

I. 3. RESOURCE STRATEGY

A. General Remarks

The characteristics and uniqueness of Iceland's resources suggest many opportunities for tourism development. They also tend to limit the scope and nature of that development to projects which will appeal to selected market segments. Visitors to Iceland must be willing to travel long distances and risk inclement weather for the chance to see the fire and ice phenomenon and participate in various recreational activities in an unspoiled and uncrowded setting. At the same time, Iceland must take care to protect the quality of this experience which tourists and residents alike find so special and attractive.

The Phase One report examined prospects for the utilization of Iceland's resources in ways that would increase the flow of foreign visitors to the country. In addition to attractions of appeal to the general purpose tourist, special emphasis was placed on Iceland's assets for the development of skiing, sport fishing, spas, and meeting facilities for conventions. The findings of this report which are relevant to the conservation, preservation, and improvement of resources for tourism are summarized below, together with a discussion of the implications of these findings for the proposed tourism development program.

B. Natural Resources

Iceland's natural scenery, including volcanoes, glaciers, geysers, and other indications of recent geological formation, is considered to be its most important tourism asset. Visitors are fascinated by lunar landscapes, massive lava fields, and the phenomenon of fire and ice. Since unique geophysical features are present in or near population centers throughout the country, the potential is good for the development of regional circuits that will draw travellers out of Reykjavik and help to disperse the benefits of tourism to other areas. A partial list of sites which might be included in such circuits has been included in our proposed program for a Natural History Display Network (see Book Three). Efforts should begin as soon as possible to identify additional sites, giving priority to those that are accessible by existing roads and that could be integrated into regional tour networks.

The combination of geothermal activity with volcanism in Iceland is a unique attraction for both the special interest and general tourist. Geothermal resources can be utilized in a variety of ways to support the tourism industry. In addition to the traditional uses for bathing, drinking, and physical therapy, thermal waters can provide low cost energy for heating, electricity, and other requirements of a nation's

tourism plant. Other possible applications of geothermal energy include the refrigeration of ice skating surfaces, artificial snow preservation and production, and the construction of artificial geysers operated by hot waters. It has also been suggested that Iceland could serve as a center of research activities in certain interdisciplinary fields, such as applied geothermology and horticulture (green houses, soil heating, and aquaculture).

A report on possibilities for development of Iceland's thermal resources which was prepared by Dr. Maurice Lamarche in September 1974 (see Book Six) concluded that the country's mineral waters were similar to those found in springs which are already being used for medical purposes in other areas of the world. Dr. Lamarche stated that the variety of waters represented in Iceland could be adapted to diverse therapeutic purposes, the choice of which should be a function of the frequency of certain types of diseases among the local population. While thermal cure establishments catering to the Icelandic market could probably be located at any number of sites in the interior of the country, it was proposed that special consideration be given to identification of sites near major population centers in the southwestern and northeastern regions.

It was felt that the international market could best be served by a facility offering treatment of such illnesses as hypercholesterolemia, obesity, gout, and possibly allergies through a regimen combining mineral water therapy, diet, climatic stress, and exercise. Provision should be made for both classical and auxiliary techniques, including baths, showers, mineral water bars, saunas, steam baths, and massages.

Dr. Lamarche recommended that efforts begin as soon as possible to inform Iceland's medical profession of the applications and techniques of thermal medicine. He suggested that the Icelandic Doctors' Association sponsor conferences for its membership which would feature lectures by European specialists in therapeutic hydrology, as well as publish articles on the subject in its journal. He also proposed that a booklet on thermal medicine be prepared by the Ministry of Health and distributed through the Doctors' Association.

A second prerequisite to the establishment of cure facilities in Iceland is to train local doctors in the field of medical hydrology, most probably at institutions abroad. Such training could be accomplished by a course of instruction lasting one year, and including both hospital instruction and residency work at a European spa.

Aside from geothermalism Iceland's natural resources include:

- Resources for Skiing and Winter Sports: Iceland's climate and terrain offer good potential for more extensive development of areas for skiing and winter sports. However, since the size of the foreign market for such activities is judged to be quite small, the provision of new and/or upgraded skiing facilities should respond primarily to the demand of the local population. The Phase One report concluded that, because of its population base, Reykjavik would offer the best market for development of a ski resort of international standard in Iceland, and that the Botnssalur area would be the most appropriate location for such a resort. Facilities at Akureyri might also be upgraded, provided that more secure communications to and from that city could be maintained. It is recommended that a long-range plan for the utilization of Iceland's snow fields be prepared in order to provide additional opportunities for local recreation and as supporting attractions for hotel facilities, whether existing or proposed. The plan should include prospectuses for development of selected sites for distribution to regional and local governments as well as to private investors. It is doubtful, however, that any sizable new development could be justified on a profitability basis, at least before 1980.

- Resources for Fishing: While prospects for growth in demand for salmon fishing are restricted by the high cost and limited availability of salmon rods, the market for fresh water fishing for trout and char and for sea angling is seen to have good potential for expansion among special interest and general tourists alike. Care must be taken, however, to protect the quality of Iceland's fishing resources through a program of sound fisheries management. Additional conservation activities could be financed by the sale of fresh water fishing licenses, as is the case throughout most of the United States. Catch limits should be established and strictly enforced. Consideration should also be given to the elimination or reduction of net fishing for salmon in Iceland's rivers as well as of long-line netting on the high seas.

- The Environment: Iceland's second greatest tourism asset is judged to be its uncrowded condition, where nature has yet to be spoiled and the air and water are still clean. Every effort should be made to insure that the fragile ecology of Iceland is preserved for future generations. It is recommended that an inventory be undertaken of natural, unique and fragile areas, and that the carrying capacities of these areas in terms of

tourist numbers be defined and strictly enforced. Land use and zoning regulations should be applicable to all tourism development projects, including those in remote areas. Organized camping should no longer be permitted in areas where there are not adequate provisions for sewerage disposal.

C. Man-made Resources

The tourism development program should incorporate the following guidelines for development of Iceland's man-made resources in support of the proposed facilities strategy:

- All roads which are likely to be frequented by tourists should be clearly marked with internationally recognized symbols.
- Road conditions are a definite constraint to tourism development outside of the principal cities and towns. Roads which are essential to regional tourism circuits must be adequately maintained, and every effort made to keep them reasonably smooth and free of potholes.
- Where possible, future tourism development projects should be planned to take advantage of existing infrastructure, and in particular low-cost sources of energy.
- The airport runway at Akureyri should be expanded to 2,500 meters in length to enable it to accommodate international flights. At present, planes which cannot land at Keflavik must overfly Iceland. An international airport at Akureyri would provide an alternative port of entry and would also allow visitors to tour the country without having to double back through Reykjavik for the flight home.
- Wherever possible, local materials and foodstuffs should be used in preference to imports. Consideration should be given to the development of small import substitution industries for products which are required by the hospitality industry, such as bottled waters, wines, and liqueurs. In restaurants, a wide selection of fresh seafood should be available at all times, along with a good variety of lamb and mutton dishes. As was pointed out in the Phase One report, hotel and restaurant facilities and services should not be so "international" that they are characterless.

- In lieu of developing a new living history village as proposed in the Phase One report, additional resources and funds should be made available to support the Arbaer Museum in eastern Reykjavik. The problems and prospects of this historical village complex are discussed in detail in Book Four of this report. It is also recommended that a program for promotion and restoration funding be developed for other historical sites with special appeal and potential.

D. Human Resources

Unlike many countries seeking to derive economic benefits from the labor-intensive tourism industry, Iceland enjoys a full employment economy. Real wages have risen by about 28 percent over the past seven years, and money wages have increased fourfold, due to the combined effect of inflation and wage indexation. Because the work force is small, and wage rates comparatively high, there is no pool of cheap, unskilled labor such as exists in the developing world.

The impact of Iceland's labor market conditions on the tourism industry is to raise investment and operating costs to the point where many facilities are not economically feasible at all. Where a facility is developed, high labor costs are passed on the tourist as high prices, which in turn limits the number of people who can afford to use the facility.

Thus, Iceland's tourism development strategy should concentrate on minimizing, rather than maximizing, labor inputs. Emphasis should be on projects using modular, rather than traditional, construction techniques. Where possible, overnight accommodations and other island tourist facilities should stress self-service to reduce operating expenses over their two to four-month seasons. However, in other segments of the tourism industry, such as guided tours and convention programs, there are no substitutes for personalized service, and efforts must accordingly be made to anticipate labor requirements some years in advance to assure that high quality, well trained personnel will be available when they are needed.

I. 4. PRODUCT DESIGN STRATEGY

A. General Remarks

"Product design" is the essential first step in any country's tourism marketing process. It can be defined as an understanding of exactly what the country is trying to sell, and to whom. The product design approach assumes that once the tourism product (or products) is known, the actual techniques for selling it will evolve logically depending on the attributes of the product and its inherent competitiveness on the one hand, and the location, size, and nature of the market on the other.

It should, however, be noted that the techniques involved in product design have not, and possibly cannot, be reduced to an exact science. Nevertheless, it is important to recognize the significance of product design for national tourism planning because of the basic nature of the tourism industry. A large proportion of tourism flows within a country are "voluntary" in the sense that they relate to discretionary consumption. In this sense, the product design exercise must begin with a consideration of human motivations for travel.

In studies undertaken by the United Nations in other countries, a set of ten different, although not mutually exclusive, tourism motivations has been used. These include:

1. Production: business, meeting, mission.
2. Health: visiting spas and special clinics
3. Family: visiting relatives.
4. Security: travel for rest and recreation by members of the armed forces.
5. Hospitality: visiting friends.
6. Education: formal or informal, including research.
7. Recreation: active and/or passive.
8. Culture: art, history, music, religion.
9. Politics and Diplomacy.
10. Home Resettlement.

The relative weight to be assigned to each of these motivations will differ from country to country, and some of them are obviously not appropriate to Iceland. Although a motivational analysis of tourism to Iceland is not yet available, an ordinal listing of the most important motivations for visiting Iceland would probably be headed by Recreation (Motivation #7), followed by Production (Motivation #1), and Education (Motivation #6). While travel for production purposes is most often a

function of the economic and political posture of a country and is thus not susceptible to purely promotional activities, good product design can improve the quality of the experience for the business visitor as well as for tourists whose travel exhibits a higher elasticity of demand.

No destination area can supply the range of products necessary to meet the demands of all segments of the recreation, education, or other markets listed above. What it can do is to package and promote its most important products in such a way as to serve identifiable segments of each market, expanding and improving them to meet changing demand and to take advantage of market opportunities as they arise to maximize the economic return to the country. The following sections provide an analysis of Iceland's product mix and suggest ways in which this mix could be improved or diversified to increase its marketability among selected motivational types as well as to assure visitor satisfaction and foster return visits to Iceland.

B. Iceland's Product Mix

Iceland's uniqueness is its most important tourism product. This quality is reflected in its climate, its geology, its natural history, and the way in which its citizens have succeeded in extracting one of the world's highest standards of living from what is essentially a hostile environment. Specific characteristics which have had, and will continue to have, broad appeal in Iceland's tourist markets include the fire and ice phenomenon; the fact that the country is uncrowded, its nature unspoiled, and its air and water clean; and Viking history as documented in the renowned Icelandic sagas.

The projects proposed for development in this second phase study have been designed to add dimension to Iceland's basic product. The mini-museum concept, in particular, suggests many possibilities for new circuits which will increase visitor flows around the island and help to relieve the concentration of tourists in the Reykjavik area. The research facility will provide a necessary emphasis to Iceland's wealth of geothermal resources and to the many points of geological interest which exist throughout the country. The center should also attract groups of special interest visitors participating in study tours or other scholarly activities. The Visitor Center on the Austurstraeti will also serve to focus the attention of tourists on Iceland's major assets and attractions, as well as to inform them of the variety of tours, accommodations, and services that are available to make their stay a pleasant and informative one.

In addition to its tourism resources that have been or should be developed to attract the general purpose visitor, Iceland has certain products to sell in markets that are motivated to travel for specific recreational or educational purposes. Among these are skiers, naturalists, photographers, geologists, fishermen, health curists, and participants in meetings and conventions. Specially designed tour packages are already available for some segments of these markets, in particular salmon fishermen, naturalists, and geologists. Convention business is also being brought in, but not to the extent that would be possible with a well organized and broadly cooperative effort to pursue convention prospects who meet during the spring and fall when Iceland's convention facilities would be more than adequate to serve them.

Other activities, while available, are not widely nor effectively promoted in overseas markets, such as summer skiing on the glaciers, fishing for trout and char, and sea angling. Still others, like recreational and therapeutic use of Iceland's natural hot waters, lack the facilities necessary to provide the kind of experience that international visitors expect from a traditional or resort spa destination.

Foreign scientists and explorers participating in educational expeditions or research activities are also a small, but important, specialty market for Iceland. The National Research Council, which has responsibility for issuing research permits to foreigners undertaking scientific research on Icelandic territory or coastal waters, reports granting 86 permits to individuals and groups in 1973. Unlike the typical general interest visitor to Iceland, many of these researchers remain in the country for a month or more, and undoubtedly make a significant contribution to Iceland's total tourism receipts. The general goals of product design activities relating to scientific researchers and explorers should be 1) to induce them to combine their research efforts with sightseeing and other leisure activities; 2) to encourage them to extend their length of stay; and 3) to foster return visits for either educational or recreational purposes.

C. Recommendations for Product Refinement and Diversification

While present promotional activities and tour offerings demonstrate a good understanding of what is unique in Iceland and the markets this uniqueness is likely to attract, further refinement and diversification is required in several areas. Efforts should be made to make a larger selection of tours available during the off-season, especially to convention

and stopover visitors whose choices are now restricted to the two or three tours which are operated between October and April. Special reduced rate packages should be developed for the local market. Photography tours are another possibility, as are opportunities to participate in winter sports activities such as ice fishing, skating, and snowmobiling. In addition, fly/drive tours should be marketed in North America and Europe to attract more independent visitors.

More coordination is required among operators of highland tours to alleviate massing problems at island campgrounds. As was pointed out in the Phase One report, most tours begin on Sunday, and follow essentially the same route. If departures could be staggered or routing changed, campers would be less likely to encounter large numbers of people at a single campground, and the quality of the camping experience would be markedly improved.

Tourism promoters now recognize that inclusive tour packages have strong appeal in many markets. Because tour wholesalers are granted reduced rates for large volume purchases, they are able to offer their product to the public at very attractive prices. Moreover, the buyer knows in advance what he is getting, and how much it will cost. Since Iceland's appeal is more to the well-traveled and highly sophisticated than to mass tourism markets, it is important that inclusive tour offerings emphasize independence as well as economy. The buyer should know that while the major details of his trip will be taken care of, he will still be free to step out on his own and will not have to travel everywhere in a group. He must also be made to feel that prices are competitive with tour offerings to destinations with comparable products in other countries.

Fuller use of the basic elements of Iceland's tourism industry can be achieved through the introduction of products which will help to reduce seasonal peaks and valleys. The most promising prospect for such diversification is an attractive off-season convention product that will appeal to a select group of meeting planners in North America and Europe. The product should provide opportunities for pre- and post-convention tours, and emphasize personalized service.

Other possibilities for product diversification and improvement directed at modification of seasonality patterns include the design and promotion of all-inclusive fishing packages^{1/} in the spring and fall, the development of Akureyri and Blafjoll near Reykjavik as centers for

^{1/} Fresh water fishing for trout and char is open from January to September and sea-angling is available year round.

winter sports activities, and the encouragement of new special events, festivals, and competitions during off-season months. It should be recognized that, while many of these activities may attract only small numbers of additional foreign visitors, they will do much to improve the quality and quantity of recreational opportunities for Iceland's own citizens, and perhaps help to stem the flow of local residents who now spend their vacation dollars overseas.

I. 5. MARKETING STRATEGY

A. General Remarks

Major elements of a tourism marketing program include market research, country promotion, the development and maintenance of sales channels through tour operators and retail agents, consumer advertising, and specialized market promotion. As stated in the section on Product Design, a strategy for marketing a tourism product should evolve quite logically from (a) what the destination is selling - the Product itself; (b) to whom - the nature and size of the potential market; and (c) its competitive advantages when compared to the offerings of other countries. The key to the success of the entire marketing effort is effective communication between the producer of the tourism product and the consumer who makes the purchase decision. Unless there is such communication, no sale will take place.

B. Market Research and Statistics

For its promotional activities to have the desired effect, a country must know the nature, size, and requirements of its markets. This knowledge should be based on actual visitor statistics, surveys of visitor motivations and behavior, and a research program designed to build an awareness of trends and developments in tourist-generating areas as well as in competing tourist destinations. On the basis of this information, a country can set its marketing targets, monitor the results of its marketing program, and make adjustments where required.

Up to now, the only data available to tourism market researchers in Iceland has been Immigration statistics on arrivals and departures by nationality and by month. To provide the more detailed market statistics that will be necessary for future planning, it is recommended that Iceland require its visitors to complete a disembarkation card when they enter the country. The card would pose a limited number of standard questions including name, home address, nationality, sex, date of birth, arrival flight number, anticipated place of stay in Iceland, and purpose of visit (business, holiday, visit friends and relatives, official mission, other). It would be inspected, date stamped, and attached to the visitor's passport as he passes through Immigration upon arrival, then stamped again and removed from his passport as he departs. This system, which is used by several countries including Japan, facilitates the collection of important information on actual (rather than intended) length of stay which would otherwise be unobtainable except by asking visitors to

complete a second (departure) card.

Another type of information which is required by tourism planners is knowledge of visitor attitudes, preferences, and behavior. The most reliable technique for obtaining such information is by means of a visitor survey, in which a randomly-selected sample of departing tourists is asked about their visit (where they stayed, what they saw, how much they spent), their travel habits, and their opinions and impressions of the destination. It is recommended that Iceland conduct such a survey at least once every four years, beginning as soon as possible. The survey methodology and sampling procedure should be developed with expert assistance, and the airlines should be asked to cooperate in distributing and collecting the questionnaires.

Information of visitor characteristics gained from analysis of disembarkation cards and survey results can be supplemented with data supplied by hotels, local tour operators, and other tourist facilities in Iceland. Consideration should also be given to conducting a survey of the travel and recreational habits of local residents in order to develop a better understanding of the important domestic market. Market studies in principal tourist-generating countries can also provide much useful information, but the costs involved would no doubt exceed Iceland's entire research budget. It might be possible, however, for Iceland to join forces with other Scandinavian countries in sponsoring surveys of consumer preferences and attitudes.

C. Country Promotion

Country promotion consists of publicizing the country, its land and its people, its goals and prospects, and its political and economic position in the international community of nations. The aim of this type of promotion is not to attract tourists directly - although it is a very important aspect of tourism promotion - but rather to improve the country's image and to achieve specific foreign policy and international economic objectives. In most countries, the main sources of this type of promotional material are the foreign ministries and government agencies concerned with attracting foreign investments.

Iceland has embassies in the United States and in most of the major tourist-generating countries of Western Europe. Since financial limitations restrict the number of overseas offices that can be maintained for the sole purpose of promoting tourism, these embassies should be prepared to answer potential visitors' questions about Iceland and to distribute information of the country's tourism attractions and facilities. The embassies might also be asked to host receptions for leading tour operators and travel agents, and to sponsor lectures, films, and handicraft exhibits aimed at familiarizing prospective travellers with the people and products of Iceland. Anything that Iceland can do to overcome its image as a land of icebergs and polar bears would be beneficial to its tourism industry.

D. Trade Promotion

Trade promotion consists of developing and maintaining sales channels with travel agents and tours operators, both within the destination country and abroad. In Iceland, there are indications that the number of tourists coming to the country on prepaid tours is an increasing percentage of total visitors each year. This is supported by the fact that Icelandic tourist bureaus, which are responsible for making local arrangements on behalf of foreign tour operators, took in more than 30 percent of all foreign exchange receipts from tourism in 1974, compared with 19 percent in 1972. If stopovers are excluded, the great majority of participants in package tours to Iceland originate in European markets.

Retail travel agents are also important marketing channels because of the influence on their clients' selection of vacation destinations. For example, a recent study of the character and volume of the U.S. travel agency market (Travel Weekly, 1975) revealed that 60 percent of pleasure travel customers do not have a particular destination in mind when they first contact the agency, suggesting that their vacation decisions are contingent upon the recommendations - or preferences - of travel agents.

Foreign travel wholesalers and retailers are not exclusive salesman for any single destination. They sell any number of destinations which they feel will satisfy their customers, and from whom they can expect to receive adequate compensation. There are

several pre-requisites to securing effective cooperation from tour operators and travel agents in selling a tourist product. These include:

- The availability of complete and up-to-date information on the product, such as outstanding attractions, nature and size of the tourist plant, costs, and tour circuits.
- An indigenous sales network capable of handling all local arrangements, such as booking hotels, securing local airline tickets, arranging airport transfers, scheduling tours, and developing specialized itineraries.
- A competitive product and a commission structure that will provide adequate incentives to both the foreign wholesaler or retailer and his local counterparts to sell and to service the volume of business generated.

While Iceland now meets most of these basic pre-requisites to maintaining good relationships with the travel trade, there is room for improvement in several areas. As was pointed out in the Phase One report, price quotations should be in a single currency and should be made available to tour operators in time for them to be included in printed brochures.¹ Also, a centralized booking system for hotel rooms should be established to minimize the number of agents who complain about difficulty in securing block bookings and firm reservations for accommodations. Moreover, to encourage private travel agencies in Iceland to devote more energy and resources to the development and promotion of local tours, the Icelandic Tourist Bureau (ITB) should divest itself of its travel agency functions as soon as possible.

^{1/} It is recognized that Iceland's current economic situation makes it difficult for the local tourism industry to quote prices in foreign currency six months to a year in advance. It is recommended that price quotations include the notation that they are subject to surcharges for currency fluctuations and increased fuel costs. This system is already being utilized by at least one foreign tour operator in its printed brochures for Iceland.

Information on new tour circuits, attractions, and facilities should be made available to the trade and, where possible, published in the trade press in Europe and North America. In addition, Iceland's travel industry should cooperate in providing familiarization tours for major travel agents and tour operators. The best way of teaching a salesman about a tourist production is to have him experience that product for himself. Care must be taken, however, to insure that such tours are viewed by the trade as useful educational tools and not merely cocktail party junkets for those with some free time of their hands.

Other means of informing the travel trade about the Icelandic tourism product include participation in trade fairs and sponsorship of special presentations and travel exhibits in major tourist-generating markets. Because Iceland has, and will continue to have, limited financial resources for tourism marketing, it is important that each single promotional activity be planned and organized for maximum impact. For this reason, it is recommended that the initial program for trade promotion be concentrated in a few selected European markets, in particular those cities from which direct flights to Iceland are currently available.

E. Consumer Advertising

Consumer advertising activities are directed at the actual and potential travelling public and consist of (a) media utilization (newspapers, magazines, radio, television), and (b) editorial publicity especially from travel writers. Both are designed to contribute toward the development of a country image among potential customers in target markets as well as to stimulate market interest in the product hopefully to the point of purchase.

Since Iceland cannot afford to conduct a massive advertising program on both sides of the Atlantic, it is recommended that consumer marketing expenditures be restricted to the purchase of advertising space in North American periodicals with a broad readership among the higher-income, more widely travelled and more sophisticated segments of the U.S. and Canadian travel markets. Choices would include the New Yorker, Atlantic Monthly, Harpers, National Geographic, and Smithsonian Magazine, all of which have an international audience of both general and special interest readers. Expert advice and assistance should be sought to prepare the advertising copy, to select the most

appropriate channels of communication, and to monitor effectiveness of the message. The message itself should be designed to stimulate and inform, with the type of stimulation and the degree of information carefully related to identified markets.

A well-organized travel writers program can also contribute to the development of consumer awareness of the Icelandic product. Compared to media advertising, this is a relatively inexpensive method of consumer promotion and one to which the entire travel industry can contribute through in-kind, rather than cash contributions.

The concentration of consumer advertising expenditures in North American markets is recommended not only because of the reputed power of the media as a sales channel in the United States and Canada, but also because it is felt that Iceland suffers much more from a "lack of image" among prospective North American travellers than it does among target markets in Western Europe. As is the case with any product being introduced in new markets, communication is necessary to arouse interest in Iceland, to inform potential buyers of its merits as a tourist product, and to dispell any misconceptions they may have about its suitability as a vacation destination.

F. Specialized Market Promotion: Conventions

The promotion of the convention product in international markets requires specialized marketing activities. In general, these activities are most effective where the product suppliers - hotels, airlines, local tour operators and transportation services - join forces in a cooperative effort to identify and pursue convention prospects, and to follow through with servicing. It is therefore recommended that a convention bureau be established for Iceland which would function as an arm of the new national tourism organization. The bureau would have as its objective the marketing of Iceland's convention facilities particularly during the off-season, among persons who are influential in organizing meetings on behalf of business organizations or professional and trade associations, both in Europe and North America. These decision-makers may include the executive secretaries of national and international associations, meeting planners for business organizations, and travel agents who specialize in group business.

As outlined in the Phase One evaluation of Iceland's resources for conventions, the marketing strategy should begin with research. From the tens of thousands of associations and business organizations that hold conventions on a regular basis, it is necessary to identify and isolate those that are of a size compatible with Iceland's facilities and that might reasonably be persuaded to hold a meeting in Iceland. The first phase of the research program might concentrate on preparing a list of potential customers from published directories of associations and international organizations. A survey questionnaire could then be designed and mailed to selected prospects soliciting data necessary for further analysis of each group's potential as a buyer of the Iceland convention product, including information on the size of the group, when they meet, where they have met before, the type of accommodations and facilities they require, when decisions are made, and their interest in holding a meeting in Iceland. Responses would indicate the names of the groups that merit further attention. Similar techniques could later be applied to prepare a list of European and American business corporations who might be enticed to conduct sales meetings, seminars, or trade shows in Iceland.

Once the most promising convention prospects have been identified, the next step is one of merchandising. Descriptive brochures and information packets should be prepared and mailed out to the executive secretaries of all associations on the prime list. These mailings should be designed to supply the convention planner with as much information as possible on Iceland's convention product, including special attractions, facilities and equipment, services, pricing, and the availability of pre- and post-convention tours. Above all, they must aim at convincing decision-makers that Iceland can provide meeting participants with something more in terms of relevance to their professional interest and touristic appeal than the hundreds of alternative destinations competing for their business.

Inquiries made in response to the merchandising campaign should be followed up immediately by direct mail or, where feasible, by personal contact. While the convention bureau's budget may not be able to absorb the expense of a permanent travelling salesman, it should be possible to include convention promotion activities in the itineraries of other national tourism officials when they travel abroad. A select group of meeting and convention organizers might also be invited to Iceland to inspect its facilities firsthand. Once Iceland has been selected as a convention location, promotional materials should be sent to all potential participants with the objective of maximizing attendance.

Another important element of a convention marketing strategy is servicing to ensure the quality of the Iceland experience for organizers and participants alike. The convention bureau will be responsible for coordinating arrangements with all product suppliers and for making sure that each convention program is carried out as planned. As was pointed out in the Phase One reports, a single bad experience for a single convention can all but ruin future potential for years to come. On the other hand, word of a particularly successful experience will spread rapidly among meeting planners, and also among conventioners who are potential publicity agents for the Icelandic tourist product.

II. IMPLEMENTATION OF THE TOURISM DEVELOPMENT PROGRAM

A. Institutional Reorganization

A redoubled effort on Iceland's part to increase the numbers of tourists and especially to enhance the enjoyment both Icelanders and foreigners derive from travel in Iceland will require a certain amount of reorganization in the agencies currently charged with directing tourism in Iceland. The purpose of this sub-section is to outline the form of a recommended National Tourist Organization for Iceland.

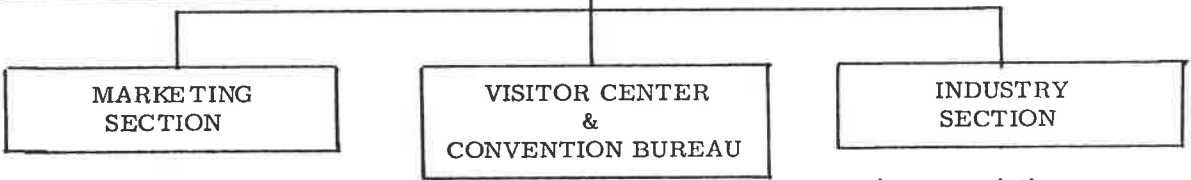
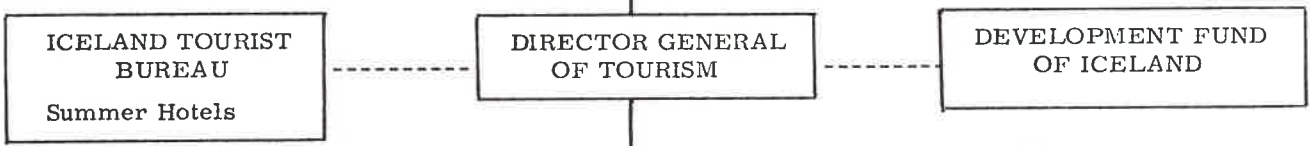
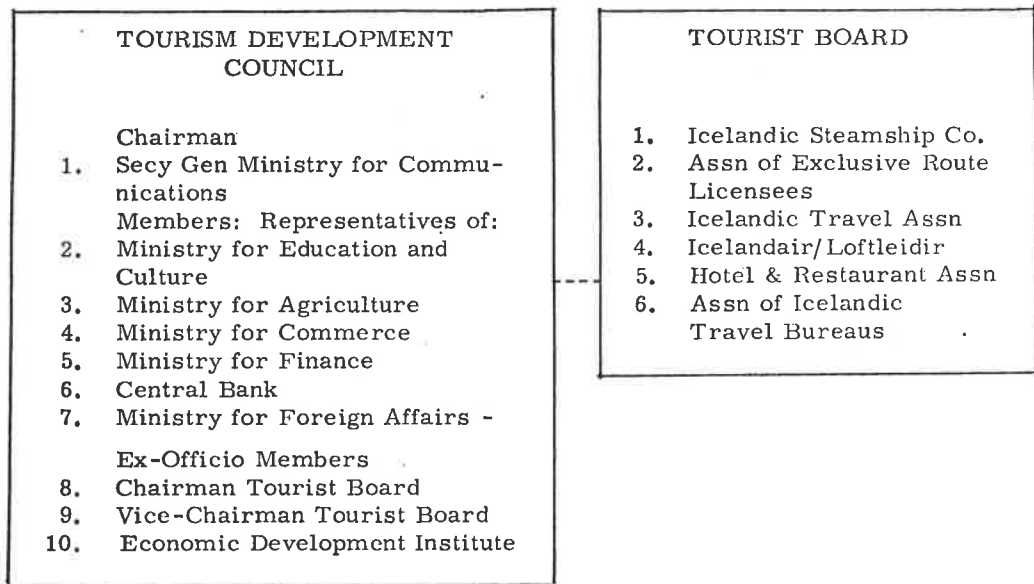
The proposed National Tourist Organization is shown diagrammatically in Exhibit V-8 on the following page. Overall direction, policy-making and responsibility for tourism will continue to be lodged in the Ministry for Communications. For obvious reasons, the Secretary-General of the Ministry for Communications would also serve as the chairman of the Tourism Development Council, which is seen as the principal organ for inter-governmental consultation and planning in tourism development. The membership of the Tourism Development Council will consist of representatives from the major governmental offices concerned with tourism development and policy: the Ministries for Education and Culture, Agriculture, Commerce, Finance and Foreign Affairs; and the Central Bank of Iceland. Rounding out the Council in an ex officio capacity will be a representative from the Economic Development Institute and the Chairman and Vice-Chairman of the Tourist Board.

The Tourist Board is the private industry counterpart of the Tourism Development Council. Included in its membership are representatives from the major transportation industries in Iceland, the hotel and restaurant association and travel bureau association. The Tourist Board is the principal advisory group to both the Tourism Development Council and the Ministry of Communications itself (through the Secretary-General). It is especially hoped that including two of the Board's representatives as ex officio members of the Tourism Development Council will increase and improve the coordination between public and private bodies concerned with tourism development.

Day-to-day direction of tourism will be the responsibility of the Office of the Director-General of Tourism. This individual will exert the main operating influence on tourism development in Iceland, and

EXHIBIT V-8

NATIONAL TOURIST ORGANIZATION



- Country Promotion & Publicity
- Special Events
- Visitor Center & Convention Bureau
- Sport Fishing Promotion
- Overseas Offices

- Accommodations
- Clearing House
- Inspection
- Licensing - Travel Agents & Tour Operators
- Sanitation & Conservation

hence should be a person familiar not just with touring in Iceland but with the mechanics of attracting foreign visitors to Iceland, publicizing Iceland abroad and so forth. In particular, what is needed is an individual, perhaps with both a private industry and public sector background, who has an understanding of the intricacies of promotion, organization, and budgeting. It is expected that many of the functions of the Director-General's office will be assumed from the existing Iceland Tourist Bureau (ITB). All matters of long-term development, publicity and operating policy should thus be ceded by ITB and come under the aegis of the Office of the Director-General of Tourism.

The Office of the Director-General should concentrate its efforts in three directions. Its marketing section will undertake the functions of both domestic and foreign publicity, and should plan to operate a number of special events geared for tourists and local residents alike.

A second wing of the Director-General's Office will oversee the operation of the visitor center and the proposed convention bureau. The bureau will operate on the basis of long-term plans drawn up by the Director-General's office to increase the number of conventions in Iceland and thereby improve the seasonal distribution of visitor arrivals. It is expected that the principal target of its efforts would be the United Kingdom, Continental Europe and North America. Not only are these areas currently under-represented in Iceland's conventions picture, but organizations from these regions are more likely to hold their meetings in spring or fall, as opposed to the Scandinavian groups who now make up so large a portion of Iceland's convention market and almost always schedule their events for the summer. It is hoped that the new convention bureau will find the recommendations of the Phase One report of use in beginning operations.

A third section of the Director-General's office will be charged with working directly in certain areas of the tourism industry. This industry section will handle all necessary licensing and inspection operations involving agents and tour operators. It will assume the functions of sanitation and conservation of existing attractions as well as of new ones that Iceland may construct or develop. And it should initiate an accommodations clearing house to improve the utilization of hotel rooms throughout the country and also to enable foreign visitors to stay in Icelandic homes in Reykjavik, particularly in the summer months when hotel accommodations may be difficult to find.

While the Office of the Director-General of Tourism is clearly to be the cornerstone of tourism operations in Iceland, it will work as necessary with ancillary agencies. It should be able, for example, to draw on the resources of the Development Fund of Iceland, should it initiate new projects that would qualify for funding from that source. It is also important that the relationship of the existing Iceland Tourist Bureau to the proposed Office of the Director-General be spelled out. Many of the current functions of ITB are obviously recommended for transfer to the new agency. In particular, most of the administrative staff and marketing and promotion personnel from ITB should be shifted. The sole function of ITB that it should retain is the operation of the summer hotels, an operation requiring only a small staff. In time, it is to be hoped that ITB can sell these hotels to the various localities in which they are located, so that the localities can run them in conjunction with their mini-museums and summer huts and so better organize tourism in Iceland as a regional enterprise.

It should be apparent that this proposed reorganization of the direction of tourism in Iceland would not involve a great deal of new hiring or budget increases. Particularly in the Office of the Director-General of Tourism, the principal effort is one of shifting functions from existing agencies and reorganizing them under three well-defined categories. It will be clear from the following sub-section on financing what the new functions assumed by the National Tourist Organization are expected to cost.

B. Financing Tourism Development

As shown in Exhibit V-9 the implementation of the recommendations in this study will require only modest amounts of capital. The capital requirements schedule draws on the financial feasibility information adduced in Volume Two for the visitor center and the natural history display network. For the former, it is assumed that the first phase of construction (involving three information kiosks and a rented information center on the Austurstraeti mall) can be completed in 1976, and that operation of the visitor center will commence in 1977. Phase Two construction will be completed in 1979 and the slightly larger operation will require a small increase in operating subsidies.

With the natural history display network, construction costs sufficient to construct two mini-museums per year are allocated; again, it is assumed that operations will begin the year after the first mini-museums are built. Naturally, as the museums proliferate the operating subsidies increase.

The summer huts program to append simple lodgings to the major mini-museums will require smaller amounts of capital than the natural history display network. It is estimated that basic structures can be built for \$2,500 per bed (\$5,000 per room); thus the figures shown include construction of 20 beds (perhaps two structures of ten beds each) in 1976 and 1977, and double that number from 1978 until 1980.

The convention bureau and accommodations clearing house are budgeted at \$50,000 each in 1976. While the expenses in real terms will not rise, a ten percent inflation index is built in for the next four years.

The total requirements, fluctuating from \$473,000 in 1977 to \$619,000 in 1979, are reasonable in themselves and particularly well-suited to a small country like Iceland where capital is expected to be scarce in the intermediate run. The question does arise, however, as to the likely sources of capital for these projects. In the case of each investment, it is possible to identify a number of beneficiaries. Therefore, while it may be difficult to arrive at an exact formula for sharing the load, the diversity of beneficiaries should make it possible to spread the burdens and so avoid too heavy a load on any one source.

For the visitor center, the beneficiaries are first of all the citizens of Iceland in general, who benefit from the foreign exchange earnings of increased tourism. Assistance from the Government of Iceland should thus be forthcoming. But the City of Reykjavik and also the private businessmen in the Austurstraeti area also stand to gain, and so should be induced to participate in the building and running of the visitor center. The national government assistance might logically come from the Development Fund, particularly as the amount necessary would be quite small.

For the natural history display network, the dispersed nature of the projects makes local government initiative essential. In fact, up to 50 percent of the construction costs of the mini-museums should be the share of the local governments, with the remaining half put up by the national government. In this case, the Government of Iceland's portion might be channeled through the Regional Development Fund, once again because the total government share is not a large sum of money. Similarly, construction of the summer huts ought to be shared by the national and local governments.

The major source of funds for the convention bureau and the accommodations hotel clearing house will be the Government of Iceland,

EXHIBIT V-9

TOURISM DEVELOPMENT PROGRAM
 FIVE-YEAR FINANCIAL REQUIREMENTS
 (in thousands of dollars)

	1976	1977	1978	1979	1980
1. Visitor Center					
a) investment costs	90	--	--	60	--
b) operating costs	--	67	67	74	74
2. Natural History Display Network					
a) investment costs	240	240	240	240	240
b) operating costs	--	6	8	11	14
3. Summer Huts Program					
a) investment costs	50	50	100	100	100
b) operating costs	*	*	*	*	*
4. Convention Bureau					
a) investment costs	**	**	**	**	**
b) operating costs	50	55	61	67	74
5. Accommodation Clearing-House					
a) investment costs	**	**	**	**	**
b) operating costs	50	55	61	67	74
ANNUAL TOTAL	480	473	537	619	576

* Operating costs for the self-service summer huts are expected to be very minimal and have accordingly been excluded from this estimate.

** Investment costs for the Convention Bureau and the Accommodation Clearing-House are included in the totals for the Visitor Center.

Source: Checchi and Company.

since the agencies will come under the aegis of the Iceland Tourist Bureau. Nevertheless, the government may feel it justified to enlist the support of the numerous private beneficiaries (e. g. , hotels, restaurants, tour operators and so forth) of the new programs.

Financing for the ensemble of programs, in other words, will be a cooperative effort by private business, local government and the Government of Iceland. The section of this study devoted to institutional sources of financing indicates that the Development Fund of Iceland, through the Tourism and Regional Development Funds, are particularly good ways to channel government support to the Tourism Development Program. What remains to be worked out are the details on sharing between the different sectors.

It is clear from the foregoing that great care has been taken to find for Iceland investments in keeping with both its needs and its ability to pay. Current economic constraints impose definite limits on the financing of projects in tourism or any other field in Iceland at present. It is hoped that the modest scale of the investments recommended here will obviate the possibility of Iceland's delaying needed investment for purely financial reasons. For the same reasons, it is strongly recommended that new construction for the purposes of tourism development be exempted from applicable import duties and sales taxes.