not have been included in the niche framework developed to date.

- To gather input on participants' views of the SLTDA registration system and sustainability certification.

There was a general acceptance of the proposed niche tourism categories that will be discussed in detail in this report. Participants also suggested another seven categories to be considered for inclusion and additional niche tourism products that would add value to the niche tourism categories. Most niche businesses indicated they could not register because SLTDA does not have a recognized category that applies to their business.

Figure 3. Focus Group Discussion Breakdown by Gender

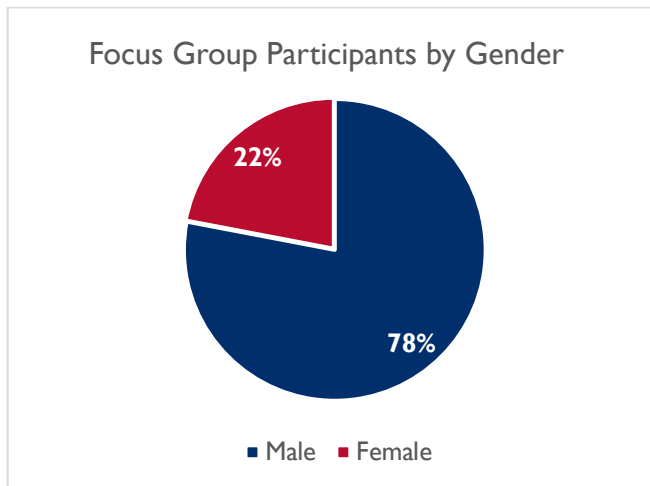


Figure 4. Focus Group Discussion Breakdown by Gender

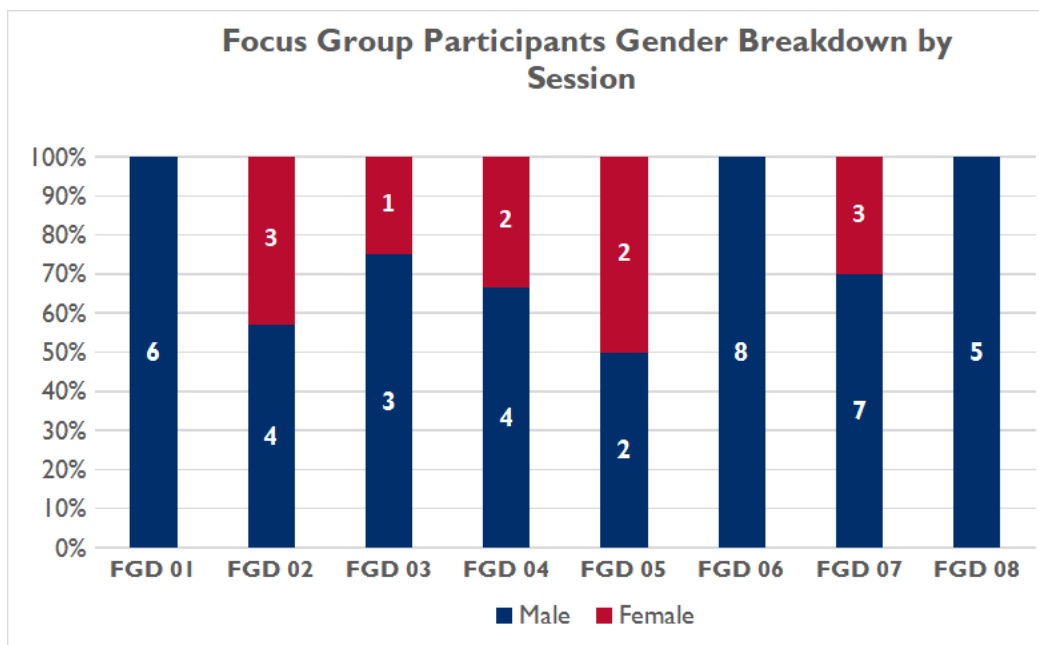


Figure 5. Focus Group Discussion Breakdown by Niche Tourism Category

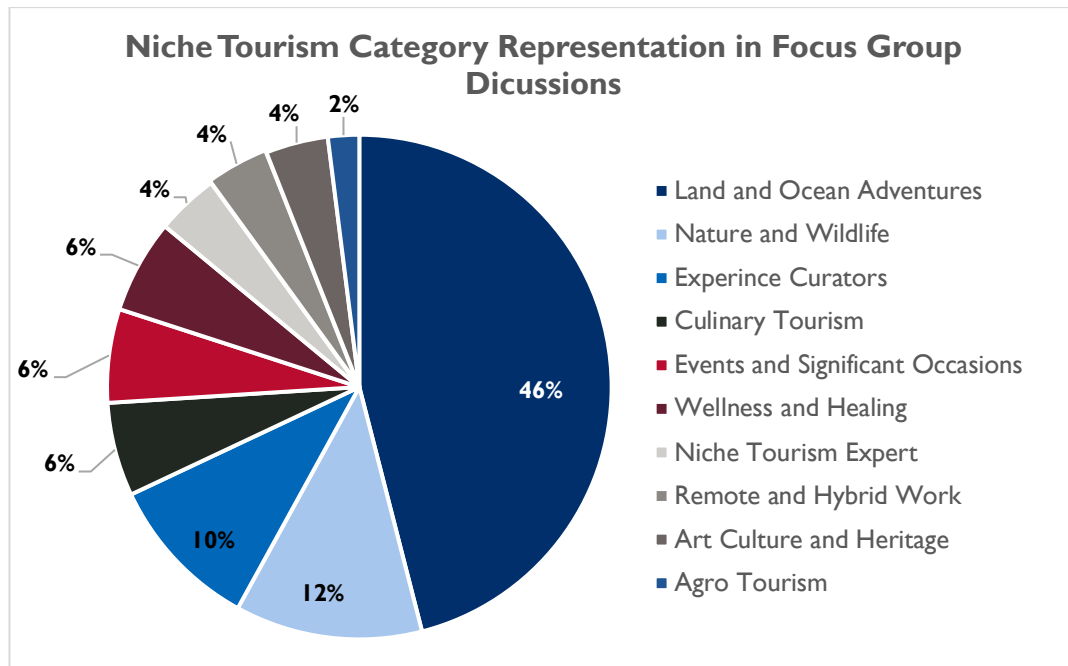
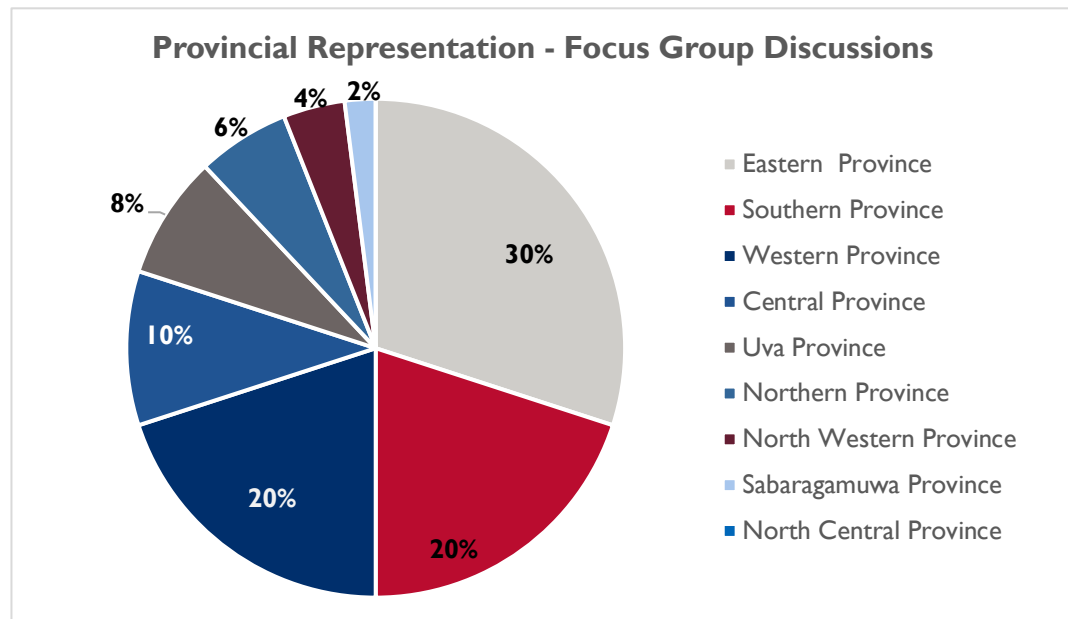


Figure 6. Focus Group Discussion Breakdown by Province



INTERVIEWS WITH PROVINCIAL TOURISM GOVERNING BODIES

Interviews with and information gathered from Provincial-level Tourism Governing Bodies (PTGBs) in all nine provinces were also used to inform the recommendations contained in this report. The primary objectives of the interviews were as follows:

1. Understand the type of niche tourism products available and the current sustainability landscape in each province.
2. Understand the working relationship between SLTDA and the provincial-level tourism governing bodies, including any challenges faced by provincial governing bodies when working with SLTDA.
3. Understand the various registration processes and any prevailing issues pertaining to registration in each province.
4. Identify challenges and areas for improvement from a niche tourism development and sustainability perspective.

A brief overview of the niche tourism categories identified for possible development and promotion was shared with all provincial tourism governing bodies. Overall, provincial tourism governing bodies agreed that the proposed niche tourism categories reflected the offerings in each province. Most provinces stated that there were niche tourism products that are currently operational (or have the potential to be introduced) in their provinces.

A report summarizing key findings and insights from the provincial tourism body interviews was submitted previously and is attached as Annex 3.

INTERVIEWS WITH INDUSTRY EXPERTS

Industry experts also provided input on the proposed niche tourism categories. The experts generally validated the proposed niche tourism categories and provided insights into SLTDA registration and MSME participation in tourism.

Strengthening MSME participation in tourism was widely regarded as being crucial for niche tourism development. Interviewees suggested that better linkages between larger operators and MSMEs could contribute towards uplifting the overall tourism experience while also offering tangible business benefits to both larger operators, as well as MSME.

Many felt that the categories for registration should be kept at a manageable level, as adding too many categories will make it challenging for SLTDA to implement. Another observation was the requirement for SLTDA to better support the development of niche tourism products by creating a business enabling environment and for the Sri Lanka Tourism Promotions Bureau (SLTPB) to support the developed niche tourism products through a cohesive strategy-driven marketing and promotional effort.

MSME AND OVERSEAS TOUR OPERATOR (OTA) SURVEY FINDINGS

MSMEs and Overseas Tour Operators (OTAs) were also consulted through two separate online surveys to validate the proposed niche tourism categories, as well as to assess the MSME sustainability landscape. Responses were received from 273 MSMEs and 24 OTAs.

3. SRI LANKA'S TOURISM INDUSTRY – AN OVERVIEW

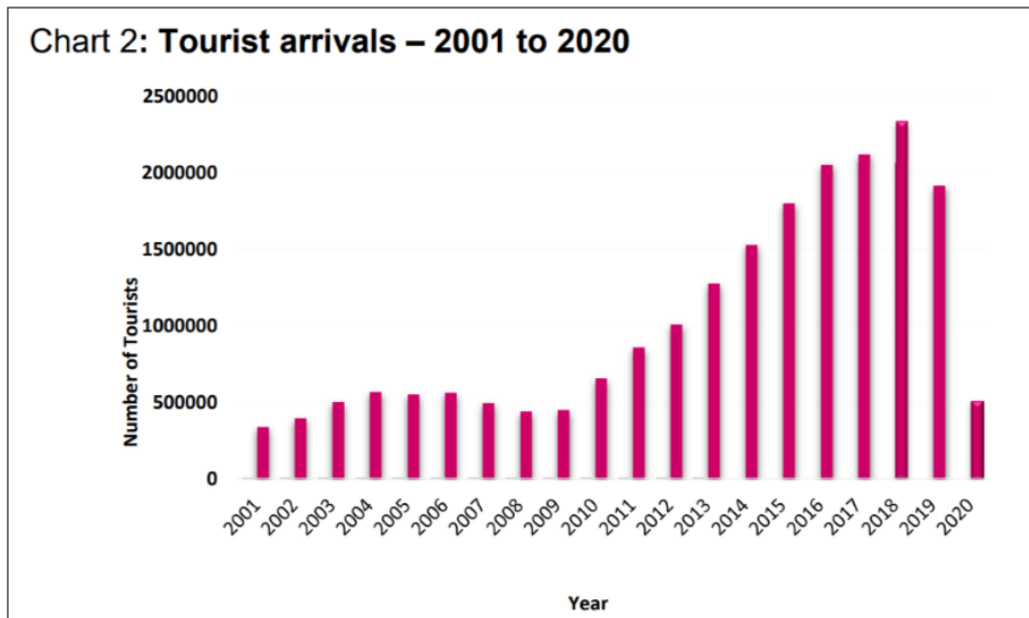
The government of Sri Lanka, identifying the importance of tourism and the role it can play in the development of the country, established the Ceylon Tourist Board in 1966 (with the Ceylon Tourist Board being granted statutory authority in 1968 through the Tourist Development Act of 1968). The main function of the Ceylon Tourist Board was to promote economic development through tourism in a planned and strategic manner. With the opening of the economy in 1977, Sri Lanka began attracting many foreign travelers, especially from Europe. This progress continued until 1983, when the industry entered another challenging period with the start of the civil war that lasted 26 years.⁵

When the decades-long civil war ended in 2009, the tourism industry experienced unprecedented growth. In 2018, the number of international tourists surpassed the 2.3 million mark, the industry

⁵ Fernando, Sriyantha, Jayatilleke Bandara, and Christine Smith. 2016. "Tourism in Sri Lanka." In *The Routledge Handbook of Tourism in Asia*, edited by M. C. Hall and S. J. Page, 251–64). Abingdon, Oxon, UK: Routledge.

brought in over USD \$4 billion in foreign exchange earnings, and it created approximately three million direct and indirect employment opportunities.^{6 7} SLTDA, as it is currently known, was established in 2007.⁸ Since then, tourism has only grown in importance for the Government of Sri Lanka and has become one of the largest contributors to the national economy by generating much-needed foreign exchange earnings.

Figure 7. Sri Lanka Tourism Development Authority, Annual Statistical Report, 2020⁹



With the rapid expansion of the tourism industry after the civil war, there has also been an increase in demand for different types of tourist accommodation. This expansion has led to the birth of the informal sector, which is made up of tourist establishments that are not registered with the SLTDA and, as a result, are not regulated. By some estimates, up to 80% of accommodation providers belong to the informal sector, although due to a lack of verifiable data and statistics, the actual size of the informal sector and its contribution to the tourism industry cannot be estimated accurately. However, the crucial role these informal businesses play in the creation of jobs, improving livelihoods, and contributing to overall economic development cannot be ignored.

Beginning in 2019, Sri Lanka has been impacted by back-to-back crises. The Easter attacks in 2019, followed by the COVID-19 pandemic in 2020, brought the industry to its knees. The pandemic and

⁶ Sri Lanka Tourism Development Authority. 2018. “2018 Annual Statistical Report.” https://www.sltdda.gov.lk/storage/common_media/Tourist%20Board%20Annual%20Statistical%20Report%202018_VWeb784216427.pdfhttps://www.sltdda.gov.lk/storage/common_media/Tourist%20Board%20Annual%20Statistical%20Report%202018_VWeb784216427.pdf.

⁷ Hewage, Indunil. 2022. “Tourism Industry Set to Rebound, Stakeholders Call for Restraint.” Daily News. October 12, 2022. <https://www.dailynews.lk/2022/10/12/local/288970/tourism-industry-set-rebound-stakeholders-call-restraint>.

⁸ Sri Lanka Tourism Development Authority. n.d. “Home Page.” SLTDA. Accessed December 21, 2022. <https://sltdda.gov.lk/en>.

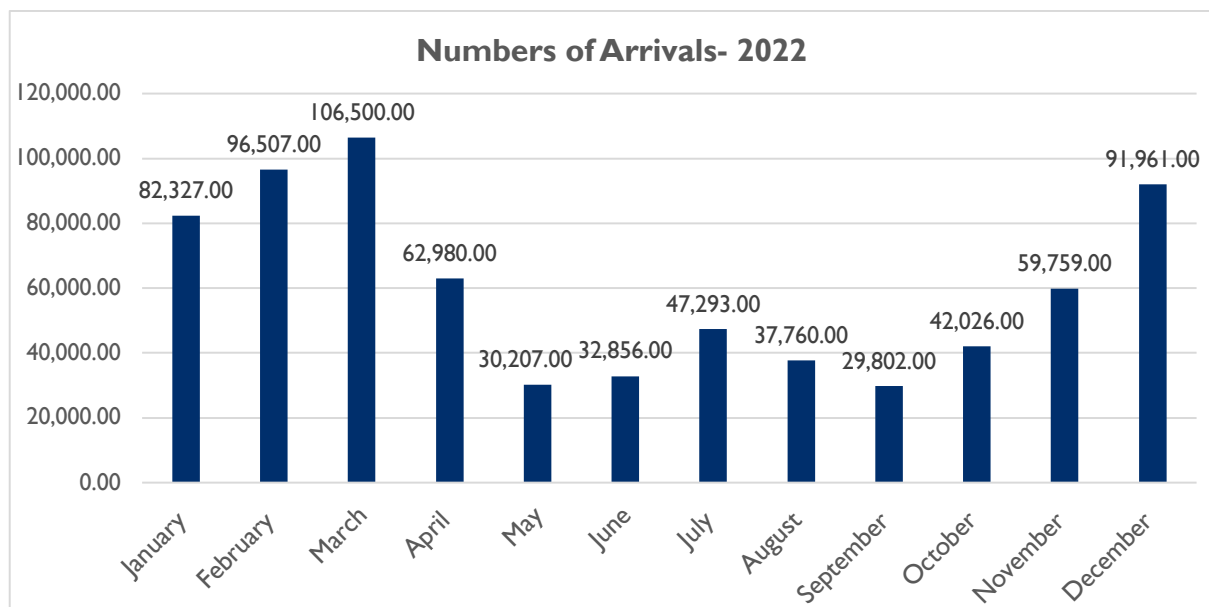
⁹ Sri Lanka Tourism Development Authority, Annual Statistical Report, 2020 https://www.sltdda.gov.lk/storage/common_media/Annual%20Statistical%20Report%202021%20Final%2025.4.20223624932970.pdf

resulting border closures resulted in zero visitor arrivals for eight consecutive months in 2020, causing total international visitor numbers to plummet from 1.9 million in 2019 to a mere 507,000 in 2020.¹⁰

The industry was making a slow but steady recovery in 2021. This recovery was largely due to the efforts of SLTDA and the Ministry of Health to open the country safely post-COVID-19 so that Sri Lanka was one of the region's safest destinations to travel to. This perception positively impacted international visitor arrivals. December 2021's 89,000 arrivals marked the highest number of international visitors to the country since the pandemic.

The recovery came to a halt again in 2022 when Sri Lanka began experiencing its worst economic crisis to date with sweeping power cuts, scarcity of essential items such as cooking gas and fuel, and island-wide protests, all of which significantly impacted the tourism sector, its ability to deliver quality visitor experiences, and Sri Lanka's positioning as a destination in the eyes of international travelers. The crisis was compounded when key source markets-imposed travel advisories on the island, which further impacted arrivals. Since the widespread protests began in April 2022, visitor numbers have dwindled, with September 2022 recording only 29,802 international visitors, the lowest since October 2021.¹¹ However, the country is now seeing some relief, and with many source markets lifting travel advisories, traveler arrivals increased in January 2023 to 102,545.¹²

Figure 8. Monthly Tourism Arrivals in 2022¹³



¹⁰ Sri Lanka Tourism Development Authority. 2020. "Monthly Tourist Arrival Report - December 2020." Slt-da.gov.lk. https://slt-da.gov.lk/storage/common_media/Arrivals%20Report%20December%2020-%2020203418234776.pdf.

¹¹ Sri Lanka Tourism Development Authority. 2022. "Monthly Tourist Arrival Report - September 2022" Slt-da.gov.lk. https://www.slt-da.gov.lk/storage/common_media/Monthly%20Tourist%20Arrivals%20Report%2020-%20202020Final%2020Sep2726111301.pdf

¹² Sri Lanka Tourism Development Authority. 2023. "Monthly Tourist Arrival Report - January 2023" Slt-da.gov.lk. https://www.slt-da.gov.lk/storage/common_media/MonthlyTouristArrivalsReport-January-2023659224757.pdf

¹³ Sri Lanka Tourism Development Authority, https://www.slt-da.gov.lk/storage/common_media/Monthly%20Tourist%20Arrivals%20Report%2020-%20202020Final%2020Sep2726111301.pdf.

These external shocks adversely impacted the sector at large, but matters have been especially difficult for the informal MSME sector. For example, the government provided COVID-19 relief funds to registered businesses, but businesses that were not registered with the SLTDA (i.e., were “informal”) had no access to government assistance. Lacking sufficient reserves to withstand such a prolonged down market, several MSMEs, including numerous niche markets, had to cease operations.

3.1 RELEVANT POLICY DOCUMENTS

TOURISM STRATEGIC PLAN 2017-2020

The Tourism Strategic Plan 2017-2020 (TSP 2017-2020) recognizes the important role tourism plays in Sri Lanka’s national economy, from generating much-needed revenue and foreign exchange for the country to creating jobs and encouraging domestic and foreign investment. The unprecedented growth in visitor numbers experienced by the sector, which was on a steady growth trajectory from 2012 up until 2018, also created many challenges.

Key areas identified for improvement in the TSP 2017-2020, as they relate to niche tourism, are as follows:

DESTINATION POSITIONING

The TSP recognizes that Sri Lanka has always been positioned as a relatively inexpensive destination with a limited product range focusing mainly on sun and sand, tea-based tourism, and cultural tourism. There are many lesser-known attractions around the island offering unique and authentic experiences that are as yet untapped.

LOW PRODUCT & GEOGRAPHIC DIFFERENTIATION

Many Sri Lankan operators offer undifferentiated products that allow them to compete only on price. This lack of differentiation leads to low margins and an unsustainable business model. At present, visitors and major investments are concentrated in clusters and corridors around Colombo as a commercial hub, the beaches of the south coast, Yala National Park, the tea estates and forests of the hill country, and the historic and religious heritage of the Cultural Triangle. This concentration means there is more competition in these areas. There is a limited “value addition” carried out by operators, so the per capita spending is lower than its potential.

PRODUCT POSITIONING

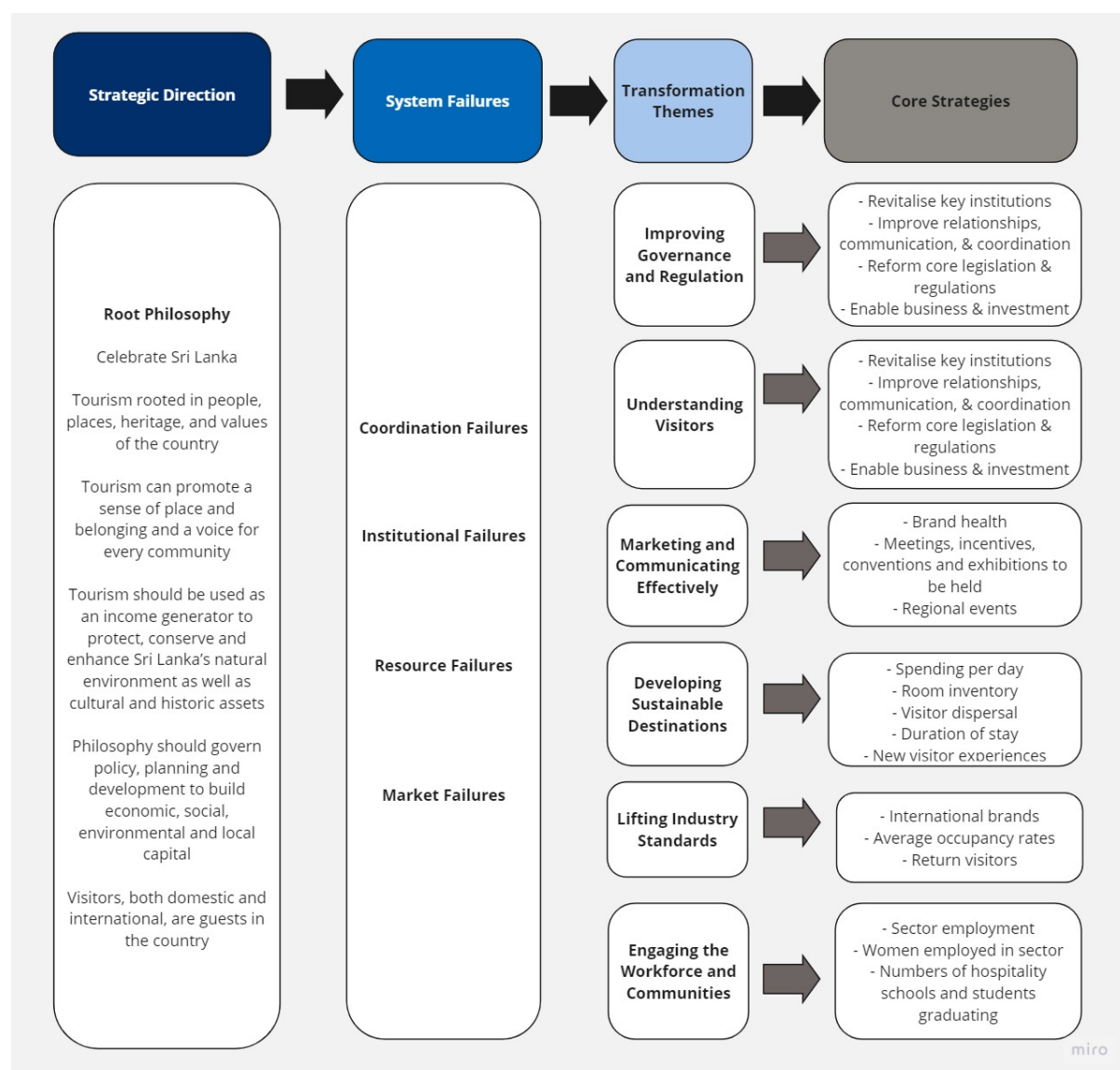
The tourism industry will benefit from a better-defined positioning strategy that highlights the unique aspects of the destination. The country also lacks the infrastructure facilities required to charge a premium price for some of its experiences. For example, the average price for a whale-watching excursion in Sri Lanka is USD \$26 per person, whereas internationally, the price range starts at USD \$78.¹⁴ To justify a higher price, however, the quality of the Sri Lankan excursions must meet international best practices and visitor expectations.

SHORTAGE OF WELL-TRAINED STAFF

The instability caused by Sri Lanka’s recent series of external and internal shocks has made tourism an unsustainable livelihood for many, leading to much of the talent pool in the hospitality industry emigrating to other countries. As a result, the sector has not yet fully captured its true potential nor reaped the expected benefits.

¹⁴ Ministry of Tourism Development and Christian Religious Affairs. n.d. “Sri Lanka Tourism Strategic Plan 2017-2020.” <https://www.slt-da.gov.lk/>. Ministry of Tourism Development and Christian Religious Affairs. Accessed 2022. <https://storage.googleapis.com/slt-da-cdn/tourism-strategic-plan-2017-to-2020.pdf>.

Figure 9. Graphical Summary of Tourism Strategic Plan 2017-2020. The information has been extracted directly from the TSP 2017-2020. The terminology has not been modified and is not that of the authors of this report.



TOURISM STRATEGIC PLAN 2020-2025

The most recent Strategic Plan for Sri Lanka Tourism 2022-2025 contains a similar industry gap analysis that was conducted in consultation with industry stakeholders. The analysis identified the following gaps that need to be addressed as a priority.

BUILDING A RESILIENT TOURISM INDUSTRY

The TSP 2022-2025 recognizes that the industry currently competes mainly on price and offers an undifferentiated tourism product which in turn has resulted in the sector operating with very small margins. These small margins have resulted in the industry being extremely susceptible to external shocks. There is very low investment in building human capital resulting in a low-skilled workforce. Furthermore, there is no income protection for workers in the sector, and after consecutive years of battling one crisis after another, the industry has seen a huge exodus of tourism workers leaving the industry to seek opportunities overseas or exiting the sector altogether, which has exacerbated the skilled labor shortage in the industry.

LACK OF A CONCERTED POSITIONING, BRANDING AND MARKETING EFFORT

The need to implement a cohesive, well-thought-out, integrated marketing and communications campaign that clearly defines visitor segments and is focused on diversified product offerings for ‘destination’ Sri Lanka is another gap identified in the TSP 2022-2025. Currently, limited attention is given to product diversification and destination development, which has resulted in an overabundance of commoditized “me too” products with no value addition and a limited focus on tourism experiences.

INCLUSIVITY AND EQUALITY

The TSP 2022-2025 recognizes the crucial role the MSME sector plays in the tourism value chain. Tourism's strategic, inclusive, and sustainable development is of utmost importance. MSMEs should be better supported and have the opportunity to be formalized through SLTDA registration. Additionally, inclusiveness and women's participation have to be improved overall.

INSTITUTIONAL IMPROVEMENT

The TSP identified challenges faced between the various ministries, institutions, and other affiliated stakeholders responsible for the planning and management of the tourism industry. Better coordination between institutions would result in improved outcomes in both product development and promotions. Additionally, efforts underway to improve infrastructure, technology, and service quality to attract foreign direct investment and streamline the process for approving tourism development projects should continue to ensure Sri Lanka tourism is positioned to reach its potential.

Based on the above gap analysis, the Tourism Strategic Plan 2022-2025 identified certain implementation pillars and action items, all of which are consistent with the recommendations of this report.

DRAFT NATIONAL POLICY FRAMEWORK

The Draft National Policy Framework also aims to transform the tourism industry into a more sustainable industry that attracts high-yield markets/travelers. Several strategies have been devised to propel and position the industry for this transformation under the four thrust themes of integrated governance, inclusive and sustainable tourism, informed stakeholders, and incentive strategies.

OBSERVATIONS AND RECOMMENDATIONS FOR NICHE TOURISM DEVELOPMENT

The development of a niche tourism-driven strategy is a way to implement the strategies and realize the benefits hoped for in the TSP 2017-2020, the TSP 2022-2025, and the Draft National Policy Framework.

As identified in all policy documents, it is important to build a resilient tourism sector. Niche tourism promotes resilience because it diversifies the types of products, where they are offered, and who offers them. This diversification spreads the risk of and promotes recovery from external shocks, not to mention mitigating climate impacts. It also enables the industry to differentiate its product offering, thereby appealing to a broader range of clientele and offering products at different price points. This differentiation creates greater financial stability, enabling operators to operate sustainably despite external challenges.

Furthermore, in order to deliver quality niche tourism experiences, a well-trained and skilled tourism labor force is of utmost importance. Tourism is an industry that has the potential to uplift the lives and livelihoods of people across the tourism value chain. A significant aspect of this is the participation of women in tourism. Globally, the participation of women in tourism is reported at 54 percent; however, in Sri Lanka, the figures are much lower, with only 10 percent of the tourism workforce estimated to be women. Niche tourism development will enable women in Sri Lanka to contribute to the overall tourism offering of the destination by giving them the flexibility to develop their own MSME businesses or otherwise participate in their own way.

Through the creation of niche tourism categories/products within the tourism offering in Sri Lanka, the island can be positioned as a destination for travelers seeking niche experiences. While a

comprehensive global communications campaign has been in the works for some time, this has been delayed for various reasons. With a long-term strategic marketing and promotional campaign, Sri Lanka will be able to increase its market share, attract high-yield travelers, create increased employment opportunities, develop MSMEs in tourism, and overall better position itself to reach its true potential.

3.2 REGULATORY ENVIRONMENT FOR NICHE TOURISM BUSINESSES

One output of the IPOP Sri Lanka Tourism and Sustainability project is to help create a regulatory environment that allows MSMEs to experience the benefits of the formal sector through registration with SLTDA. Currently, SLTDA has a number of registration categories available, but MSMEs report that many – if not most – of their niche tourism businesses are not recognized, so they cannot register. Thus, they remain in the informal sector.

Figure 10. Registration categories available at SLTDA

Accommodation	Other Service
Hotels	Restaurants
Guest Houses	Spice Gardens
Service Apartments	Tourist Friendly Eating Places
Hostel Accommodation	Travel Agents (Destination Management Companies)
Camping Sites	Tourist Drivers
Heritage Tourist Hotel	Destination Event Management Companies (DEMC)
Boutique Hotels / Villas	Spa Wellness Center
Home Stay Units / Bungalows / Rented Homes & Apartments	Tour Guides
Ayurvedic Hotels	Tourist Shops
Themed Accommodation & Value Added Activities	Water Sports Center
Eco Lodge	Food Court

SLTDA has recognized this need and is currently in the process of drafting additional registration criteria. This effort is being supported by the Project.

4. NICHE TOURISM

4.1 NICHE CATEGORIES VS. NICHE PRODUCTS

The following definitions of niche tourism categories and products are used in this report:

Niche Tourism Category - A "Niche Tourism Category" is a specialized set of activities that may have shared characteristics, such as Adventure Tourism which could describe any number of activities designed to get one's adrenalin pumping

Niche Tourism Product - A "Niche Tourism Product," in turn, would be ONE of the activities that would fit under the broad term of "Niche Tourism Category." In the example of Adventure Tourism, diving, zip lining, or whitewater rafting could be categorized as niche tourism products.

4.2 GLOBAL DEMAND FOR NICHE PRODUCTS

Travel has undergone a tremendous transformation over the last few decades. Gone are the days of "tick-list" travel where the focus was ticking sites off a bucket list. The focus is now on immersive experience led travel that allows travelers to get a feel for the destination. Furthermore, when selecting travel destinations, travelers are keen to explore off the beaten track and less traveled destinations, rather than those traditionally considered "must visit/bucket list" destinations. For example, while demand for popular destinations like France and Italy were quite high a few years ago, demand now is focusing on lesser-known destinations/cities such as Cambodia, Jordan, Albania, and Uruguay.¹⁵

Travel technology has also seen exponential growth over the last decade with travelers now able to access information and make bookings directly using Overseas Tour Operators (OTAs) such as Expedia, Booking.com and Airbnb. They can do their own research and prepare personalized itineraries based on individual preferences. This has completely transformed the travel landscape and how people plan and book travel.

With an increase in the number of travelers wanting to create their own itineraries, niche tourism has developed due to an increase in demand for tailored tourism products. Niche tourism is now an essential part of a destination's tourism strategy, enabling countries to distinguish their tourism products and compete effectively. Travelers can now identify destinations based on niche offerings with a country's image heavily influenced by niche tourism categories enabling the destination to create a unique image for itself, thus attracting the correct target audience.

Niche tourism normally attracts high-yield travelers who are willing to pay more for a differentiated tailor-made experience. Post-COVID-19, travelers have been yearning to be outdoors and niche tourism trends have revolved around this sentiment. Travelers are also seeking more off the grid holidays where they can completely switch off. In addition, travelers want to explore experiences they would not normally have pursued and are also willing to risk more and challenge themselves further by partaking in out-of-the-box experiences.

¹⁵ Talbot, Hope. 2022. "Beat the Crowds: 7 Lesser-Known Destinations to Visit in 2023." Euronews. November 2, 2022. <https://www.euronews.com/travel/2021/07/09/the-little-known-travel-destinations-set-to-become-wildly-popular-during-post-pandemic-tra>.

4.3 HOW ARE OTHER COUNTRIES PROMOTING NICHE EXPERIENCES?

Thailand, India, South Africa, Ireland, and New Zealand – to name a few - are global tourism players with a strong niche brand. These destinations all have long-term strategic plans focusing on existing and potential markets along with promoting new and diverse experiential offerings. In addition, the destinations have a very strong digital presence whereby having the ability to engage with potential Free and Independent Travelers (FIT) who are typically higher-yielding, special interest travelers in search of niche, unique experiences when compared to the cookie-cutter tour operator booking modality.

Sri Lanka can learn from how other countries market their niche tourism products. This section details several lessons and examples from countries who have made niche tourism a priority.

AUTHENTICITY

A niche tourism product is especially compelling and naturally easy to market when that product is authentic to the destination. For example, New Zealand showcases art, culture, and heritage as a broad category, but also specifically highlights its indigenous Maori culture as a standalone niche. This lends New Zealand's tourism landscape a unique and authentic flair. Scotland, with its culture steeped in castles and whiskey, has highlighted these two areas in its tourism offering, again, choosing attractions and experiences that are unique to the destination.

Authentic tourism products are almost always exclusive to a destination or region, making them difficult to replicate by others and giving the destination a unique promotional advantage.

Figure 11. 31 Niche Tourism Groups from Tourism Tattler, October 21, 2019

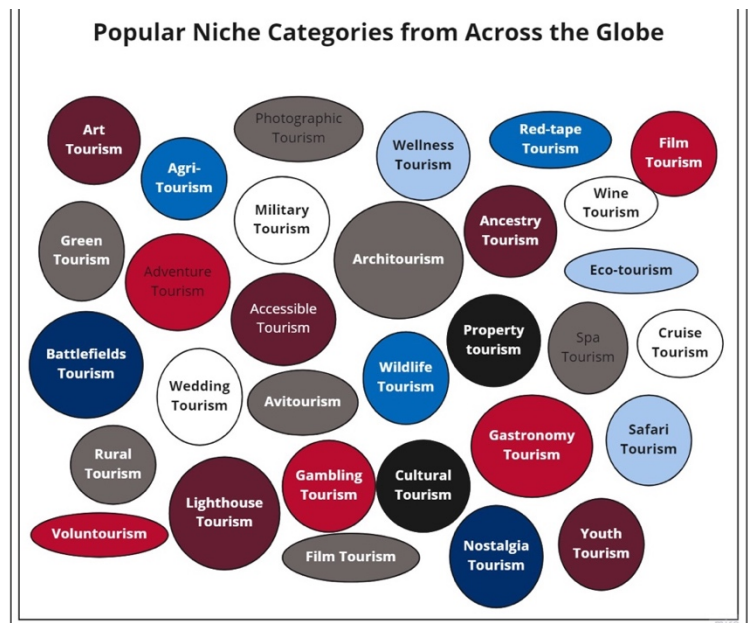
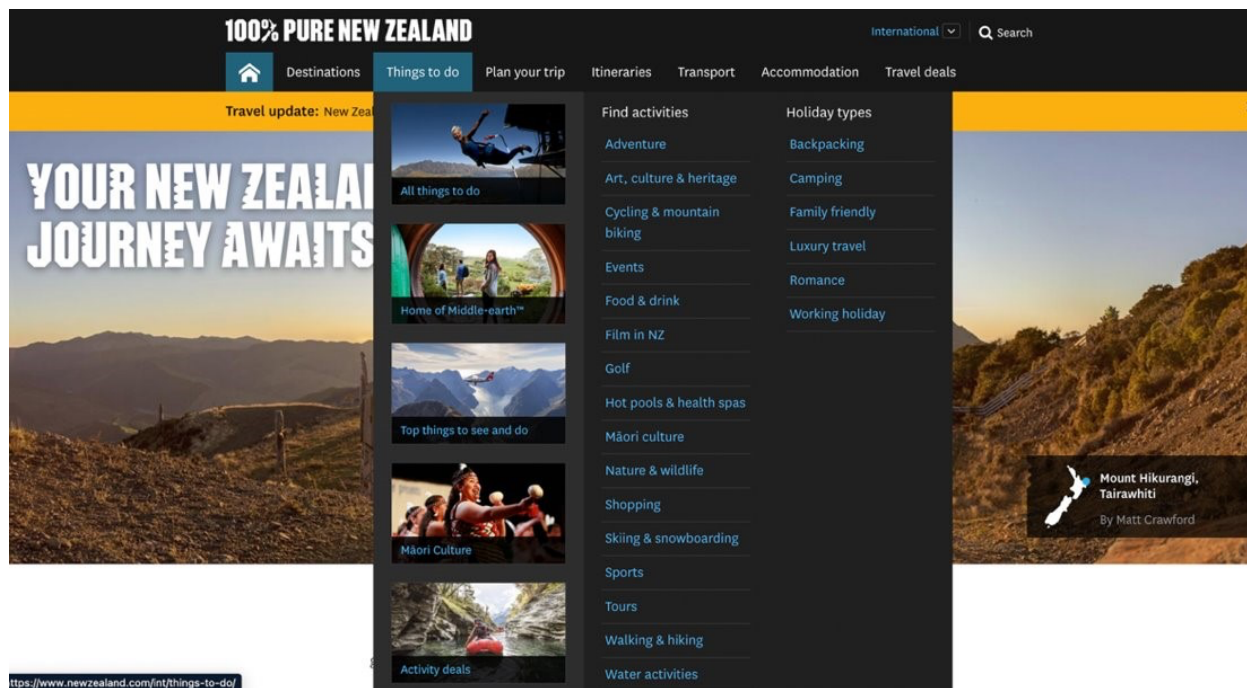


Figure 12. New Zealand Showcases its Unique Indigenous Culture¹⁶

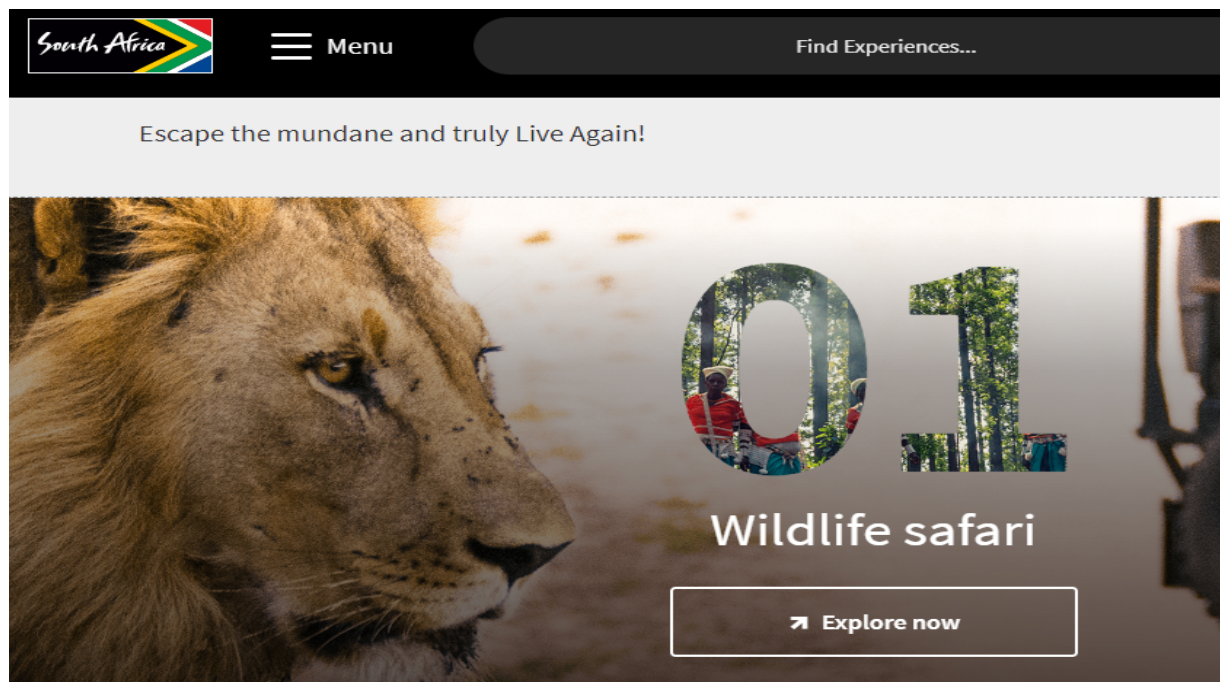


SPECIAL INTERESTS

Another approach to segmenting niche tourism categories is to segregate the tourism offering by special interest. This can be based on hobbies like bird watching and hiking or experiences which satisfy a whole spectrum of interests, such as adventure sports. Countries like South Africa offer both authentic niche category experiences (e.g., visit to a Zulu cultural village), as well as niche tourism offerings based on attracting special interest groups (e.g., wildlife enthusiasts). Italy offers “Food and Wine” as a niche category, recognizing its history and tradition across the varying regions with good food and great wines.

¹⁶ Official site for Tourism New Zealand, Home Page, <https://www.newzealand.com/int/>.

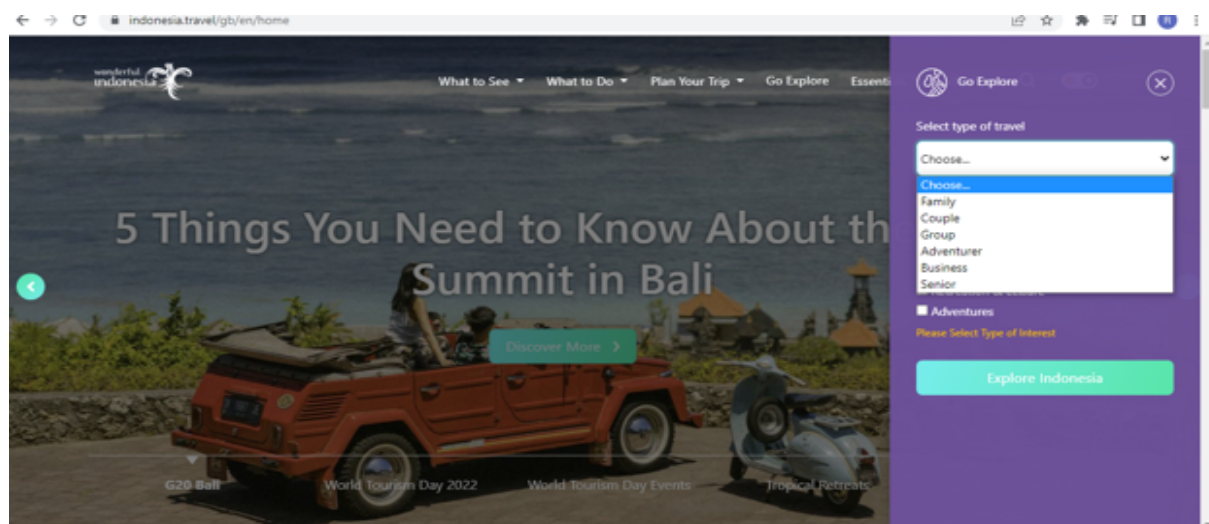
Figure 13. South Africa Seeks to Draw Special Interest Groups¹⁷



TRAVEL TYPE

Some destinations have subcategories under each niche product to reflect certain traveler types. These traveler types include solo travel, family travel, couples' escapes, and group travel. For example, Indonesia offers culinary and wellness, recreation, and leisure categories. These are then further segmented by type of traveler, namely: family, couple, group, adventurer, business, and senior.

Figure 14. Indonesia Targets Travel Types¹⁸



TRAVEL STYLE

Niche travel can also be categorized by the style of travel, generally based on how much travelers spend and what level of comfort they expect. India offers a “luxury” niche category with an abundance of luxe experiences drawing from its regal history and opulent escapades. In contrast, some

¹⁷ Official site for Tourism South Africa, Home Page, <https://www.southafrica.net/gl/en/travel>.

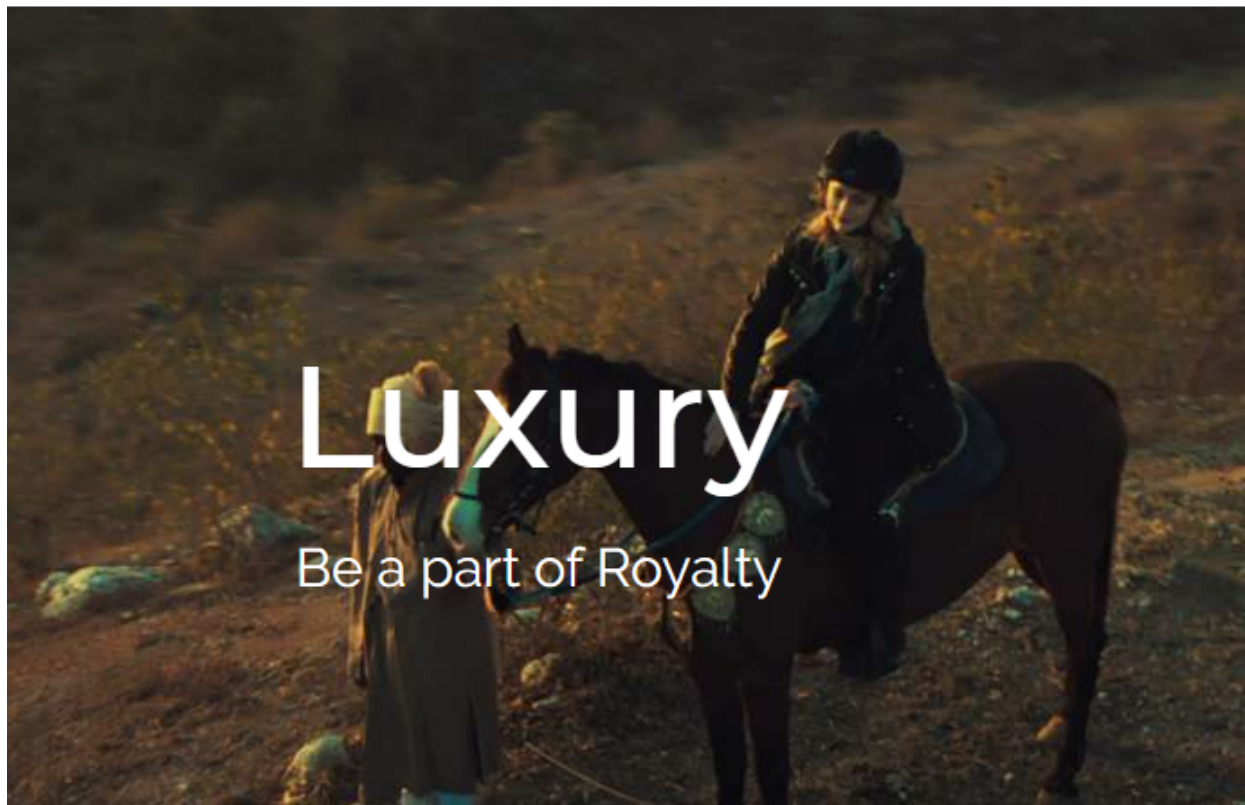
¹⁸ Official site for Tourism Indonesia, Home Page, <https://www.indonesia.travel/gb/en/home>.

destinations choose to position some of their offerings to budget travelers, like backpackers, promoting the most cost-effective way to travel around the country.

Figure 15. Travel Style Showcased in India¹⁹

Travel ▾

Incredible India



4.3 CURRENT STATUS OF TOURISM OFFERINGS IN SRI LANKA

CURRENT STRUCTURE OF THE TOURISM INDUSTRY / TRADITIONAL OFFERINGS

Sri Lanka is a country that is abundantly beautiful with a rich and vibrant culture and friendly people, with the island obtaining the number 17 spot for best countries in the world in the Condé Nast Traveler Readers' Choice Awards 2022.²⁰ As a destination, Sri Lanka has favorable weather year-round and 1,585 kilometers of coastline ideal for water sports, whale and dolphin watching, and other ocean adventures. Sri Lanka has a rich cultural heritage with eight United Nations Educational, Scientific, and Cultural Organization (UNESCO) World Heritage Sites, many national parks ranging from Yala, Udawalawe, and Minneriya to Horton Plains National Park, Knuckles Conservation Forest, and Sinharaja Forest Reserve. Sri Lanka is also one of the best places to see wildlife outside of Africa and the only country in the world where you can see the largest oceanic mammal as well as the largest terrestrial mammal within a few short of hours of travel.

While the country has been blessed with natural beauty, majestic sites and attractions, and warm and friendly people, Sri Lanka as a destination can do more to capitalize on these attractions and experiences. From an international marketing point of view, Sri Lanka has always focused on the traditional offering of sun and sand, tea-based experiences, and cultural aspects with itineraries

¹⁹ Official site for Tourism India, Experiences Page, <https://www.incredibleindia.org/content/incredible-india-v2/en/experiences/luxury.html>

²⁰ Condé Nast. 2022. "Top 20 Countries in the World: Readers' Choice Awards 2021." Condé Nast Traveler. October 4, 2022. <https://www.cntraveler.com/story/top-countries-in-the-world>.

remaining almost unchanged since the 1970's. Furthermore, Sri Lanka has also focused on selling room nights, which is highly commoditized and non-diversified. This has left many competing purely on price and perceived value for money. The focus on mass market and low-yield tourists has caused a significant strain on infrastructure, ecosystems, and resources.

Geographically, Sri Lanka's tourism industry is concentrated in the southern coastal belt, the cultural triangle, and the central highlands. As a result, most of the infrastructure development has been focused on these areas. The country's north and east, which were only accessible for tourism after the civil war, have a plethora of activities. The Eastern Province especially has access to multiple national parks, several bird sanctuaries, many lesser known but equally important historic sites, and pristine beaches. However, both the north and eastern regions remain underdeveloped in terms of infrastructure and can benefit from strategic and concerted promotional efforts.

Some niche segments such as water-based tourism - which includes diving, surfing, and kitesurfing - and wellness-based tourism - including "Hela Wedekama" or local indigenous medicinal practices - have developed organically in pockets such as Kalpitiya, Arugam Bay, and Weligama. More needs to be done to standardize safety and quality standards and align development with the priorities set out in the Tourism Strategic Plan.

4.4 ORGANICALLY DEVELOPED NICHE AREAS IN SRI LANKA

Some niche categories have developed organically in Sri Lanka. Demand driven factors such as increasing consumer inquiries and interest and supply driven factors such as the natural resources available and capacity to offer certain niche products, have contributed to the organic development of certain niche categories.

Adventure Tourism – This is a category that has rapidly developed over the last few years with many operators offering adventure-based activities across land, water, and air. Land-based adventures include a wide range of activities from hiking, walking, and trekking to cycling and mountain biking across Sri Lanka's diverse terrain. Water-based adventure tourism products have developed in geographical pockets across the island such as kitesurfing in Kalpitiya, diving in Trincomalee, surfing in Arugam Bay, and whitewater rafting in Kithulgala. Air-based adventure products such as hot air ballooning, paragliding, and zip lining have also been introduced in Sri Lanka over the years.

These operators are offering unique products in demand by international travelers. As mentioned above, since there are no national standards/regulations in some of these niche categories, operators have adopted global guidelines/standards when operating their businesses. However, the development of a national standard/regulation is of utmost importance to ensure that the industry is properly regulated and there is consistency in quality and safety standards.

Examples of adventure products currently on offer are shown below.

Figure 16. Official Site for Mountain Bike Sri Lanka, Home Page,
<https://mtblk.business.site>



Figure 17. Official Site for Kitesurfing Lanka, Home Page,
<https://www.kitesurfinglanka.com/>



Figure 18. Official Site for Borderlands, Home Page,
<https://www.discoverborderlands.com/srilanka/>

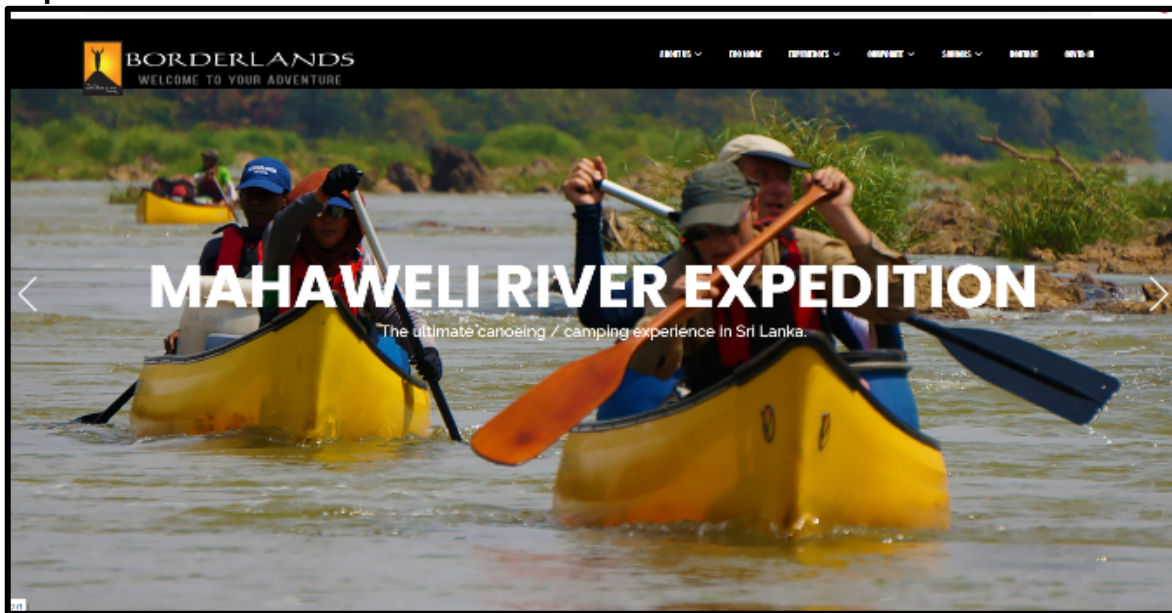
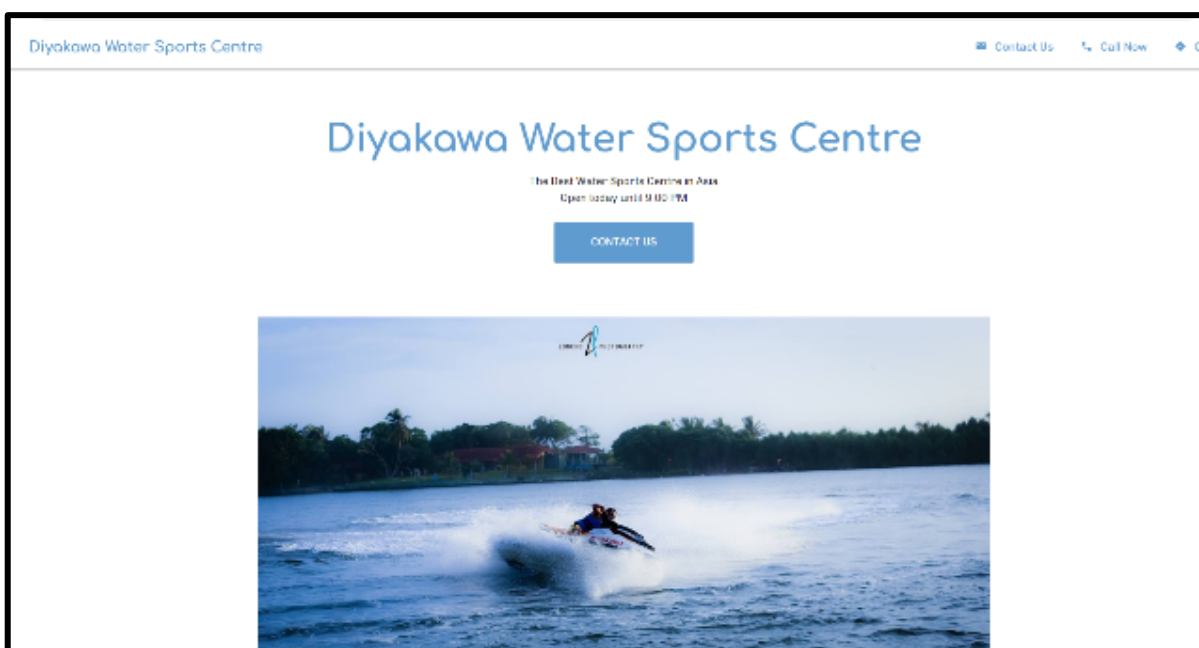


Figure 19. Official site for Diyakawa Water Sports Centre, Home Page,
<https://diyakawa-water-sports-centre.business.site/>



Wellness Tourism – Sri Lanka has a long history associated with wellness, and over the years various types of wellness tourism offerings have emerged, especially along the southern coastal belt. The country's wellness offerings traditionally have focused on Ayurveda treatments and spa vacations. More operators are now emerging that take a holistic approach to wellness, focusing on mental, physical, and spiritual wellness and wellbeing. Some differentiate their product offering based on providing the necessary tools to support a well-balanced life. Some examples of Wellness Tourism MSME operators that are currently operating in Sri Lanka are shown below.

Figure 20. Official Site for Ulpotha, Home Page, <https://www.ulpotha.com/>

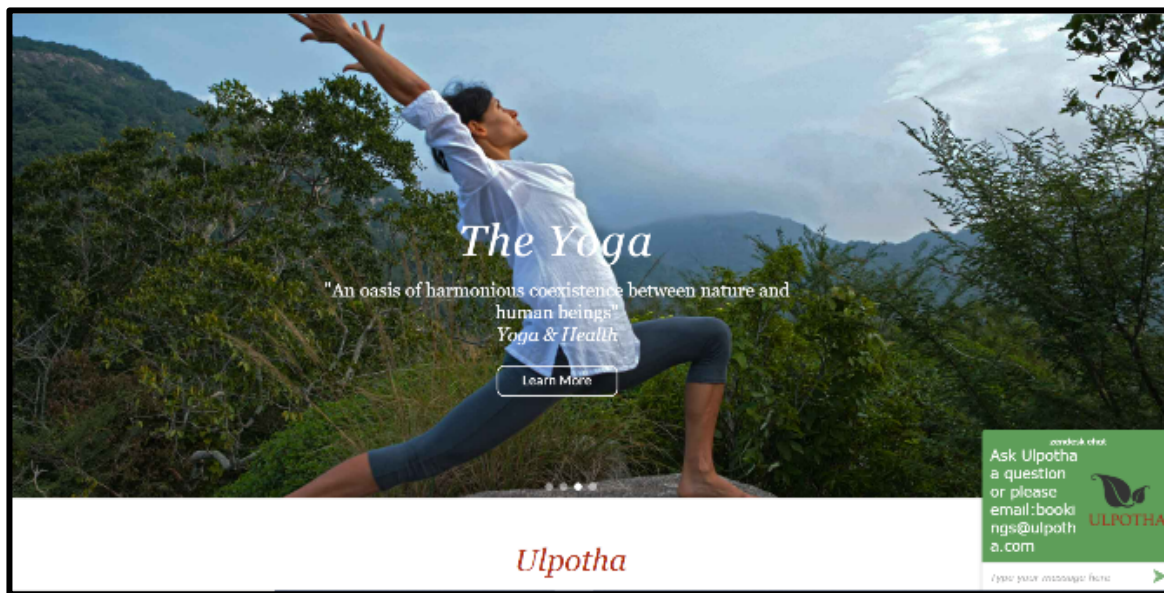
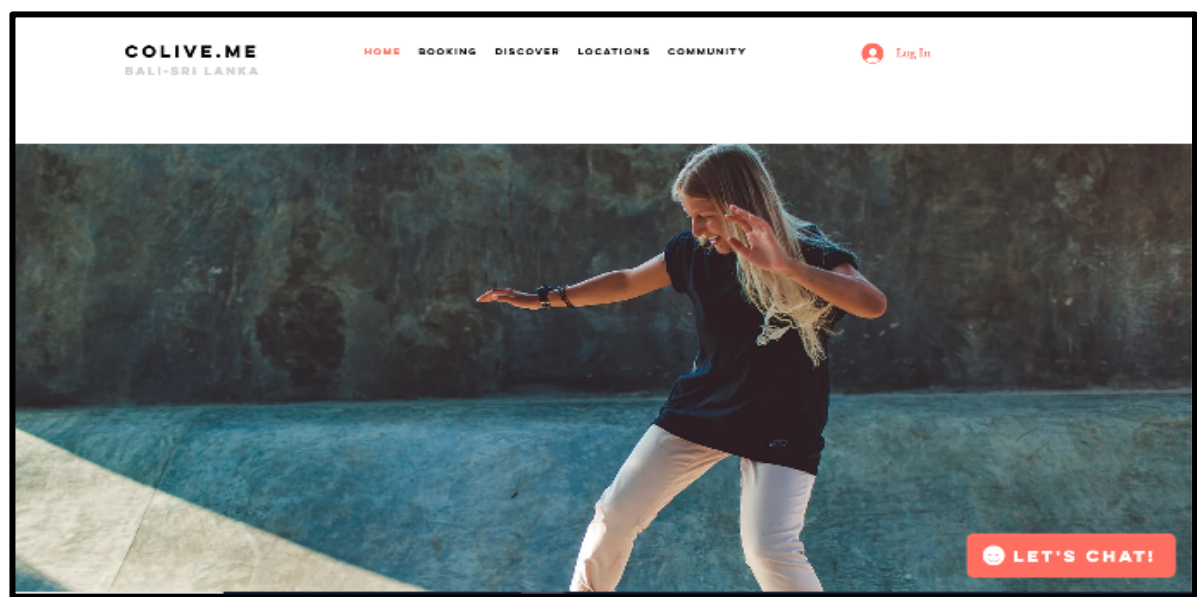


Figure 21. Official Site for Sri Yoga Shala, Home Page, <https://www.sriyogashala.com/>



Digital Nomads – Ahangama Co-Living was one of the first coworking spaces established in Sri Lanka. Inspired by their travels, the duo behind Ahangama Co-Living decided to try out this novel concept in Sri Lanka providing coworking/living space for digital nomads. Since then, this niche category has experienced tremendous growth, especially post-COVID-19. There are many operators catering to digital nomads living in Sri Lanka especially in Ahangama. With the introduction of the digital nomad visa by Sri Lanka tourism, which allows travelers the ability to live and work in Sri Lanka for up to one year, this category has tremendous potential for growth.

Figure 22. Official Site for Ahangama Co-Living, Home Page, <https://www.colive.me/>



Nature and Wildlife – Sri Lanka is one of the best places to see wildlife outside of Africa. Its nature and wildlife offerings blossomed after the civil war when lesser-known wildlife parks on the east coast, renowned for their variety of endemic birds, became accessible to travelers. Since then, many operators offering a diverse range of accommodation options have emerged. These include Leopard Trails and Kulu Safaris with their luxury-tented accommodations offering travelers authentic and memorable wildlife experiences. In addition, operators like Banyan Camp provide off-grid, eco-friendly experiences in deep rural Sri Lanka, heavily interlinked with nature where visitors can see various forms of wildlife and birds alongside beautiful fields, rivers, and mountains.

Figure 23. Official Site for Banyan Camp, Home Page, <https://www.banyancamp.com/>



Figure 24. Official Site for Leopard Trails, Home Page, <https://www.leopardtrails.com/>

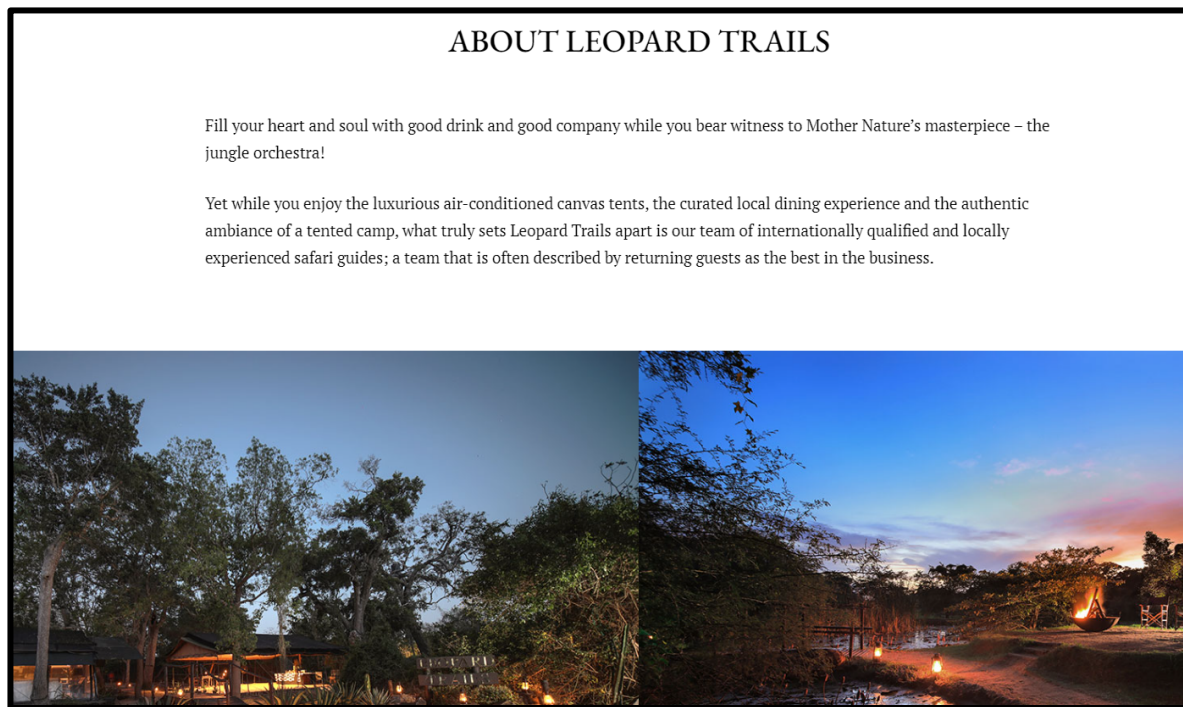
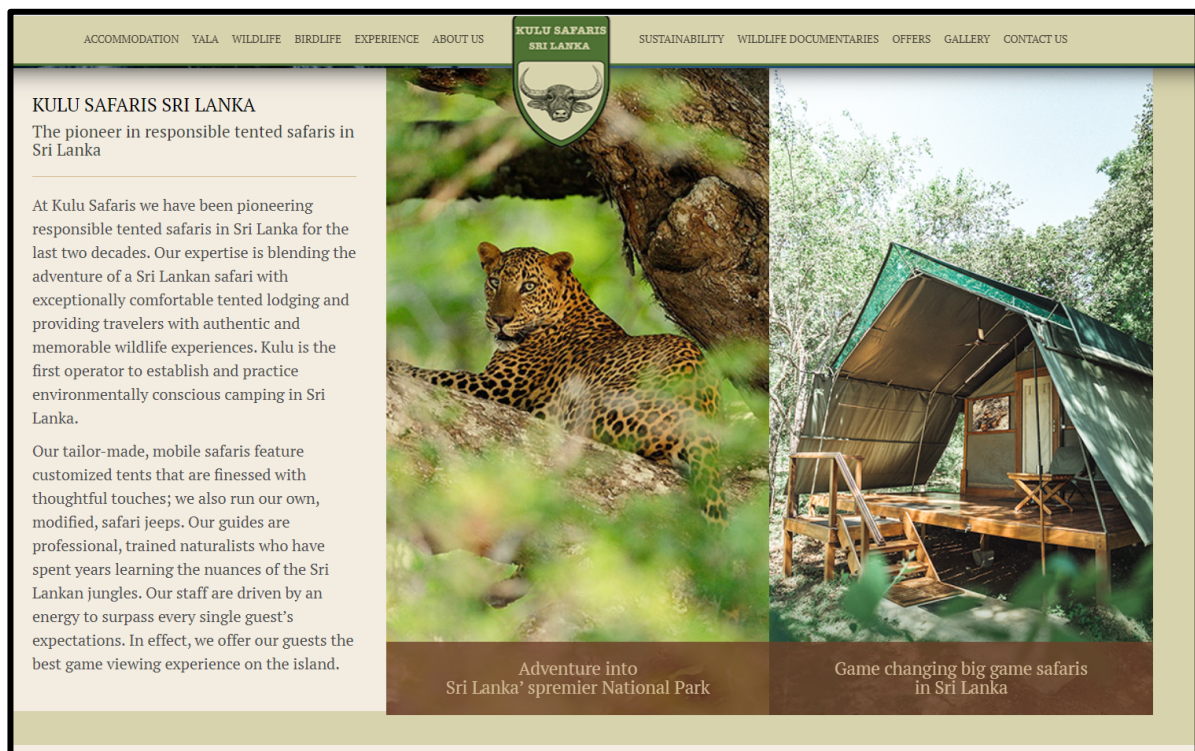


Figure 25. Official Site for Kulu Safari, Home Page, <http://www.kulusafaris.com/>

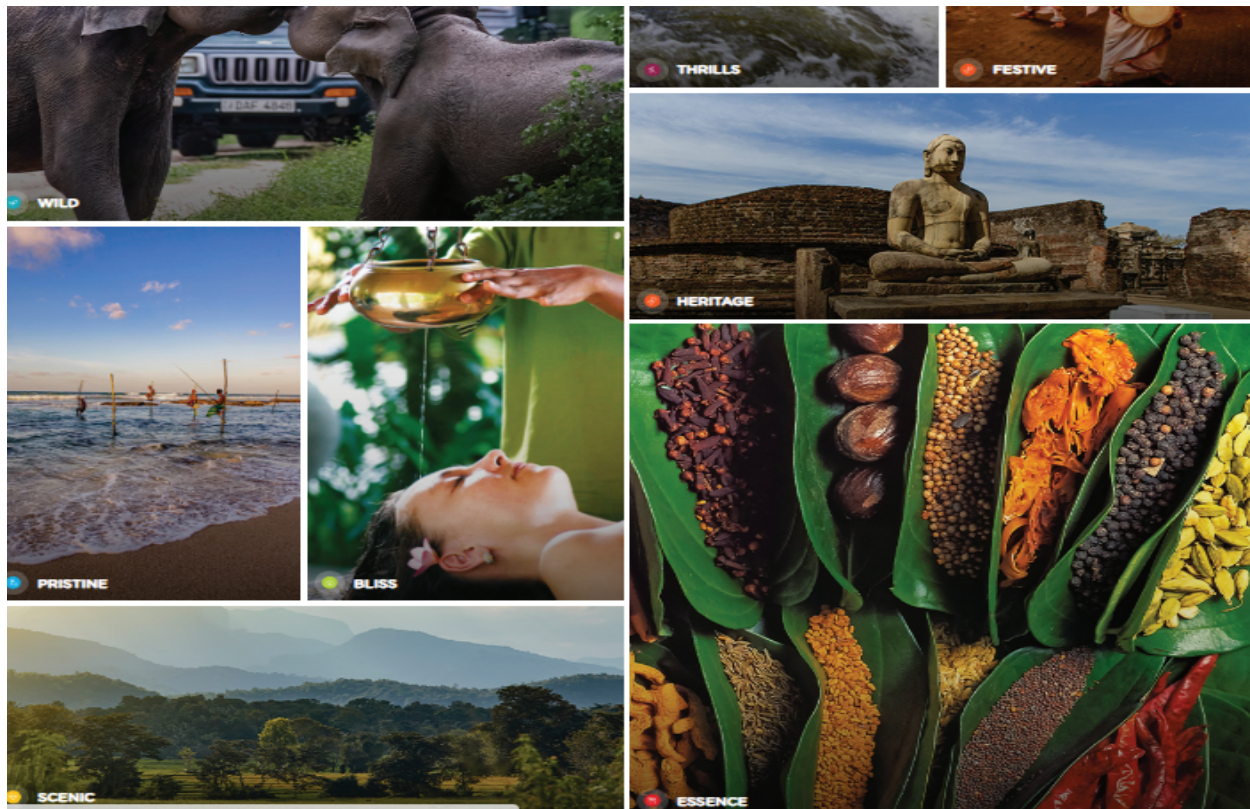


Experience Curators – Travelers are increasingly looking for curated, one-of-a-kind, immersive experiences carried out by knowledgeable subject matter experts or “hosts.” Recognizing the potential of hosted experiences, a number of MSMEs now offer creative and unique curated experiences that cannot be found anywhere else.

4.5 SRI LANKA TOURISM'S CURRENT EXPERIENCIAL POSITIONING

The Sri Lanka Tourism Promotions Bureau (SLTPB) currently promotes a mixture of Wildlife, Adventure, Culture & Heritage, Wellness, and Nature through its website, roadshows, tradeshow, and Business to Business (B2B) promotions. The recommendations in this report support and expand on these niche categories with the goal of continuing to develop an understanding of the products and experiences Sri Lanka can offer. Focusing promotion on niche products will attract more high-yield travelers, expand the economic benefits to MSMEs across the island, and help relieve the strain of overcrowding on certain attractions and geographic areas.

Figure 26. Sri Lanka Tourism Promotions Bureau Website²¹



5.1 RECOMMENDATIONS FOR NICHE TOURISM PRODUCTS IN SRI LANKA

5.1.1 WHY NICHE TOURISM CATEGORIES

Countries that are successfully marketing their tourism offerings are using a niche category-driven approach to highlight and promote their tourism products. Sri Lanka too is well placed to capitalize on this trend by focusing on niche tourism categories that resonate with international travel audiences. By overlaying Sri Lanka's travel offering with international travel preferences, twelve niche tourism categories emerged as worthy of development as both authentic to the country and having the capacity to be developed in a sustainable manner.

5.2 A MORE SUSTAINABLE TOURISM MODEL FOR DESTINATION SRI LANKA

Sri Lanka's tourism product is heavily dependent on the island's natural resources with limited dependency on infrastructure-driven tourism. Niche tourism is based on tailor made experiences and is on the opposing spectrum to mass scale tourism. The niche categories mentioned below were

²¹ Official site for Sri Lanka Tourism Promotions Bureau, Home Page, <https://www.srilanka.travel/>&

validated by industry stakeholders which included MSMEs, Provincial-level Tourism Governing Bodies as well as industry veterans.

Niche tourism, while being recognized as an avenue for destinations to promote and differentiate their product offering, is also recognized as having the potential to conserve and sustain a destination's tourism industry.²² With more specific target marketing approaches, destinations working on the niche tourism model will attract smaller numbers; however, the travelers will be focused on their special interest and tend to be higher-yielding which makes it a model, with less of an impact on the destination's natural resources and a larger positive effect on the economy and its people.

5.3 RECOMMENDED CATEGORIES

CATEGORY I – ART, CULTURE AND HERITAGE

EXPLANATION



Cultural Tourism attracts visitors from outside a host community who are motivated wholly or in part by interest in the historical, artistic, scientific or lifestyle/heritage offerings of a community, region, group, or institution.²³ Travelers interested in this niche want to learn about and experience the unique nature of a destination through its culture, history, art, people and their lifestyles, traditions, and cultural events.

Sri Lanka's rich cultural heritage spans over 2,500 years, encompassing diverse religions and ethnic groups and reflecting an array of international influences. Yet most travelers are unaware of the historic and cultural significance the Island possesses, leaving a significant untapped potential for Sri Lanka tourism to explore in this niche segment.

RATIONALE

As defined by the United Nations World Tourism Organization (UNWTO), Cultural Tourism is “A type of tourism activity in which the visitor's essential motivation is to learn, discover, experience and consume the tangible and intangible cultural attractions/products in a tourism destination. These attractions/products relate to a set of distinctive material, intellectual, spiritual and emotional features of a society that encompass arts and architecture, historical and cultural heritage, culinary heritage, literature, music, creative industries and the living cultures with their lifestyles, value systems, beliefs, and traditions.”²⁴

Cultural tourism includes heritage and religious sites, crafts, performing arts, gastronomy, and festivals among other things, and is considered the fastest growing segment of the tourism industry. It is currently estimated to contribute 40% of the global tourism market.²⁵

²² Urasache, Mara. 2015. “Niche Tourism Markets – Means of Enhancing Sustainable Economic Development in EU's Eastern Periphery.” <https://Econpapers.repec.org/>. Center for European Studies. https://ceswp.uaic.ro/articles/CESWP2015_VII2A_URS.pdf.

²³ Rosenfeld, Raymond A. 2014. “CULTURAL and HERITAGE TOURISM.” <https://www.researchgate.net/>. https://www.researchgate.net/publication/237461371_CULTURAL_AND_HERITAGE_TOURISM.

²⁴ United Nations World Tourism Organisation. n.d. “Tourism and Culture | UNWTO.” www.unwto.org. Accessed 2022. <https://www.unwto.org/tourism-and-culture#:~:text=According%20to%20the%20definition%20adopted>.

²⁵ UNESCO. 2022. “Cutting Edge | Bringing Cultural Tourism Back in the Game.” www.unesco.org. April 2022. <https://www.unesco.org/en/articles/cutting-edge-bringing-cultural-tourism-back-game>.

Many destinations seeing the potential of a cultural tourism niche are now promoting their tangible and intangible heritage and culture not just to boost tourist arrivals, but also to sustain and preserve their culture and natural heritage. Italy and Bali, for example, have promoted their cultural heritage to position their product effectively, leading to both high arrival numbers which positively impact the economy, as well as allowing them to increase conservation of cultural and artistic heritage and develop non-traditional tourist destinations²⁶

There has been a growing demand from travelers' post-COVID-19 to bond with communities they visit and explore the lifestyle, food, culture, and heritage of the locality. Travelers also want to give back to the communities they visit, which makes cultural tourism a relevant and popular niche category. According to a poll of 24,000 people carried out by Booking.com, 58% of travelers want to get out of their comfort zone in 2023, with 40% expressing their need to experience "complete culture shock". Almost half of the travelers who took the survey (47%) want to seek out a destination with completely different cultural experiences and languages to their home country, with 24% wanting to visit lesser-known cities.²⁷

With cultural tourism having an upward trajectory and future traveler sentiments reflecting the need to connect more with cultural experiences, Sri Lanka must continue to focus on developing this niche segment.

POTENTIAL

Sri Lanka is melting pot of rich cultural influences with over 2,500 years of written history. It has been and, to some extent still is, identified with the names Serendib, Pearl of the Indian Ocean, and Ceylon. It is a multi-cultural paradise dotted with temples, mosques, and churches and offering history, traditional dance, arts and crafts, music, festivals, traditions, cuisine, language, and distinct architecture.

The cultural depth of Sri Lanka has been recognized by UNESCO which has declared six archeological and two natural sites in the country as World Heritage sites. Four of these sites are located in Sri Lanka's cultural triangle stretching between the ancient cities of Anuradhapura, Polonnaruwa, and Dambulla. Sigiriya Rock Fortress, one of the UNESCO World Heritage sites, is recognized by locals as the 8th wonder of the World and listed in Bloomberg as one of the 7 newly accessible Wonders of the World.²⁸ The cultural triangle also features ancient temples, stupas, ruins, and monasteries, some dating as far back as 2,000 years.

Music and dance have always been an integral part of the Island's culture and have had many external influences – from the Portuguese to the Indians. Local dance is distinctive to different regions and provinces of the island and various art forms have been developed to be performed as part of worship, at celebratory events, as a ritual to ward off evil spirits, and for the retelling of classic stories through dance. Music includes folk music, drumming and Baila (highly influenced by the Portuguese) along with many other forms of music.

Sri Lanka has one of the highest numbers of public holidays a year due to the multi-cultural and multi-religious celebrations, observances, and traditions practiced on the island. The communities around the island come together to celebrate these festivals and they are often colorful and joyous celebrations steeped in history, culture, and tradition.

²⁶ Abel, Ann. 2022. "Impeccable Italy: Palaces and Castles of the Overlooked Tuscia Region." Forbes. October 12, 2022. <https://www.forbes.com/sites/annabel/2022/10/12/impeccable-italy-palaces-and-castles-of-the-overlooked-tuscia-region/?sh=11bfa0c23d79>.

²⁷ Elton, Charlotte. 2022. "Shock and Nostalgia: Here's What Travellers Will Be Chasing in 2023." Euronews.travel. October 21, 2022. <https://www.euronews.com/travel/2022/10/21/complete-culture-shock-will-you-be-chasing-these-travel-trends-in-2023>.

²⁸ Ekstein, Nikki. 2017. "Seven Newly Reachable Wonders of the World." *Bloomberg.com*, November 6, 2017. <https://www.bloomberg.com/news/articles/2017-11-06/seven-newly-accessible-wonders-of-the-world>.

Sri Lankan art and crafts are also very much influenced by colonization, trade history, and neighboring nations' influences. Mask carving, handloom weaving, Beeralu lace making, pottery, batik, and jewelry crafting are all very popular areas of arts and crafts in Sri Lanka.

The cultural diversity of Sri Lanka has been recognized in international media listings, documented features and travel documentaries. In CNN's 20 Best Places to visit in the World 2020, travelers were encouraged to experience Sri Lanka's culture and history: "Sri Lanka remains an essential destination, an epicenter of history, with relics and ruins, temples and palaces, wildlife running free. Sitting in the Indian Ocean off the southeastern tip of India, travelers may default to thinking of Sri Lanka as a beach getaway. But to truly immerse yourself in the country's history, go inland and tour the country's cultural triangle."²⁹

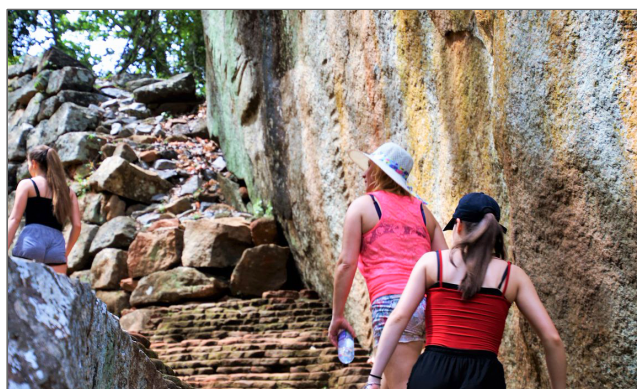
In the focus group discussions carried out among MSMEs across the country, all participants felt that Art, Culture, and Heritage is a niche category with immense potential for Sri Lanka. It was further noted that in addition to the established and popular cultural destinations, there are many off-the-beaten-path experiences that have yet to be explored. This is especially true in the north and east of the country. Through the interviews with the provincial tourism bureaus, it was identified that almost all provinces have historic and culturally significant sites that have further development potential. Furthermore, 71% of the respondents to the online MSME survey recommended Art, Culture, and Heritage as having significant potential for Sri Lanka, and over half identified the niche as one of the top three niche tourism categories in Sri Lanka.

The diversity present on this tiny island of Sri Lanka is unparalleled and, if strategized and executed effectively, this niche category has room for growth while further ensuring the sustainability of the tourism product and creating greater opportunities for MSMEs and marginalized groups.

CATEGORY 2 - ADVENTURES

EXPLANATION

Adventure tourism is one of the most untapped sectors on the island, but one that shows tremendous promise. According to the UNWTO, adventure tourism is "a trip that includes at least two of the following three elements: physical activity, natural environment, and cultural immersion."³⁰ Sri Lanka's abundant physical activity options along with its natural environment and immersive culture give it all the ingredients to expand as an attractive adventure tourism niche destination.



RATIONALE

The global adventure tourism market was valued at USD \$288.08 billion in 2021 and is expecting an increase to USD \$2,824.41 billion by 2030 witnessing a CAGR (Compound Annual Growth Rate) of 28.8% from 2022-2030. The European region has been the largest recipient of the adventure tourism market with the Asia-Pacific region coming in second.³¹

²⁹ By Katia Hetter and the CNN Travel Team. 2020. "CNN Travel's 20 Best Places to Visit in 2020." CNN. January 7, 2020. <https://edition.cnn.com/travel/article/places-to-visit-2020/index.html>.

³⁰ Westcott, Morgan, and Wendy Anderson. 2021. "Recreation." In *Introduction to Tourism and Hospitality in BC – 2nd Edition*. BCcampus. <https://opentextbc.ca/introtourism2e/chapter/5-overview/#:~:text=According%20to%20the%20United%20Nations,12>.

³¹ RESEARCHDIVE. 2021. "Global Adventure Tourism Market: Opportunity Analysis and Industry Forecast, 2020–2027." [www.researchdive.com. 2021. https://www.researchdive.com/8340/adventure-tourism-market](https://www.researchdive.com/8340/adventure-tourism-market).

Figure 27. RESEARCHDIVE, Adventure Tourism Market Report, 2021³²



During the pandemic, travel came to a standstill, but this gave destinations and operators time to reflect on their product offerings and develop innovative ideas to capture new market segments. With borders opening and travel on the rise again, adventure tourism is seeing an increased demand with people wanting to explore new experiences and try out adventures and thrills they have always wanted to pursue. COVID-19 reinforced the concept of not knowing what the future holds, which fueled travelers to make impulsive and non-traditional travel plans.

Adventure travel by type is segregated into hard, soft, and other adventure travel. The “soft adventure” sub-category is the most popular segment globally, which refers to activities with a perceived low-level of risk which requires little to no skills. Soft adventure tourism includes activities like backpacking, camping, hiking, and kayaking. Hard adventure tourism refers to activities with a high level of risk, requiring intense commitment and advanced level of skill like mountain climbing, caving, and hiking at high altitudes. The “other” segment includes activities like abseiling and bungee jumping.

Adventure tourism by activity is categorized by land, water and air-based activities. The most popular segment is land-based activities, with water-based activities coming in next and, lastly, air-based activities. This segment is predicted to have exponential growth given the nature of the segment and the pent-up demand for adventure post-COVID-19.

Travelers in this segment are primarily in their 20s and 30s, followed by the under 20 crowd and then those 30-50 years old.³³ While the younger age groups will continue to travel and dominate this niche area, the 30-50 year old segment is expected to continue to expand.

With adventure tourism encouraging families to bond and create new memories together, something especially important post-COVID-19, the sub section of “family travel” within the adventure tourism sphere has seen the largest growth over the years when compared to solo travel, travel with friends, and traveling with a partner.

³² RESEARCHDIVE, Adventure Tourism Market Report, 2021, online report, <https://www.researchdive.com/8340/adventure-tourism-market>.

³³ Research and Markets. 2022. “Worldwide Adventure Tourism Industry to 2030 - Increasing Disposable Income Is Driving Growth.” [www.prnewswire.com](https://www.prnewswire.com/news-releases/worldwide-adventure-tourism-industry-to-2030---increasing-disposable-income-is-driving-growth-301622285.html). September 12, 2022. <https://www.prnewswire.com/news-releases/worldwide-adventure-tourism-industry-to-2030---increasing-disposable-income-is-driving-growth-301622285.html>.

POTENTIAL

The National Geographic Traveler “Cool List 2018” declared Sri Lanka the number one spot to offer “a better all-round travel experience.”³⁴ Yet most travelers still associate Sri Lanka with sun, sea, and sand and are unaware of the true diversity of options Sri Lanka has to offer. Thus, Adventure Tourism is one of the most untapped sectors on the island.

The Adventure Tourism Development Index (ATDI) is a global ranking from the Adventure Travel Trade Association and George Washington University International Institute of Tourism Studies (GW IITS) that assesses the adventure tourism competitiveness of countries around the globe. Factors measured include:

- Sustainable development policy
- Safe and secure destination
- Sufficient tourism infrastructure
- Natural resources
- Cultural resources
- Adventure activity resources
- Entrepreneurs supporting the industry
- Strong humanitarian practices
- High health and safety standards

The ATDI 2020 top ten list did not include any countries from Asia. Sri Lanka has an opportunity to position itself as an Adventure Tourism destination and can stand out in Asia if it develops this niche responsibly and sustainably.

Figure 28. Top Ten Countries for Adventure Travel^{35,36}

Developed Country Rankings			Developing Countries Rankings		
	2020	2018	2020	2018	
1	Iceland	Iceland	Czech Republic	Czech Republic	
2	Switzerland	Switzerland	Chile	Israel	
3	New Zealand	Germany	Slovak Republic	Estonia	
4	Germany	New Zealand	Slovenia	Slovak Republic	
5	Norway	Norway	Israel	Poland	
6	Finland	Sweden	Estonia	Chile	
7	Sweden	Canada	Poland	Romania	
8	Canada	Finland	Bulgaria	Bulgaria	
9	Australia	United Kingdom	Romania	Slovenia	
10	Denmark	Australia	Costa Rica	Jordan	

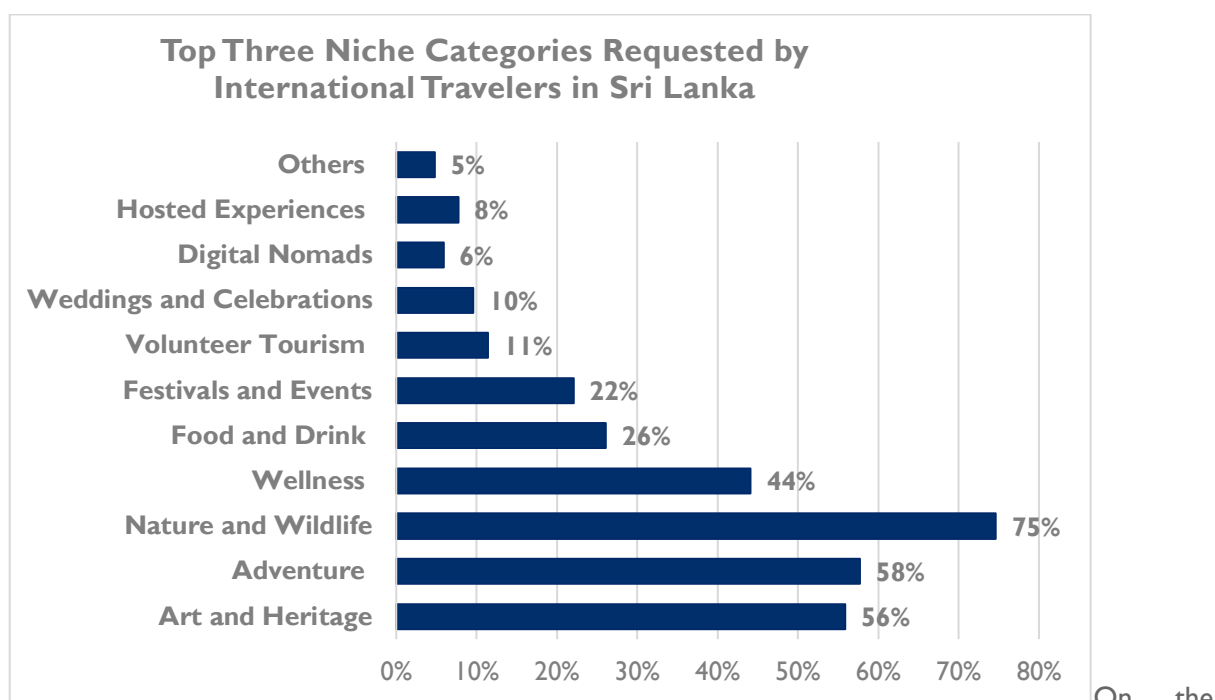
According to the MSME survey carried out by IPOP, Adventure is one of the top three niche categories in Sri Lanka preferred by international travelers.

³⁴ National Geographic Traveller (UK). 2019. “The Cool List 2018.” National Geographic. April 9, 2019. <https://www.nationalgeographic.co.uk/travel/2017/12/the-cool-list-2018>.

³⁵ Adventure Travel Trade Association, Adventure Travel News Article, “ATDI 2020 Released: Iceland and Czech Republic Score Top Marks for Adventure Tourism Competitiveness in 2020”, 2020. <https://www.adventuretravelnews.com/atdi-2020-released-iceland-and-czech-republic-score-top-marks-for-adventure-tourism-competitiveness-in-2020>

³⁶ The classification of certain countries as “Developing Countries” was done by Adventure Tourism Competitiveness through the Adventure Tourism Development Index (ATDI). The ATDI ranks countries based on the following pillars: Sustainable Development Policy, Safety and Security, Health, Natural Resources, Cultural Resources, Adventure Activity Resources, Humanitarian, Entrepreneurship, Tourism Infrastructure, and Image.

Figure 29. Survey Shows Demand for Sri Lankan Adventures



On the supply side, Adventure Tourism provides exceptional opportunities for MSMEs, as reflected by the fact that 33% of the niche MSME operators included in the IPOP MSME database represent the adventure tourism category. Existing Sri Lankan operators provide adventures such as:

- Surfing
- Diving and snorkeling
- Kitesurfing
- Trekking
- Whitewater rafting
- Kayaking
- Mountain biking
- Hot air ballooning

Adventures can be found year-round, with operators making activities available during both the South Coast and East Coast seasons. Through the project's interviews with provincial tourism institutions, it was noted that there were many operators within each of the provinces currently operating adventure tourism experiences. It was also noted that these operators were currently not registered with the SLTDA, as their activities are not the subject of recognized registration categories. The lack of guidelines and standards leaves room for many quality fluctuations in the experiences offered.

With more exposure, guidance and training, and a regulatory environment that supports registration with SLTDA and consistent safety and sustainability practices, this segment has tremendous potential to put Sri Lanka on the map as an adventure tourism destination.

CATEGORY 3 – NATURE AND WILDLIFE (ECOTOURISM)

EXPLANATION

The desire to experience nature and observe wildlife has long been a motivation for travel. When people lost the freedom to travel and pursue their special interests during COVID-19, tourism authorities globally – including those in Sri Lanka – organized “couch safaris” so fans could still experience the joy of the outdoors remotely. These experiences were also viewed and enjoyed by non-traditional nature and wildlife enthusiasts, which resulted in attracting additional tourists to this market segment. With global travel reopening, travelers are now more eager than ever to explore the outdoors and re-connect with nature. Sri Lanka is perfectly poised to capture the traditional and non-traditional nature and wildlife lovers.



RATIONALE

People have now realized that life is unpredictable, and a large number are not waiting for a significant occasion to plan their “big bucket list” trip. Along with giving priority to once-in-a-lifetime experiential trips, travelers are now seeking ways to connect with nature in search of peace of body, mind, and soul.

According to the UNWTO, 7% of world tourism relates to wildlife tourism, a segment growing annually at about 3%.³⁷ Wildlife tourism can have a big impact on the communities surrounding nature areas. The UNWTO states that Africa, world famous for its wildlife safaris, generates an estimated USD \$142 million in the 14 countries that sell the wildlife safari experience.³⁸ Indian wildlife, famed for its tigers and rhinos, is home to world-famous tiger reserves like Ranthambore and Tadoba. In 2016/17, Ranthambore Tiger Reserve generated USD \$2.5 million in entry fees. The economic impacts of Ranthambore’s wildlife tourism extend to the small district where it is located, Sawai Madhopur. The district earns over USD \$42 million each year from tourism, which directly impacts the local community. As of 2017, this small district had 2,000 hotel rooms and 1,200 tourist vehicles, and a large number of supporting industries from vegetable sellers to teashops along the wayside. One of the reasons for the high revenue generation in this park is due to the booking system introduced where tickets can be booked for half-day, full-day, and ‘tatkal’ (last minute bookings). The well managed park now operates self-sufficiently and even has excess revenue to share with other reserves that are revenue-challenged.³⁹

Nature-based tourism plays a vital role in creating employment opportunities. A report published by World Wildlife Fund (WWF) shows that 93% of all natural heritage sites support recreation and tourism and out of the 93%, 91% of these sites provide income earning opportunities for communities. For example, in the Central American nation of Belize – with its massive Belize Barrier Reef to the

³⁷ United Nations World Tourism Organization. n.d. “Tourism and COVID-19 – Unprecedented Economic Impacts | UNWTO.” Wwww.unwto.org. Accessed 2022. <https://www.unwto.org/tourism-and-covid-19-unprecedented-economic-impacts#:~:text=Some%207%25%20of%20world%20tourism>.

³⁸ United Nations World Tourism Organization. n.d. “Why Wildlife? | UNWTO.” Wwww.unwto.org. Accessed 2022. <https://www.unwto.org/asia/unwto-chimelong-why-wildlife>.

³⁹ Singh, Rachna. 2017. “Ranthambore Tops All Tiger Reserves in Earnings.” The Times of India. May 24, 2017. <https://timesofindia.indiatimes.com/city/jaipur/ranthambore-tops-all-tiger-reserves-in-earnings/articleshow/58817058.cms>.

east, dense jungle to the west, and home to ancient Mayan ruins - more than 50% of the population is supported by income generated through reef-related tourism and fisheries.⁴⁰

Along with revenue generation for the communities and ripple effects to the economy, wildlife and nature tourism play a very important role in supporting conservation and sustainability of protected areas. The Ranthambore Tiger Reserve discussed above uses the revenue generated by the park to update infrastructure and practice sustainability initiatives including installing solar panels in the park. Additionally, as part of their support to “Project Tiger,” India's tiger conservation program, the park has a tiger nuclei habitat to breed tigers where surplus tigers migrate to adjacent forests. The project is so successful that some tigers have migrated as far away as 250 km.⁴¹

Tourism and conservation may seem to be on opposite sides of the spectrum, but to develop a sustainable product these two have to work hand in hand. Wildlife and Nature as a niche market creates both revenue generation for the industry while conserving the tourism offering, making it a very strong proposition many destinations are pursuing globally.

POTENTIAL

Sri Lanka has been recognized globally for its wildlife and nature offerings, including in publications such as National Geographic, The New York Times, and Condé Nast Traveler, as an ideal getaway for wildlife and nature lovers with its diverse, compact, and authentic offering.⁴²

With the highest density of waterfalls in the world (over 350), 25,000 water bodies, 103 rivers, and 33 % of the country being under forest cover, Sri Lanka can be seen as one of the most pristine destinations in Asia. In addition, Sri Lanka has 26 wildlife parks that are home to Sri Lanka's “Big Three”: leopard, elephant, and sloth bear. Marine life is similarly rich and 10 of the 13 endangered whale species including the blue whale can be spotted along with 5 of the world's 7 sea turtle species. Additionally, 524 bird species have been recorded in Sri Lanka, with 34 confirmed as endemic.

According to the Sri Lanka Tourism Development Authority, wildlife parks earned a combined revenue of USD \$11.3 million in 2018, accounting for 17% of total tourism receipts. Some 47% of all foreign visitors to the island visited a national park in 2018.⁴³ Looking at the models practiced in Africa and in Tiger Reserves like Ranthambore, Sri Lanka has tremendous potential to increase revenue generation while developing and conserving its wildlife and nature offering, ensuring the sustainability of the product and its ability to continue to support communities and the economy.

Through the many focus group discussions carried out by the IPOP team, it was noted that Sri Lanka's nature and wildlife offering still has much room for improvement. Most operators offer undifferentiated products in the form of wildlife safaris which create cookie cutter, mundane experiences that are also unsustainable in the long run. Additionally, there are many unlicensed jeep operators offering their services to travelers visiting national parks. These operators do not adhere to any rules and regulations set by wildlife authorities, thereby negatively impacting wildlife as well as delivering a subpar experience for travelers. When compared with other tourism categories, 87% of survey respondents felt that the Nature and Wildlife category is the most important niche tourism product for Sri Lanka

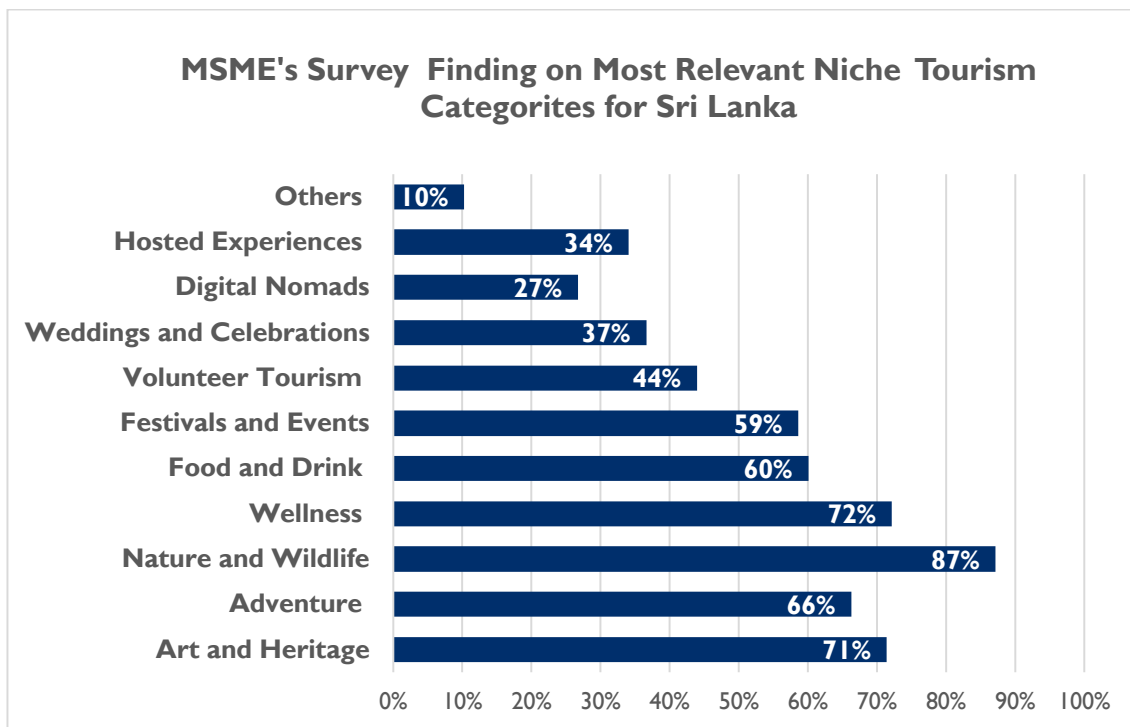
⁴⁰ UNWTO. 2022. “Why Wildlife? | UNWTO.” Wwww.unwto.org. 2022. <https://www.unwto.org/asia/unwto-chimelong-why-wildlife>.

⁴¹ Singh, Rachna. 2017. “Ranthambore Tops All Tiger Reserves in Earnings | Jaipur News - Times of India.” The Times of India. May 24, 2017. <https://timesofindia.indiatimes.com/city/jaipur/ranthambore-tops-all-tiger-reserves-in-earnings/articleshow/58817058.cms>.

⁴² See, e.g., <https://www.nationalgeographic.com/travel/article/world-elephant-day-where-to-go-what-to-know>.

⁴³ Sri Lanka Tourism Development Authority. 2019. “2018 Annual Statistical Rrport.” <https://www.sltda.gov.lk>. https://www.sltda.gov.lk/storage/common_media/Tourist%20Board%20Annual%20Statistical%20Report%202018_Web784216427.pdf.

Figure 30. MSME Survey Findings on the Most Relevant Tourism Categories for Sri Lanka



Like the example set by the Ranthambore Tiger Reserve in India, Sri Lanka too has tremendous potential to conserve and sustain its nature and wildlife offerings. It is recommended that SLTDA, along with other relevant line agencies, review park regulations and codes of conduct regarding visitor numbers, opening hours, routes within the park, speed limits, and the practice of alerting other tour operators active in the same area to help avoid congestion within the park and inappropriate human behavior.

Awareness campaigns in neighboring villages on wildlife protection can help prevent poaching and educate the villages on the potential to generate revenue if conservation practices are followed. Senior wildlife officials should develop capacity plans for each park and robust strategies to generate the best revenue mix for each park based on seasons. If the revenue raised from ticket sales is invested back into the parks, it will help to further enhance natural habitat, wildlife preservation, and sustainable breeding programs.

In short, Nature and Wildlife is an important niche, but the success of this category depends on responsible and sustainable management and use.

CATEGORY 4 – WELLNESS AND HEALING

EXPLANATION

Wellness has moved away from its original form where it generally revolved around Ayurveda, yoga, meditation and spa therapy. It has now evolved into anything that lies in finding the right balance between physical health, mental health, and emotional well-being. This can include spiritual, social, and environmental factors.



RATIONALE

Wellness tourism is the focal point of two large, growing industries: the \$2.6 trillion tourism industry and the \$4.2 trillion wellness industry.⁴⁴ The global pandemic has only accelerated this trend further, as more people seek to be in harmony with nature and themselves.

Travel with a purpose is on the rise. In the last few years, even pre-COVID-19, there has been growing awareness in the area of health and wellness as people seek to infuse their hectic lives with mental, physical, and spiritual balance. This demand only increased post-COVID-19. Wellness now is about quality of life, and in finding the balance between physical, mental, and emotional well-being. An increasing number of people are incorporating elements of preventative health, self-actualization, and mindfulness into their day-to-day lives, which also extends to their holiday and destination choices.

Wellness has also become increasingly aspirational. A study conducted by the Australian Health Policy Collaboration (AHPC) at Victoria University and the Public Health Information and Development Unit (PHIDU) at Torrens University, highlights the connection between affluence and wellness, attributable to the shift from material to experiential spending.⁴⁵ This growing global travel trend, with 78% of affluent travelers seeking to include some elements of wellness in their travels, has tremendous potential.⁴⁶

Wellness has evolved beyond yoga retreats and spa treatments. It is now any element that brings balance to one's being, be it a walk through a forest, swimming with giant turtles, plucking your own tea and watching it being processed, bathing under a waterfall, or learning to make authentic cuisine with the locals. This growing segment has evolved into being largely experiential and the Sri Lankan tourism product is positioned perfectly to curate authentic wellness experiences with the ability to differentiate the Island's offering from regional rivals.

This niche area of travel transcends generations, although motivations may differ between target audiences. Some desire an escape from their busy lifestyle, others want a way to re-connect with themselves, and many search for health and vitality as they age.

POTENTIAL

Sri Lanka's culture and heritage support the balance of mind, spirit and body, and this philosophy is an integral part of the destination and its people. This creates the perfect foundation to attract various segments within this market.

With its Ayurveda and yoga traditions, rich heritage and culture, authentic and distinctive cuisine, and warm and hospitable people, the island is ideally positioned to welcome the wellness traveler. Sri Lanka will have to compete with regional wellness destinations such as Kerala and Bali, destinations that have been focusing on health and treatment-based experiences for many years. The island can, however, elevate its offerings above health to holistic wellness, enabling the differentiation of products to appeal to the various segments of travelers within the sphere of Wellness Tourism.

⁴⁴ Global Wellness Institute. n.d. "What Is Wellness Tourism? - Global Wellness Institute." Global Wellness Institute. Accessed 2022. <https://globalwellnessinstitute.org/what-is-wellness/what-is-wellness-tourism/>.

⁴⁵ McDonell, Justin. 2017. "Why Health and Wellness Is the New Status Symbol of Choice." [Www.linkedin.com](https://www.linkedin.com/pulse/why-health-wellness-new-status-symbol-choice-justin-mcdonell/). May 3, 2017. <https://www.linkedin.com/pulse/why-health-wellness-new-status-symbol-choice-justin-mcdonell/>

⁴⁶ Craft, David. 2019. "Wellness Travel Trends – a Niche Category with Broad Appeal?" <https://www.wexinc.com/insights/blog/wex-travel/consumer/wellness-travel-trends-a-niche-category-with-broad-appeal/>.

Currently participation rates of females in Sri Lanka's tourism workforce stands at 10% compared to 54% of the tourism workforce globally.⁴⁷ This is due to a variety of factors, including stigma attached to females working in the industry.

With the development of wellness tourism within the sector, women will have more of an avenue to enter the workforce with more socially acceptable employment opportunities opening around wellness.

The island's tourism offerings are predominantly based on its natural resources which fits the demand created by the global wellness traveler who now expects that the great outdoors be included in their wellness travel experience. This phenomenon also means that the wellness traveler tends to be more sustainability savvy, thus protecting and sustaining the island's most important tourism resource.

The National Export Strategy (2018–2022) supports development of the wellness tourism sector, and the sector is prioritized in the Tourism Strategic Plan 2017-2020. Therefore, a coordinated campaign to develop and market this market segment is warranted.⁴⁸

According to the Sri Lanka Tourism Alliance, it is estimated that 618,000 wellness trips were made to Sri Lanka in 2019 with an average spend of USD \$1,160.⁴⁹ This is 35% less than the Global Wellness Institute's 2020 estimate of USD \$1,601 per trip spent by wellness tourists globally. Therefore, there is potential for Sri Lanka to increase the amount wellness travelers spend if the right offerings are developed.⁵⁰

Currently, the largest market for wellness tourism is North America. However, the 2019 Asia-Pacific, "Move to Be Well: The Global Economy of Physical Activity" Report released by the Global Wellness Institute states that the Asia-Pacific region will overtake North America in the next few years.⁵¹ The "mindful movement" will be the top growth sector in the industry with tremendous potential for the Sri Lankan wellness tourism sector.

In stakeholder consultations, wellness tourism was identified as a category that has immense potential to propel Sri Lanka's tourism industry forward. Over 93 respondents out of a total of 273 identified wellness and healing as an important niche category for Sri Lanka. It was also identified that many travelers are looking for wellness experiences to detox and switch off in rural locations where they can stay longer and work on developing mindfulness, and where they may often spend more on cultural experiences as well.

⁴⁷ UN Women. 2019. "The Second Edition of the Global Report on Women in Tourism Highlights How Tourism Can Advance Gender Equality and Women's Empowerment." UN Women. November 14, 2019. <https://www.unwomen.org/en/news/stories/2019/11/announcer-second-edition-of-global-report-on-women-in-tourism>.

⁴⁸ Government of Sri Lanka. n.d. "National Export Strategy of Sri Lanka, Wellness Tourism Strategy (2018-2022)." <https://www.srilankabusiness.com>. Accessed September 8, 2022. <https://www.srilankabusiness.com/pdf/nes/sri-lanka-wellness-4-2-web.pdf>.

⁴⁹ Linser Hospitality GMBH. 2020. "Extended Executive Summary: Rapid Assessment of the Potential Wellness Tourism Industry in Sri Lanka." <https://www.srilankatourismalliance.com>. https://www.srilankatourismalliance.com/wp-content/uploads/2020/05/Executive-Summary_Assessment-Wellness-Tourism-Sri-Lanka-By-Linser-Hospitality-GMBH.pdf.

⁵⁰ Kirkman, Alexandra. 2021. "New Year 2022 Travel Trends: The Rebound of Wellness Tourism." Forbes. December 31, 2021. <https://www.forbes.com/sites/alexandrakirkman/2021/12/31/new-year-2022-travel-trends-the-rebound-of-wellness-tourism/?sh=2b641a156f96>.

⁵¹ Global Wellness Institute. 2019. "2019 Move to Be Well: The Global Economy of Physical Activity." Global Wellness Institute. October 2019. <https://globalwellnessinstitute.org/industry-research/global-economy-physical-activity/>. See also LINSER HOSPITALITY GMBH. 2020. "Rapid Assessment of the Potential Wellness Tourism Industry in Sri Lanka." <https://www.srilankatourismalliance.com>. https://www.srilankatourismalliance.com/wp-content/uploads/2020/05/Executive-Summary_Assessment-Wellness-Tourism-Sri-Lanka-By-Linser-Hospitality-GMBH.pdf.

The wellness tourism industry with its upward growth trajectory, high-yielding travelers, employment opportunities specifically for women in the industry, its sustainable nature, and tremendous positive impacts on the economy is a very promising niche category for Sri Lanka with many of its growth opportunities yet to be explored.

CATEGORY 5 – FOOD AND DRINK

EXPLANATION

Food and drink are an integral part of a destination's culture, heritage, traditions, and sense of community. This category deals with travelers who want to experience these elements through food and drink as one of the main motivators. This niche is now emerging as a guardian of cultural heritage, securing communities and regions which may have lost their presence if not for tourism. This sector additionally helps create inclusive opportunities, including jobs directly in the culinary industry and other supporting industries such as entertainment. Sri Lanka with its diverse cultural heritage is a melting pot of flavors and is perfectly positioned to explore this niche tourism market.



RATIONALE

The Committee on Tourism and Competitiveness (CTC) of UNWTO defines culinary or food tourism as “a type of tourism activity which is characterized by the visitor’s experience linked with food and related products and activities while travelling. Along with authentic, traditional, and/or innovative culinary experiences, Culinary Tourism may also involve other related activities such as visiting the local producers, participating in food festivals, and attending cooking classes”.⁵²

With global tourism on the rise and destinations competing for traveler attention, local intangible cultural heritage, which includes food and drink, is now becoming a differentiating factor to draw tourists to destinations. Countries such as Spain and Italy have branded their nation’s image through food tourism, which has assisted with promoting these destinations by preserving local traditions and heritage, and encouraging authenticity which tourists value and are willing to pay more for.

Food and Drink Tourism is a new trend that has developed within the tourism industry and can be broadly classified under cultural tourism. Within the sphere of this niche category, there are several subcategories which allow destinations and regions to position their unique offerings. Food trails, museums, festivals, cooking classes, tastings, producer and farm visits, farmers markets, and wine trails are all experiences marketed under this niche category.

With travelers in search of exotic locations with authentic experiences, including culinary experiences, this niche segment is growing globally. The global culinary tourism segment was valued at USD \$1167.7 billion in 2019 and is projected to reach USD \$1,796.5 billion by 2027 with a CAGR of 16.8% from 2020 to 2027. The largest growth within the culinary tourism niche is in the food festival segment, contributing USD \$336.8 billion during the forecasted period.⁵³

⁵² United Nations World Tourism Organization. n.d. “Gastronomy and Wine Tourism | UNWTO.” [Www.unwto.org](https://www.unwto.org/gastronomy-wine-tourism#:~:text=The%20Committee%20on%20Tourism%20and). Accessed 2022. <https://www.unwto.org/gastronomy-wine-tourism#:~:text=The%20Committee%20on%20Tourism%20and>.

⁵³ K, Sumesh, and Roshan Deshmukh. 2020. “Culinary Tourism Market Size, Share & Growth | Research Report 2027.” Allied Market Research. June 2020. <https://www.alliedmarketresearch.com/culinary-tourism-market-A06326>.

By age group and type of traveler, culinary tourism is explored across various markets including Baby Boomers, Gen X, Gen Y (Millennials), and Gen Z. Gen Y took the lead in 2019; however, Gen Z is also projected to grow in numbers leading up to 2027. What is notable is that with social media now taking over as a pseudo travel agent, travelers are influenced more by what their friends, family and social media influencers are portraying on their social media feeds versus what traditional tour operators and destination marketers wants to sell,⁵⁴ thereby creating a demand for gastronomic offerings globally.

Some destinations have crafted culinary experiences as their main offering, and curated other supporting experiences like shopping, architecture, and cultural tours. One such destination is San Sebastián in Spain which is recognized as Europe's culinary capital. The destination positions itself as a culinary haven with 8 (previously 11) Michelin Star restaurants (a collection of 16 Michelin stars – previously 19) within a 25 km radius (10 min drive).⁵⁵ This makes it the place with the highest concentration of Michelin stars per square kilometer in Europe.⁵⁶ The only other destination in the world with a higher concentration is Kyoto in Japan. San Sebastián's core tourism business is “pintxo” (finger food/tapas) tourism. However, the offering has evolved and expanded into ham cutting masterclasses, sherry tasting, baking workshops, Michelin-starred dining tours, and introductions into the secret world of Basque gastronomic societies. In 2018, the city with 185,000 inhabitants was visited by over 2 million visitors. While this is positive in terms of tourism numbers, the sustainability of the destination due to tourism saturation and the rising cost of living for locals has become an increasing challenge.⁵⁷

U.S. Secretary of State Hillary Clinton once called food “the oldest diplomatic tool” and Thailand uses this tool effectively to increase awareness of the destination and deflect negative attention from its less auspicious niche tourism products.⁵⁸ In 2001, the Thai government launched its public diplomacy campaign “Global Thai” to promote its food and culinary culture to the world. As part of the program, the Thai government trained chefs locally and supported MSME's to set up Thai restaurants overseas by providing grants and easy access loans. When the program launched, there were approximately 5,500 Thai restaurants beyond Thai borders and now there are more than 15,000 restaurants strengthening the Thai brand globally.⁵⁹ With increased awareness on the destination, Thailand has seen a surge in arrivals from the time the Global Thai initiative was launched. In 2003, the arrivals to Thailand were 10.8 million. By 2018, this number had risen to 38.28 million.⁶⁰ According to a survey conducted by the Bangkok University Research Center, 63.3% of tourists are attracted to Thailand

⁵⁴ K, Sumesh, and Roshan Deshmukh. 2020. “Culinary Tourism Market Size, Share & Growth | Research Report 2027.” Allied Market Research. June 2020. <https://www.alliedmarketresearch.com/culinary-tourism-market-A06326>.

⁵⁵ Donostia San Sebastián. n.d. “Michelin Stars - San Sebastian Tourism.” [VWwww.sansebastianturismoa.eus](http://www.sansebastianturismoa.eus). Accessed 2022. <https://www.sansebastianturismoa.eus/en/eat/michelin-stars>.

⁵⁶ Discover Donosti. 2022. “A Guide to Michelin Star Restaurants in San Sebastian.” Discover Donosti. March 16, 2022. <https://discoverdonosti.com/michelin-star-restaurants/>.

⁵⁷ Julio, Javi. 2018. “Tourists in Their Own City.” Euronews. May 25, 2018. <https://www.euronews.com/2018/05/25/fed-up-with-tourists-locals-in-san-sebastian-take-to-the-streets>.

⁵⁸ Sokol J, Sam Chapple. 2012. “Global Thai | Culinary Diplomacy.” Culinary Diplomacy. October 22, 2012. <http://culinarydiplomacy.com/tag/global-thai/>.

⁵⁹ Micheline Guide. 2022. “Phad Thai Diplomacy: Get to Know the Best Thai Restaurants Outside Thailand.” MICHELIN Guide. December 14, 2022. <https://guide.michelin.com/th/en/article/features/phad-thai-diplomacy-get-to-know-the-best-thai-restaurants-outside-thailand#:~:text=Since%202002%2C%20the%20Thai%20government>.

⁶⁰ Lasseret, Ben. 2019. “Dispatches from Abroad: Tourists Go down the ‘Pai Hole.’” The Crimson White. September 25, 2019. <https://thecrimsonwhite.com/55041/culture/dispatches-from-abroad-tourists-go-down-the-pai-hole/>.

primarily by the food and one third of tourist spending in Thailand is on food and drinks.⁶¹ To maintain the authenticity of the ever-growing number of Thai restaurants globally, the government has launched the “Thai Select” certification program to give its stamp on authentic cuisine.⁶²

With travelers in search of “must see,” “first to experience” authentic cultural experiences, culinary tourism will continue to grow, and destinations will continue to develop innovative ways to carve out a differential offering.

POTENTIAL

The Sri Lanka Tourism Strategic Plan 2017-2020 acknowledged the need to promote culinary tourism and recognizes the potential this segment has in differentiating the island’s tourism offering.⁶³

The island’s culinary offering incorporates its rich cultural heritage with influences from its colonial, Middle Eastern, Indian, and Malay history. From red hot spicy curries with a wholesome dash of creamy coconut milk, to cool honeyed deserts that are a respite from the island heat, there’s something for everyone’s taste buds. Every locality on the island offers a new world of flavors and the locals, recently recognized as one of the friendliest nations in the world according to the Condé Nast Readers' Choice Awards, are eager to share their love through a meal with travelers.⁶⁴ From east to west and through north and south, Sri Lanka’s cuisine boasts a wide variety of tastes and textures. Along with the fresh ingredients abundant in the various topographies on the island, Sri Lanka’s cultural and religious festivals bring their own plethora of traditional celebratory cuisine and sweets.

In the past, Sri Lanka was not recognized for its cuisine and there were often misconceptions that Sri Lankan cuisine was identical to the food of neighboring India. With more independent-minded travelers visiting the island and the use of social media, Sri Lankan cuisine is being discovered internationally. BBC Good Food ranked Sri Lankan cuisine as the top new trend for 2019, creating an identity for the island’s local cuisine.⁶⁵ Sri Lankan restaurants such as Hoppers in London, chain restaurant Coconut Tree, Kolamba in Soho, and Ministry of Crab global pop-ups are making Sri Lankan food trendy.

Sri Lanka is synonymous for its tea and now is known for its all-natural coconut alcoholic drink, arrack. After gaining traction globally with the launch of the brand “Ceylon Arrack”,⁶⁶ this local spirit is now regarded as trendy and recognized by some of the top international mixologists.⁶⁷ Similar to Japanese food and sake, arrack can be paired with Sri Lankan cuisine for a full Sri Lankan experience.

Sri Lankan food and drink has its own strong brand which can support Sri Lanka tourism. Benchmarks set by countries like Thailand and cities like San Sebastián can be followed to increase awareness of the local offering. Creating support mechanisms for Sri Lankan MSME’s in source markets to set up

⁶¹ Royal Thai Embassy Singapore. n.d. “Thai Food Cited as the Most Attractive to International Tourists | Royal Thai Embassy.” [Www.thaiembassy.sg](http://www.thaiembassy.sg). Accessed October 11, 2022.

https://www.thaiembassy.sg/press_media/news-highlights/thai-food-cited-as-the-most-attractive-to-international-tourists.

⁶² Karp, Myles. 2018. “The Surprising Reason That There Are so Many Thai Restaurants in America.” [Www.vice.com](http://www.vice.com). March 29, 2018. <https://www.vice.com/en/article/paxadz/the-surprising-reason-that-there-are-so-many-thai-restaurants-in-america>.

⁶³ Ministry of Tourism Development and Christian Religious Affairs. 2017. “Sri Lanka Tourism Strategic Plan 2017-2020.” <https://www.slttda.gov.lk/>. <https://storage.googleapis.com/slttda-cdn/tourism-strategic-plan-2017-to-2020.pdf>.

⁶⁴ Condé Nast Traveler. 2022. “The Friendliest Countries in the World: 2022 Readers’ Choice Awards.” [CN Traveller](https://www.cntraveller.com/gallery/friendliest-countries-world). October 4, 2022. <https://www.cntraveller.com/gallery/friendliest-countries-world>.

⁶⁵ Naylor, Tony. 2019. “15 Food Trends for 2019.” [BBC Good Food](https://www.bbcgoodfood.com/howto/guide/food-trends-2019). 2019. <https://www.bbcgoodfood.com/howto/guide/food-trends-2019>.

⁶⁶ Menon, Murali K. 2019. “Distilled Delight: The Unpretentious Appeal of Sri Lankan Arrack.” [Cnbctv18.com](http://cnbctv18.com). August 29, 2019. <https://www.cnbctv18.com/views/the-unpretentious-appeal-of-sri-lankan-arrack-4263031.htm>.

⁶⁷ BBC. 2019. “How Sri Lanka’s Arrack Coconut Spirit Went Upmarket.” [BBC News](https://www.bbc.com/news/world-asia-47782568), June 5, 2019, sec. Asia. <https://www.bbc.com/news/world-asia-47782568>.

restaurants and food trucks, which will build the Sri Lankan culinary brand, and using food bloggers, influencers, and travelers to Sri Lanka as brand ambassadors for the island's cuisine will create increased awareness of what the island has to offer.

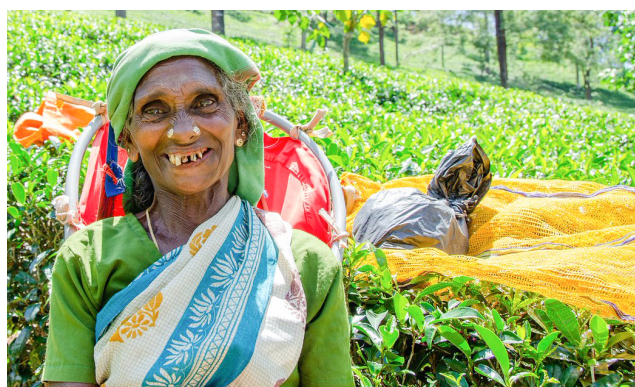
Stakeholder consultations confirmed the promise of culinary tourism and “slow food” experiences. Sri Lanka has ample offerings in this space ranging from traditional cooking experiences where visitors can cook their own meal using local ingredients and cooking methods, to enjoying authentic Sri Lankan food and drink prepared by professionals in a specialized restaurant. There are many operators offering unique experiences, with one participant sharing an example where a customized experience was organized for a private party at a museum, allowing people to take in the history of Sri Lanka while enjoying a traditional and authentic Sri Lankan meal.

Further, there are many uniquely Sri Lankan produce and culinary experiences that can be combined under the broad banner of “artisanal industries” which includes local arrack tasting experiences, mixology, toddy tapping, and palmyra-related products in the north. These experiences are authentic to Sri Lanka and closely tied to local communities. Culinary tourism as a niche will also have an impact on the workforce engaged in tourism and directly impact female participation rates.

CATEGORY 6 – AGROTOURISM

EXPLANATION

The UNWTO places agrotourism within the niche category of rural tourism and defines it as “a type of tourism activity in which the visitor's experience is related to a wide range of products generally linked to nature-based activities, agriculture, rural lifestyle/culture, angling, and sightseeing.”⁶⁸ Notable destinations concentrating on agrotourism include Italy and Hawaii. With a majority of its exports centered on agriculture (tea, coconut, cinnamon, and rubber), Sri Lanka is well suited to combine its agricultural resources with tourism to develop this niche segment.



RATIONALE

Agrotourism is a perfect platform for travelers to experience connecting with nature, bonding with the locals, exploring local traditions, and enjoying local fresh from the farm cuisine. Travelers seeking immersive experiences are now on the rise, with farm stays, visits to a local farmers market, harvest festivals, and “pick-your-own-produce-and-cook-it” experiences all becoming increasingly popular.

In 2019, the agrotourism market was USD \$69.24 billion and is projected to hit USD \$117.37 billion in 2027 with a CAGR of 7.42% within a seven-year period (2020-2027).⁶⁹ Agrotourism gives farmers an opportunity to supplement their income by selling farm-based experiences and reduce the risk of their agricultural endeavor through diversification, while providing them with an outlet to compete in one of the fastest growing industries in the world – tourism.

⁶⁸ United Nations World Tourism Organization. n.d. “Rural Tourism | UNWTO.” www.unwto.org. Accessed 2022. <https://www.unwto.org/rural-tourism>.

⁶⁹ Fortune Business Insights. 2022. “Agritourism Market to Hit USD \$ 117.37 Billion by 2027 | Enhancement of Rural Economy through This Tourism Is Positively Influencing Growth.” <https://www.globenewswire.com/>. May 26, 2022. <https://www.globenewswire.com/en/news-release/2022/05/26/2450911/0/en/Agritourism-Market-to-Hit-USD-117-37-Billion-by-2027-Enhancement-of-Rural-Economy-Through-This-Tourism-is-Positively-Influencing-Growth.html>.

Agritourism is also linked to ecotourism, the extent to which travelers want to experience this segment is based on personal preference. Some would like to experience a one-off experience, like grape picking in a vineyard or a walk through a tea plantation, where others would prefer a totally immersive experience where they take part in the upkeep of crops and livestock. Associations like the World-Wide Opportunities on Organic Farms (WWOOF), a loose network that facilitates homestays on organic farms, have been operating for many years. “WWOOFing”, the original form of agrotourism, has been growing in popularity and has become more sophisticated. Wine tastings and vineyard stays in Chianti, Italy, farm tours in Brazil, farmhouse stays in the middle of an orange or fig grove in Majorca, or visiting orchid and bee farms in the Philippines are all popular agrotourism experiences.⁷⁰

Destinations around the world are strategizing how to position their product to attract this agrotourism segment. The Madhya Pradesh in India promoted agrotourism as part of its tourism offering at ITB Asia 2022.⁷¹ Japan is using agrotourism centered on rice as one of its pillars to recover the sector post-COVID-19. The destination offers farm stays, sightseeing visits to paddy fields, rice planting and harvesting, and food tours where travelers engage in making rice-based foods (rice balls, sushi, and rice cakes). Japan is not the first country to explore opportunities with rice-based agrotourism. Bali, Thailand and Vietnam have all successfully ventured into this subsegment. In Mu Cang Chai in Northwest Vietnam, the terraced rice fields are attracting travelers to enjoy walking through paddy fields, fieldwork, cooking, rice wine production, and home stays. The rural district, which is not a traditional tourist zone, attracted 90,000 visitors in 2018, which is an increase from 20,000 in 2015.⁷²

The potential within this niche category is immense for destinations reliant on agriculture. With an increased number of travelers wanting to explore non-urban tourism, this segment will continue to grow.

POTENTIAL

Sri Lanka is heavily dependent on agriculture and 30% of its population is involved in the agricultural industry.⁷³ With its diverse agro-climatic conditions, the island is suitable for a large variety of crop cultivation and livestock development year-round.

Sri Lanka’s complex terraced paddy cultivation in the mountainous region and its flat paddy cultivation in the rest of the island has been developed over a period of 2,500 years. The ancient rulers of the island designed and built man-made tanks and irrigation systems to ensure that the crops would be nourished during any drought, which highlights Sri Lanka as a nation that has been engaged in advanced cultivation practices for millennia. The rice growing seasons are split into two seasons, Yala & Maha, the main one being Maha. Cultivation for the season begins in November and the harvest is in March, which coincides perfectly with the South Coast tourism season. The Yala season commences in April and ends around October, which coincides well with the island’s East Coast season.

With the island’s colonial past, the highlands of Sri Lanka are dotted with colonial tea estate bungalows, surrounded by lush green tea country that is home to some of the most idyllic agrotourism options

⁷⁰ Law, Josh. 2021. “Top 8 Agritourism Destinations in the World.” <https://www.treehugger.com/>. April 1, 2021. <https://www.treehugger.com/top-agritourism-destinations-in-the-world-4869255>.

⁷¹ Newswires. 2022. “Madhya Pradesh Will Showcase Its Enchanting Diversity of Tourism Offerings at ITB Asia 2022.” <https://www.einnews.com/>. October 13, 2022. https://www.einnews.com/pr_news/595668368/madhya-pradesh-will-showcase-its-enchanting-diversity-of-tourism-offerings-at-itb-asia-2022.

⁷² Wortley, Kathryn. 2022. “How Rice Can Revive Japan’s Tourism Industry.” The Japan Times. July 9, 2022. <https://www.japantimes.co.jp/life/2022/07/09/travel/japan-rice-tourism/>.

⁷³ International Trade Administration. 2022. “Sri Lanka - Agricultural Sector.” www.trade.gov. December 13, 2022. <https://www.trade.gov/country-commercial-guides/sri-lanka-agricultural-sector#:~:text=Over%2030%20percent%20of%20Sri%20Lankans%20are%20employed%20in%20the%20agricultural%20sector>.

for the high-end traveler. Mid-range and budget travelers also have ample accommodation options including homestays and small hotels. Some accommodation providers offer immersive experiences that allow travelers to pick their own tea, processing it in the onsite tea factory, and having it packed and ready to take home. Despite the current options available, there are still many further opportunities to be explored.

Sri Lanka's coconut and rubber growing areas also have tremendous opportunity, along with the cultivation of cinnamon, vanilla, pepper, and tamarind. Experiences that can be curated around these products are endless and uniquely Sri Lankan. The vegetable cultivation areas in the central and up-country regions are perfect for the trending farm-to-table experiences, where agrotourism meets food and beverage tourism.

The island has many other agrotourism avenues to explore similar to what Japan and Vietnam have conceptualized with their rice cultivation. Culturally rich festivals such as the April New Year Harvest Festival and the Tai Pongal Harvest Festival in January can also be incorporated as unique agrotourism offerings.

Identifying the agrotourism offerings promoted by regional competitors and looking at the untapped experiences Sri Lanka has in this niche validates agrotourism as a promising niche category for further development.

CATEGORY 7 – LOCAL FESTIVALS AND CULTURAL EVENTS

EXPLANATION

Festival Tourism is a niche segment within the sphere of cultural tourism where people travel with the main purpose of participating in a unique festival. Festivals are a way for tourists to experience the culture of a destination or locality by celebrating or commemorating with them their special religious or cultural days. Many European cities including Salzburg, Edinburgh, and Stratford have been using festivals and local events as part of the tourism strategy to make their destination more marketable and to differentiate their tourism offering. Multi-cultural Sri Lanka has the perfect elements to explore the potential within this niche tourism category.



RATIONALE

Festival Tourism is the fastest growing segment within the cultural tourism umbrella and has a tremendous impact on economies both financially and socially. Cities hosting festivals experience a spike in arrivals from both domestic and international tourists, and in addition to the revenue it generates for the city, leaves a sense of pride within the host community and an alternate avenue to promote local businesses. Furthermore, festival tourism has the potential to attract travelers during the off season, giving destinations the ability to sustain tourism year-round.

Destinations have created niches within the festival market, where travelers from around the world visit every year just to take part in the unique experience that these festivals bring. The Tomato Festival in Spain, Carnival in Brazil, and Songkran Festival in Thailand are all examples of local traditions that have now become international attractions.⁷⁴

⁷⁴ Ghag, Jitesh. 2022. "10 Festivals That You Need to Travel to and Explore in 2022 | Veena World." Veena World. June 27, 2022. <https://www.veenaworld.com/blog/10-festivals-that-you-need-to-travel-to-and-explore-in-2022>.

The traditionally rich Thai Festival of Songkran is a tourism magnet with both domestic and international tourists visiting major towns to take part in the festivities. Celebrated from the 12th to the 16th of April, this festival is said to have derived its origins from the Hindu harvest festival and is a sign of ringing in the new. The Tourism Authority of Thailand (TAT) has weaved festivals like Songkran and the Loy Krathong Festival (Lantern Festival) in Chiang Mai into their tourism strategy. In 2019, the TAT revealed that revenue from international arrivals and domestic trips during Songkran amounted to USD \$709 million, a 15% increase year-on-year. The number of international arrivals reached 543,300 (up 8% year-on-year) and generated revenue of USD \$330 million (up 14%).⁷⁵ The festival has been selected by the International Festivals and Events Association (IFEA) as one of the three major festivals of Asia, along with China's Harbin International Ice and Snow Sculpture Festival and South Korea's Boryeong Mud Festival.⁷⁶

With travelers showing interest in connecting with the communities they visit, festival tourism will continue to strengthen as people understand that there is no better way to experience the culture of a locality than through a local festival.

POTENTIAL

Sri Lanka has a vibrant festival culture with its dynamic multi-ethnic essence. As a result of the multitude of communities of different religions and ethnicities living in Sri Lanka, the country celebrates numerous festivals and traditional events throughout the year.

The people of Sri Lanka practice four main religions, with festivals celebrating the diverse traditions, religions, history, and culture of the country. Sri Lanka has one of the highest numbers of public holidays (annually around 25). Many of these holidays center around the festival or religious observance practiced by one group or another. Some of the key celebrations are the Tamil and Sinhala New Year in April, the Vesak Festival of Lights, Thai Pongal, Deepavali, and Ramazan. In addition, there are regional festivals like the Nallur Festival in Jaffna and the Esala Perehara in Kandy, which generate an influx of domestic and international travelers to the regions.

Each celebration comes with its different traditions, rituals, and observances practiced by the community celebrating the event. However, in true island culture, all communities come together as one to support and partake in the celebration. Most of the festivals are associated with their own traditional cuisine and sharing of food between communities is an integral part of the celebration.

With the plethora of festivals celebrated on the island, there is tremendous potential for festival tourism to be included in the tourism strategy. Currently the festival tourism market is created organically and through promotion done by individual operators. Similar to how Thailand has positioned the Songkran festival, Sri Lanka too can promote its Sinhala and Tamil New Year as both are celebrated on the same days as Songkran and have similar origins related to the harvest season. In addition to the New Year festivities, Vesak, the Festival of Lights, is another festival with promotional potential.

Stakeholder consultations validated the above with many MSMEs and provincial tourism institutions identifying cultural festivals as one of the key attractions in their locality with much untapped potential. Furthermore, it was noted that international events are a way to attract a wide range of travelers to Sri Lanka. There are clear benefits to having an annual calendar that includes internationally recognized events such as the Iron Man Triathlon, mountain biking races, surfing competitions, etc.

⁷⁵ Tourism Authority of Thailand Newsroom. 2019. "Tourism Authority of Thailand Reveals 2019 Songkran Increases in Tourist Revenue." TAT Newsroom. April 25, 2019. <https://www.tatnews.org/2019/04/tourism-authority-of-thailand-reveals-2019-songkran-increases-in-tourist-revenue/#:~:text=The%20number%20of%20international%20arrivals>.

⁷⁶ Yonhap News agency. 2021. "Boryeong Mud Festival Named as One of 3 Major Festivals in Asia." Yonhap News Agency. July 27, 2021. <https://en.yna.co.kr/view/AEN20210727001700315>.

Identifying key events and festivals to promote and then creating marketing strategies for each, including benchmarking Sri Lanka's offerings with other regional destinations, will assist in positioning Sri Lanka as a festival tourism destination.

CATEGORY 8 – WEDDINGS AND CELEBRATIONS

EXPLANATION

Destination weddings in Sri Lanka historically have been small and have not made a significant contribution to the tourism industry. However, with source markets like India and China placing a growing emphasis on exotic destination weddings, Sri Lanka has an opportunity to capitalize on the global USD \$300 billion wedding industry.



RATIONALE

The destination wedding market accounts for \$80 billion in annual spending,⁷⁷ with 450,000 destination weddings taking place each year.⁷⁸ The predicted post-COVID-19 boom in the wedding industry is happening and couples and their families are spending more money than ever.

A destination wedding means that the couple will only need to invite their closest relatives and friends, bringing the cost down significantly while giving them and their invitees a unique opportunity to bond and explore a new destination together. In countries like China, where family traditions and customs are still followed by the older generation, couples prefer to have the larger traditional wedding in mainland China and then host extravagant destination weddings for their younger friends and relatives.

In India, destination weddings have become popular after Bollywood film stars and the very affluent started holding their weddings in exotic locations like Lake Como in Italy, where many Hollywood celebrities have homes. Destination weddings have now become a status of wealth and an aspirational experience. While the average budget for a destination wedding is USD \$28,000 for 48 guests,⁷⁹ the average cost of an Indian destination wedding in Thailand, for example, is USD \$330,000.⁸⁰

When selecting a destination wedding location, 90% of couples surveyed said that weather was a key factor, and tropical vibes and blue skies were a favorite.⁸¹

Bali in Indonesia and Thailand are popular wedding destinations in Asia. These destinations have engaged in strategic destination marketing and received celebrity wedding endorsements, paving the way for the success of this niche segment. In 2016, when popular Chinese film stars Nicky Wu and Cicilia Liu got married in Bali, spending USD \$3.09 million Bali wedding packages rose by 60%, carving

⁷⁷ MarketScreener. 2016. "TAT : Destination Congress 2017 in Phuket to Boost Growing Niche Market for Weddings and Honeymoons." www.marketscreener.com. September 21, 2016.

<https://www.marketscreener.com/news/latest/TAT-Destination-Congress-2017-in-Phuket-to-boost-growing-niche-market-for-weddings-and-honeymoons--23088492/>.

⁷⁸ Destination Weddings Travel Group. n.d. "Tropical Beach Weddings: The Ultimate Guide | Destination Weddings." www.destinationweddings.com. Accessed 2022. <https://www.destinationweddings.com/destination-wedding-guide/beach-weddings.aspx>.

⁷⁹ The Daily Star. 2020. "Weddings by the Numbers." <https://issuu.com/>. August 2020. https://issuu.com/thedailystaroneonta/docs/082620_upstate_bride_august/s/10883321.

⁸⁰ Thailand Weddings. n.d. "Thailand Wedding Cost Average Ranges for Packages and Prices." <https://thailandweddings.com.au/>. Accessed 2022. <https://thailandweddings.com.au/thailand-wedding-cost/>.

⁸¹ The Daily Star. 2020. "Weddings by the Numbers." <https://issuu.com/>. August 2020. https://issuu.com/thedailystaroneonta/docs/082620_upstate_bride_august/s/10883321.

a niche for the destination.⁸² Italy is the most popular wedding destination globally. In 2018, 8,700 weddings were hosted, bringing in an estimated USD \$500 million to the destination.⁸³

Destination celebrations tend to extend beyond the wedding day itself, turning it into a vacation for the couple and their invitees. This generates not only direct wedding-related revenue, but also other tourism revenue, making it a lucrative niche market. The potential for repeat visitors is also high. When invitees get a taste of the destination, many return to explore more.

POTENTIAL

Along with perfect weather, couples also look for safe and secure destinations, accessibility, ability to adapt to source market wedding traditions and rituals (e.g., fire permits at venues for Indian weddings), unique experiences available for invitees to enjoy, ability to give back to local communities, a stress-free experience, and the aspirational nature of the destination (e.g., Lake Como or the Greek Islands). Sri Lanka ticks all the destination wedding boxes, positioning it perfectly to attract this niche segment if marketed effectively.

Sri Lanka has been popular for destination weddings from the 1970s. However, these celebrations most often involved only the couple and the location of choice was always a beach venue where the arrangements were all made by the host hotel. These weddings resulted in little or no impact on the tourism industry at large. Currently, Sri Lankan tourist weddings are still primarily booked via wedding packages featured in tour operator brochures and are part of a larger 10–14-day itinerary.

The island has been recognized in recent years by international media as a destination wedding location. To fully capitalize on this media attention, further strategy development and a dedicated niche marketing plan would enable the country to capture the market share it deserves.^{84 85}

Three of the island's key source markets – the United Kingdom, India, and China - all have tremendous potential with its connectivity, proximity, and the latter two source markets love for large extravagant weddings. China's wedding industry which stood at USD \$273 billion was set to surpass USD \$450 billion.⁸⁶ While COVID-19 greatly affected the further development of the industry, numbers are set to rise again. In 2018, pre-COVID-19, 60% of young Chinese said they planned on getting married overseas and there was a 250% increase in searches for wedding destinations on Baidu.com.⁸⁷

Destination weddings in India are a notable trend among high net-worth families residing in India and overseas. The Indian wedding industry is considered “recession proof” due to its cultural significance. It is a big milestone for Indians, where parents are reported to spend 1/5 of their lifetime's earnings on weddings. It is considered a holy union not only between two individuals, but two families through which businesses are strengthened and social status elevated. The Indian destination wedding industry,

⁸² Lollipop. 2016. “SEE PHOTOS: More from Nicky Wu and Cecilia Liu's \$4.3 Million Bali Wedding.” Her World Singapore. March 24, 2016. <https://www.herworld.com/gallery/fashion/shopping/see-photos-more-nicky-wu-and-cecilia-liu-43-million-bali-wedding/>.

⁸³ Töre, Özgür. 2019. “Wedding Tourism Booms in Italy.” Ftnnews.com. July 31, 2019. <https://ftnnews.com/mice/37516-wedding-tourism-booms-in-italy>.

⁸⁴ www.theweddingvowsg.com. 2020. “39 Magical Wedding Venues in Sri Lanka to Suit Your Wedding Theme - the Wedding Vow.” www.theweddingvowsg.com. April 21, 2020. <https://www.theweddingvowsg.com/wedding-venues-sri-lanka/>.

⁸⁵ Davies, Hannah. 2022. “32 Best Destination Wedding Locations in the World for 2021.” www.hitched.co.uk. May 17, 2022. <https://www.hitched.co.uk/wedding-planning/honeymoon-articles/destination-wedding/>.

⁸⁶ Yiran, Zheng. 2018. “Wedding Spending on the Rise.” Wwww.chinadaily.com.cn. December 4, 2018. <http://www.chinadaily.com.cn/a/201812/04/WS5c05e5aca310eff30328ee85.html>.

⁸⁷ Qi, He. 2018. “Getting Hitched the Way They Want - EUROPE - Chinadaily.com.cn.” Europe.chinadaily.com.cn. May 25, 2018. http://europe.chinadaily.com.cn/epaper/2018-05/25/content_36268220.htm.

which also includes domestic destination weddings, was expected to reach a market size of USD \$5.43 billion with an annual growth of 25%-30% percent.⁸⁸

While the United Kingdom wedding industry is significantly smaller compared to India and China in terms of the amount spent and the size of events, it still has significant potential. From engagement to the honeymoon, weddings in the United Kingdom cost an average of USD \$44,000. With Brexit, hosting weddings in Europe is now more difficult with higher costs. This creates a potential opportunity for Sri Lanka to fill the space.

The Sri Lankan destination wedding market has tremendous potential with a multitude of unique venues not limited to only the beach. Stunning backdrops of the hill country, forests, cultural settings, or a luxury yacht all make memorable wedding venues. Source markets need to be aware of what Sri Lanka has to offer for weddings. It is also crucial to ensure that vendors, such as event planners, venue partners, photographers, caterers, etc. are approved by the SLTDA and have a common portal for the ease of coordination with potential couples.

Sri Lanka, however, is still focused on attracting the lower end of the spectrum on the destination wedding market. Stakeholder consultations indicated that most event management companies are still focusing on a generic event with no value-added activities. With many beautiful and idyllic locations dotted across the country, there is immense potential to attract a higher spending, high-net-worth clientele looking to host a once-in-a-lifetime celebration in Sri Lanka.

CATEGORY 9 – VOLUNTEER TOURISM

EXPLANATION

Volunteer tourism is when travelers opt to travel on holiday and give back to communities they visit by volunteering for a chosen cause. Platforms such as Volunteer World⁸⁹ give such travelers an opportunity to search internationally for opportunities that are meaningful for them. Sri Lanka traditionally has been a country where volunteers visited to explore the island while giving back to local communities. While individual tour operators and volunteer groups promoted this travel segment amongst potential volunteer travelers, the destination has not used it as one of its marketing pillars, leaving room to further explore this niche category of tourism.



RATIONALE

Volunteer tourism is a USD \$2 Billion global industry and is one of the fastest growing trends in the tourism industry.⁹⁰ It is an opportunity to help a worthy cause while also having an immersive experience, often with a local family, where one can learn about local culture, people, traditions, and cuisine. Volunteer tourism can be a “life changing” experience that gives people a different perspective on the places they visit. The reasons people travel to volunteer vary, from personal goals to

⁸⁸ Lamba, Mandeep. 2019. “Indian Hospitality Woos Destination Wedding Industry.” Entrepreneur India. April 29, 2019. <https://www.entrepreneur.com/en-in/growth-strategies/indian-destination-wedding-industry-is-growing-and-to/332959>.

⁸⁹ <https://www.volunteerworld.com/en/volunteer-abroad/voluntourism>.

⁹⁰ Piriyaletsak, Chonnipha (Jing Jing). 2020. “Voluntourism: Could the Industry for Savors Could Be Worth Saving?” Global Research and Consulting Group Insights. March 28, 2020. <https://insights.grcglobalgroup.com/voluntourism-could-the-industry-for-saviors-could-be-worth-saving/>.

intercultural, academic and professional development opportunities, including student activism, civic engagements, and desire to become a global citizen.

Volunteer tourism is a niche that has also received some negative publicity over the years. The scrutiny comes from some volunteers using volunteer tourism to highlight on social media the good they are doing for communities without creating any tangible change. Some communities look at volunteer tourism as the “White Savior” while some shun it for the same reason. There are reports of some people/organizations operating only to exploit the market. For instance, orphanages operating only because tourists want to spend time with orphans and visit orphanages. All these areas have been concerns in this sector of tourism; however, if properly managed, communities have seen many tangible benefits from volunteer tourism.⁹¹

Post-COVID-19, travelers have an increased desire to engage with communities and give back as part of their holiday adventure. This trend has had a great impact on volunteer tourism and Sri Lanka tourism has opportunities to further explore this niche area of travel.

POTENTIAL

With the civil conflict and later the tsunami, Sri Lanka has been a destination where volunteers had opportunities to make a difference. In the north and east and later in the south post tsunami, Sri Lanka welcomed many global volunteers who visited the country wanting to assist and also explore the island destination as a tourist.

In addition to the conflict and tsunami-related volunteers, the island also has volunteers who visit to teach English and engage in community and sustainable development. Volunteer tourism is a two-pronged experience. The community gets the benefit of the resource the volunteer brings with them, and the volunteer has the opportunity to immerse themselves in Sri Lankan culture by interacting closely with locals and having the experience of living among them and being exposed to traditional food, way of living, festivals, and beliefs.

While Sri Lanka has been exposed to this niche area of tourism, there is opportunity to develop it in an intentional way. The current volunteer tourism system is based on an informal network developed by volunteer organizations. There is no formal system in place to ensure that the requirements of the destination are met through attracting volunteers into the country. Monitoring the work carried out by volunteers and using the data for analytical purposes and further promotion of this niche would be an advantage in informing best use opportunities for volunteers.

⁹¹ Piriyaletsak, Chonnipha (Jing Jing). 2020. “Voluntourism: Could the Industry for Saviors Could Be Worth Saving?” Global Research and Consulting Group Insights. March 28, 2020.
<https://insights.grcglobalgroup.com/voluntourism-could-the-industry-for-saviors-could-be-worth-saving>.

CATEGORY 10 - DIGITAL NOMADS

EXPLANATION

Digital nomadism is the ultimate work-travel lifestyle. During the post COVID-19 period where lockdowns were lifted, but work from home was still accepted due to safety protocols, digital nomadism grew in popularity. People opted to travel to destinations that were more desirable and/or where the cost of living was cheaper and set up operations for a few months or more. Work from home and hybrid work arrangements are now accepted by both large and small employers and digital nomads are increasingly becoming the “new normal” post-COVID-19.



Sri Lanka positioned itself well for digital nomads during COVID-19, as it was one of the first destinations in Asia to reopen due to the robust safety protocols implemented by SLTDA and the Ministry of Health. Now it has a solid platform to continue to welcome people who want to experience the benefits of the digital nomad lifestyle for themselves.

RATIONALE

Travelers in this emerging segment travel independently, with information being researched online through organic sources. The free and independent nature of their travels, combined with their long travel stay patterns in one destination, has made this segment a lucrative market to pursue. Many destinations globally, including Sri Lanka, have implemented long stay digital nomad visas to attract this market segment.

Interest in digital nomadism has picked up since the emergence of remote work. According to a study cited in Forbes magazine, in 2020, the number of digital nomads in the United States surged almost 50% to 11 million, before rising again to 15.5 million in 2021.⁹²

Destinations are realizing the positive effects these extended stay travelers have on an economy and are providing added incentives for digital nomads to set up “office” in their countries. Spain is introducing a digital nomad visa scheme to lure international talent working for companies based outside of Spain. It has been proposed that this scheme is implemented to remote workers from non-EU countries, where Spain, with its relatively lower cost of living, fast internet connections, and popular attractions, will offer one-year visas with the option of extending up to five years. These remote workers will pay taxes (albeit at a lower rate than domestic workers), bringing additional revenue into the economy.⁹³

Malaysia has recently become the first ASEAN country to offer digital nomad visas aiming to attract digital freelancers/independent contractors and remote workers both full time and part time. These special visas target digital nomads working in IT-related fields such as software development, cloud, cyber security, AI, digital marketing, and digital creative content.

While destinations around the world are coming up with their own schemes to attract the digital nomad, Thailand is looking to attract the wealthiest segment of travelers by introducing incentives to foreign retirees and skilled professionals to relocate to Thailand. The incentives are offered under

⁹² MBO Partners. 2021. “U.S. Sees Sharpest Rise in Independent Workforce in More than 50 Years.” MBO Partners. December 7, 2021. <https://www.mbopartners.com/blog/press/state-of-independence-2021/>.

⁹³ The Guardian. 2022. “Spain Plans ‘Digital Nomad’ Visa Scheme to Attract Remote Workers.” The Guardian. September 25, 2022. <https://www.theguardian.com/world/2022/sep/25/spain-plans-digital-nomad-visa-scheme-to-attract-remote-workers>.

three categories: immigration, tax, and real estate. Qualified applicants will receive a 10-year visa along with a work permit, which is also offered to their spouse and children. Furthermore, foreigners under this visa scheme are required to pay only local taxes, with tax exceptions for income derived from overseas. Successful applicants will also receive relaxed restrictions on property purchases and land ownership. The minimum requirement for qualification is an income of USD \$80,000 over the last two years, (along with other financial and insurance requirements, based on the visa subcategory.⁹⁴)

Companies globally have seen the positive effects of their employees working either remotely or in a hybrid system with cost savings on electricity, office rental, internet usage, reduced staff turnover, access to a larger talent pool, increased productivity, and reduced insurance costs. The positive impacts of remote working will no doubt continue to motivate companies to make this the new normal, giving destinations tremendous potential to further explore the digital nomad niche segment.

POTENTIAL

Sri Lanka has much to offer to those looking to work from their own tropical paradise. The country was recently recognized as one of the top destinations for digital nomads, emerging second in Club Med's index of the best places and countries around the world to become a digital nomad.⁹⁵ Sri Lanka received high marks for its comparatively low living costs, average temperatures of 30°C, ample activities and landmarks, and a beautiful working backdrop of lush green mountains, coral reefs and powdery sand.

Recognizing the potential of this market segment, Sri Lanka initiated a digital nomad visa category through which visas can be issued for up to 270 days. The country now has an opportunity to decide whether to further target segments within this market, as Thailand did, and to institute additional incentives to draw digital nomads to the island.

Additional benefits that come from the digital nomad sector include: 1) opportunities for MSMEs to provide support services and curated experiences to this high-yielding emerging market; 2) the fact that digital nomads are not particularly sensitive to seasonal travel, boosting off-season tourism, and; 3) the proclivity of digital nomads to produce digital content about the destination, thereby resulting in organic promotion of Sri Lanka tourism.

CATEGORY II – HOSTED / CURATED EXPERIENCES

EXPLANATION

Curated travel experiences are a notable travel trend because people are changing the way they travel. Traditional travel involved touring a destination with a pre-booked tour and trained tour guide. Now, people want more freedom to experience a destination in their own time. Post-pandemic travel has further evolved where travelers long to experience a destination like the locals would and are willing to pay for unique, once-in-a-lifetime experiences. Travelers eager to share their travel stories on social media platforms have also aided in the growth of this sector, with people wanting “bragging rights” over the unique curated experience they had on holiday. Sri Lanka's many untapped experiences make this an exceptionally promising niche segment.



⁹⁴ Medina, Ayman Falak. 2022. “Malaysia Issues Digital Nomad Visa.” ASEAN Business News. September 23, 2022. <https://www.aseanbriefing.com/news/malaysia-issues-digital-nomad-visa/>.

⁹⁵ Club Med. n.d. “Top Countries for Digital Nomads | Club Med.” Wwww.clubmed.co.uk. Accessed 2022. <https://www.clubmed.co.uk/l/blog/digital-nomad-index>.

RATIONALE

The niche area of curated travel experiences was a trend even before the pandemic. A report published by TripAdvisor in 2017 supports this insight. While iconic sites like the Eiffel Tower in Paris and Sagrada Familia in Barcelona remained popular, experiences that allowed tourists to “skip-the-line” at historical sites, sample food and spirits tours, and learn how to cook the local cuisine skyrocketed, with year-on-year growth figures ranging from 50-125%.⁹⁶

Post-COVID-19, the demand for this niche has only continued to rise with travelers wanting to explore off-the-grid experiences. From a destination point of view, the more unique experiences a destination offers, the more marketable it becomes. No matter the traveler type – luxury, mid-level, budget, solo, couples or families – all are eager to pursue unique curated travel experiences.

According to Revfine, a knowledge platform for the tourism and hospitality industry, travelers now do not want to be placed in the cultural bubble that most destinations create for tourists. Instead, they want to engage in true local culture, curated by locals.⁹⁷ These experiences are limited only by the creativity of the experience provider. Some destinations, like Japan, promote experiences during their traditional festivals, where travelers can dress in local attire, participate in the traditions and rituals leading up to the festival, consume local delicacies, and play traditional games.

Larger operators also provide curated experiences, but many want to experience true authenticity which only MSME's can provide. According to the World Travel & Tourism Council, 80% of all global businesses in the sector are made up of MSME's. Destinations that support the growth of MSME's will continue to attract the modern traveler.⁹⁸

POTENTIAL

Sri Lanka has a multitude of authentic experiences ready to be explored. MSMEs will be able to capitalize on this opportunity more fully with additional business knowledge and marketing know-how. The challenge for MSMEs will be to market themselves so tourists can find them, and they must ensure the quality and sustainability that meet traveler expectations. The ability to register with SLTDA will be a good first step.

CATEGORY 12 – MEETINGS, INCENTIVES, CONFERENCES, AND EXHIBITIONS

EXPLANATION

The Meetings, Incentives, Conferences, and Exhibitions (MICE) market was one of the largest growing markets pre-COVID-19, but it was one of the sub-segments that was hardest hit by the pandemic when virtual platforms replaced in person meetings and travel. With the world slowly recovering from extended lockdowns and people starting to travel again on business, the MICE segment has opened again, but with new demands and expectations.

Sri Lanka is not a conventional MICE destination, as it lacks the large conference facilities found in places like Singapore, Macau, Bangkok, and Dubai. However, Sri Lanka has a differentiated MICE offering which can set it apart.

⁹⁶ Joshi, Prachi. 2018. “Curated Experiences Are the next Big Travel Trend.” Mintlounge. March 30, 2018. <https://lifestyle.livemint.com/news/talking-point/curated-experiences-are-the-next-big-travel-trend-111645434508510.html>.

⁹⁷ Revfine. n.d. “Tourism Trends: The Latest Opportunities for the Tourism Industry.” Revfine.com. Accessed 2022. <https://www.revfine.com/tourism-trends/>.

⁹⁸ World Travel and Tourism Council. 2021. “Travel and Tourism Economic Impact 2021: Global Economic Impact & Trends 2021.” <https://wtcc.org/Portals/0/Documents/Reports/2021/Global%20Economic%20Impact%20and%20Trends%202021.pdf>.

RATIONALE

In 2017, the global MICE industry was estimated at USD \$805 billion, which was attributed to globalization and the growth of the MSME sector. It is envisaged that by 2028, despite economic uncertainty, this niche segment will reach USD \$1,337.8 billion, growing at a CAGR of 21.3%.⁹⁹

The largest revenue generator within the MICE segment has traditionally been meetings, and this segment will continue to rise as markets and travel reopen. However, the largest growth rate is projected to come from the incentives market, with a CAGR of 24% expected from 2021 to 2028.¹⁰⁰ Corporations and business owners will use incentive travel to boost the morale of teams and retain trained staff, something that is top of mind in the present economy. In terms of geography, Europe traditionally has the largest market share within the MICE segment globally and will continue to do so going forward to 2028. However, Asia Pacific will have the largest CAGR of 24.5% for the period 2021 to 2028 bringing great promise to the Asian region.¹⁰¹

According to the 2022 Global Meetings and Events Forecast Report by American Express, 64% of MICE planners ranked their optimism level of the MICE segment bouncing back as 8 out of 10 or higher. They expect 81% of 2022 events in the region to include an in-person component.¹⁰² With the anticipated move from digital to physical, meeting planners and conference venues across the world recognize there will be a change in demands and trends.

According to an article published in the ITB Community in Asia, despite the setback in global travel created by the pandemic, India has the potential to reach approximately USD \$93 Billion by 2030 in the MICE and business outbound travel market. An example of this would be the AMWAY MICE trip to Turkey where the company chartered 5 flights to take 1,400 of its participants to the destination.¹⁰³ Since companies still prefer to take short haul trips due to mindsets created during the pandemic, the Indian outbound MICE segment will benefit destinations in the vicinity, like Cambodia, Dubai, Indonesia, Malaysia, Maldives, Mauritius, Nepal, Singapore, Sri Lanka, and Thailand.

Destinations with outdoor options, minimal crowds, and offering adventure and immersive experiences will be top of the list when MICE event planners are shortlisting destinations for their clients. With anticipated growth in the health, insurance, pharma, cement, textile, paint, consumer goods, electrical appliances, and financial services, companies within these sectors will continue to travel on business for meetings, exhibitions, conferences, and offer incentives to their employees. This leaves notable potential for destinations to position their tourism offering to capture this growing MICE segment.

⁹⁹ Allied Market Research. 2021. "Global MICE Industry Is Expected to Reach \$1,337.4 Billion by 2028: Says, AMR." GlobeNewswire News Room. September 2, 2021. <https://www.globenewswire.com/en/news-release/2021/09/02/2290842/0/en/Global-MICE-Industry-is-Expected-to-Reach-1-337-4-Billion-by-2028-Says-AMR.html>.

¹⁰⁰ Allied Analytics LLP. 2022. "MICE Industry to Reach \$1,337.4 Billion by 2028, Globally and at 21.3% CAGR, Says Allied Market Research." Newswires. July 18, 2022. https://www.einnews.com/pr_news/581839220/mice-industry-to-reach-1-337-4-billion-by-2028-globally-and-at-21-3-cagr-says-allied-market-research.

¹⁰¹ Allied Market Research. 2021. "Global MICE Industry Is Expected to Reach \$1,337.4 Billion by 2028: Says, AMR." GlobeNewswire News Room. September 2, 2021. <https://www.globenewswire.com/en/news-release/2021/09/02/2290842/0/en/Global-MICE-Industry-is-Expected-to-Reach-1-337-4-Billion-by-2028-Says-AMR.html>.

¹⁰² American Express. 2021. "American Express Meetings & Events Global Forecast: Optimism and Growth in 2022." Amex GBT - United States, November 9, 2021. <https://www.amexglobalbusinesstravel.com/press-room/american-express-meetings-events-global-forecast-optimism-and-growth-in-2022/>.

¹⁰³ Gill, Kamal. 2022. "The New Face of MICE after the Pandemic." ITB Community. April 20, 2022. <https://www.itb-community.com/articles/the-new-face-of-mice-after-the-pandemic/>.

POTENTIAL

Out of the total arrivals into the country, by segment, MICE tourism makes up 11% of the total tourism sector and has generated an annual revenue of USD \$160 Million (on average) between 2015 and 2019.¹⁰⁴ In contrast, Singapore derives 22% of its tourism revenue from the MICE sector.¹⁰⁵ According to research conducted by Market Watch, it is estimated that the Sri Lankan MICE market will reach USD \$285 Million by 2025. It was also stated that India, China, and the Maldives have the highest potential as MICE source markets for Sri Lanka.¹⁰⁶

According to the World MICE Awards 2021, the top destination for MICE in Asia was Ho Chi Minh City in Vietnam while the other Asian nominees were Bangkok (Thailand), Seoul (Korea), Beijing (China), Hong Kong, Kuala Lumpur (Malaysia), Singapore, and Macau.¹⁰⁷ Sri Lanka's MICE offering is very different to its regional rivals - the main advantage being the diverse products it offers within a compact island.

Traditionally, MICE destinations have been cities with developed infrastructure, offering conference facilities as well as numerous entertainment options for the MICE traveler. In the past, Las Vegas, in the United States, was popular as a MICE destination with its various entertainment options. However, in the recent past Dubai has emerged as the new MICE leader with its modern infrastructure, restaurants, entertainment and shopping. Now, with destinations opening up after long lockdowns, the MICE traveler is seeking destinations with outdoor spaces, immersive cultural, and nature-based experiences, leaving tremendous potential for Sri Lanka to further pursue the MICE segment of travel.

India with its robust outbound MICE market is the perfect source market for Sri Lanka. The Indian market has shown preference for short haul travel, making Sri Lanka the perfect choice. One of the growing concerns amongst the market is the lack of event facilities in Colombo that can cater to more than 1,500 people. However, this may be mitigated by the new hotel developments in the city. The possibility of casinos may also be an attraction for both the Indian and Chinese MICE markets. While Colombo may not offer world class entertainment, the cultural elements on the island and its exotic cuisine, wellness offering, adventure, wildlife, nature, and colorful festivals will all add to the attraction for MICE organizers.

6. CONCLUSION AND RECOMMENDATIONS

Based on the research presented above, it is evident that experiential products are as yet underdeveloped and often overlooked in Sri Lanka, despite the growing demand for niche products among global travelers. Furthermore, there are not enough established registration categories to allow niche tourism operators to register with SLTDA. Many niche products simply are not recognized in the regulatory framework, so niche operators are forced to remain informal. The lack of registration categories for experiential products such as adventure tourism and nature and wildlife offerings have meant that the sector remains unregulated and prone to fluctuations in the level of quality, safety, and the service provided.

The niche categories identified in this report were presented to an appointed working committee at SLTDA and, upon their request, were shared with representatives from the Sri Lanka Tourism Promotions Bureau (SLTPB) and the Sri Lanka Conventions Bureau (SLCB). Representatives from

¹⁰⁴ Ashokgar, Tharusha, and Ranjan Ranatunga. 2022. "Tourism on the Verge of Recovery." <https://firstcapital.lk/wp-content/uploads/2022/09/Tourism-Sector-Sri-Lanka-29-Sep-2022.pdf>.

¹⁰⁵ Singapore Business Review. 2020. "MICE Market Accounted for \$2.2b of Tourist Receipts in 2018: Report." Singapore Business Review. January 2020. <https://sbr.com.sg/hotels-tourism/news/mice-market-accounted-22b-tourist-receipts-in-2018-report>.

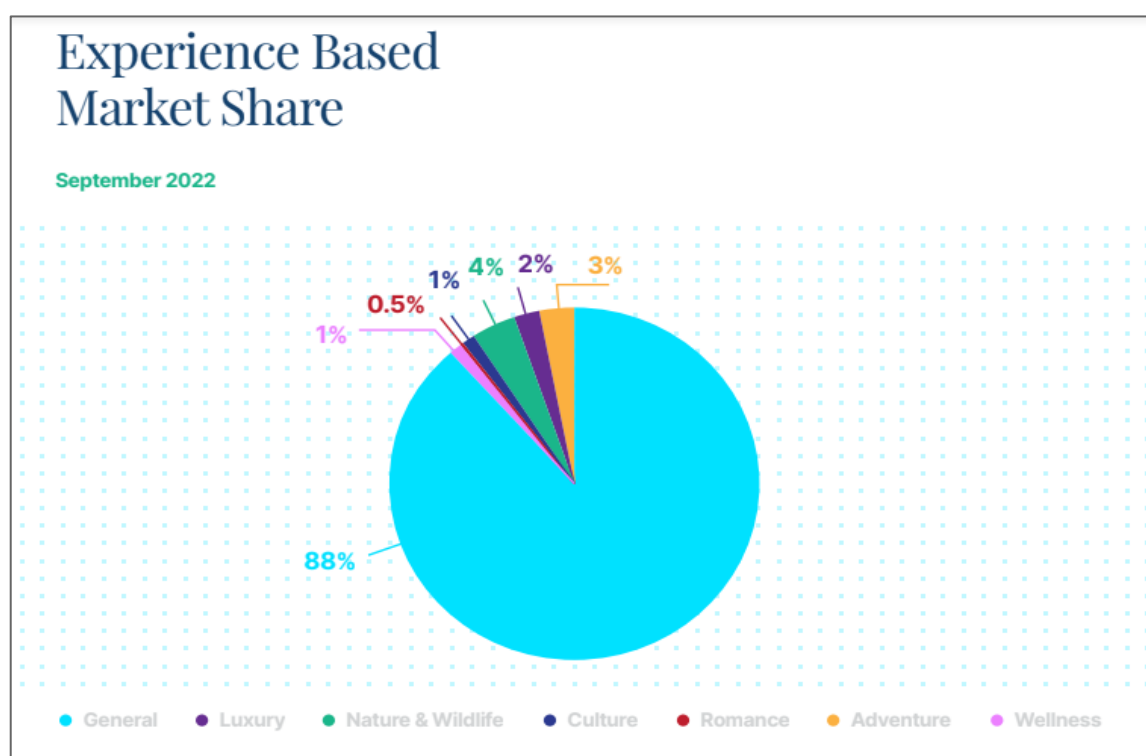
¹⁰⁶ News.lk. 2019. "MICE Tourism Market Expected to Reach US\$ 285 Million by 2025." [www.news.lk. April 16, 2019. https://www.news.lk/news/business/item/24984-mice-tourism-market-expected-to-reach-us-285-million-by-2025](https://www.news.lk/news/business/item/24984-mice-tourism-market-expected-to-reach-us-285-million-by-2025).

¹⁰⁷ World Mice Awards. 2021. "World MICE Awards» Asia's Best MICE Destination 2021." World MICE Awards. 2021. <https://worldmiceawards.com/award/asia-best-mice-destination/2021>.

SLTPB and SLCB were then added to the working committee. The larger working committee representing all three authorities agreed that the proposed categories were representative of Sri Lanka's tourism offerings and further agreed to focus on ten products from these wider niche categories for further development.

Through the creation of niche categories within the tourism offerings in Sri Lanka, the goal is to position Sri Lanka as a destination for travelers seeking unique and memorable travel experiences. Currently, the island's source markets do not consider Sri Lanka to be a destination offering niche experiences. This is clearly depicted in the data included in the recent report published by the Sri Lanka Tourism Alliance.

Figure 31: Sri Lanka Tourism Alliance, “Data Driven Tourism Marketing – Sri Lanka Demand Insights and Trends Report”¹⁰⁸



When travelers search online for Sri Lanka as a potential travel destination, most travelers do not look for any of the niche offerings Sri Lanka has the potential to offer. Most travelers search for Sri Lanka in the “General” category, which leaves room for the niche sector to further develop. Through the recommendations proposed and the consequent exercises which will be carried out, Sri Lanka will have the required tools to position itself as a niche market destination, allowing the country to increase its market share, with the ability to attract more diverse and higher-yield travelers. This will enable the fast-tracking of Foreign Direct Investment (FDI) to the island helping to create new MSME employment opportunities, resulting in a more sustainable development direction of the tourism sector.

¹⁰⁸ Sri Lanka Tourism Alliance, “Data Driven Tourism Marketing – Sri Lanka Demand Insights and Trends Report”, 2022, online report, <https://www.srilankatourismalliance.com/wp-content/uploads/2022/11/Sri-Lanka-Tourism-Demand-Insights-Nov-2022.pdf>.

7. NEXT STEPS

The following activities flow from the analysis described in this report:

1. In consultation with SLTDA and industry stakeholders, identify the niche tourism products within the identified niche tourism categories which have the highest development potential.
2. Develop registration criteria for the identified niche tourism products, thereby creating an enabling environment for operators to formalize their businesses.
3. Create outreach material and toolkits for MSMEs within the identified niche categories on how to effectively market their businesses to international travelers, as well as educating them on the benefits of formalizing their businesses through registration with SLTDA.
4. Conduct awareness programs targeting MSMEs in tourism to provide tools for the successful operation of niche tourism businesses and to promote registration with SLTDA. Through the use of these new registration criteria, businesses that previously went unrecognized can become part of the formal sector. This will enable them to access government programs, have their niche segments be acknowledged and promoted by the Sri Lanka Tourism Promotions Bureau, legally open USD accounts and apply for liquor licenses, and qualify to be suppliers to larger organizations. Additionally, the tax revenue generated by the newly registered businesses can be used by SLTDA to improve the overall tourism industry in the country and also to return funds to the regions for local projects that will benefit the communities that house the niche operators.
5. Throughout implementation, efforts will be made to collaborate with other donors and projects to support niche tourism development.