

# Chapter 1

## Assessing the Competitiveness of Sri Lanka's Tourism in the COVID Period by Porter's Diamond Model

**Imali Fernando**

*Uva Wellassa University, Sri Lanka*

### **ABSTRACT**

*Tourism, one of the foremost services in the global economy, is a multi-complex system with travel, food, accommodation, leisure, and events. Tourism competitiveness is diverse, where each destination is enriched with unique resource endowments and strategies to enlighten. Within this notion, the COVID-19 pandemic is an external shock affecting global economies. This chapter applies Porter's diamond model to the tourism sector in Sri Lanka to enhance the competitiveness within the COVID-19 pandemic. A study sample has been derived by prioritizing locked-down areas due to COVID-19 by targeting key stakeholders. Within the light of scholarly works-based diamond model, six facets have been qualitatively discussed. As findings, stakeholders' vulnerability to external shocks is highlighted as the most vital facet. Main recommendations include (1) minimizing economic leakages, (2) destination re-branding, (3) product differentiations, (4) entrepreneurship development, (5) domestic eco-friendly travels, (6) special interest tourism (SIT), and (7) e-promotions.*

### **INTRODUCTION**

Tourism highlights as one of the fastest-growing economic sectors within the service economy and the main source of foreign currency for a large number of countries, especially the countries in developing states around the world (Fernando, 2015; Fernando, 2020). As further, by the vast human potential, national materials, and through multiple effects on areas of references, the tourism sector acts as a stimulating factor for economic development. Herein, tourism truly bond people with different types of leisure activities, that allows to inspire nature and natural environment, different destinations, variety

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of experiences, as well inspire the own lives with traveling, livelihood, and culture of other destinations (Fernando and Long, 2012; Fernando,2015). As mentioned by scholars (Cunha and Cunha, 2005), the open economy and the quick globalization and internationalization, had heightened the sector, to become the second most important global services sector by providing enormous foreign income to the economic prosperity of an appreciable number of destinations. Indeed the tourism sector is a critical global economic inventive for its potentiality on economic growth whereas the World Travel and Tourism Council (WTTC) pointed out that a growing national tourism sector is the main contributor to enhance employment, rise up the national income and improve the balance of payments as well as an important driving force for growth and prosperity in developing countries and a key contributor to reducing poverty (Fernando and Long, 2012).

Tourism is a multi-complex system, as stimulating equipment of the travel as, food and accommodation, influencing business services like health, sanitary and leisure, and a sector that could add value to certain products that couldn't do in any other economic activity (Fernando and Long, 2012; Fernando,2015). The tourism industry assigns a value to assets like climate, fresh air, scenic beauty, therapeutic mineral waters, landscape as such ensuring the development of less rich areas with resources, based on their natural and human resources (Iordache et al.,2010), and nature-based niche markets as Tea related tourism, gem related tourism and rural tourism (Fernando et al, 2016, Pattiyagedara and Fernando,2020). As its benefits will affect the economy of the territories, and promotes inter and intra-regional disparity elimination, as by being a remedy on prosperity in rural areas by urbanizing, housing constructions, road development, planning and lot of public activities. On the way, assuring the main objective of increasing the quality of the residents' livelihood, the ultimate goal of the destination competitiveness, (Iordache et al., 2010; Kim and Dwyer, 2003; Fernando, 2012). Importance of the Special Interest Tourism (SIT) has been enhanced in previous decades, whereby providing global opportunities on niche tourism products such as Medical, Sex, Tea, Rural, Spiritual, Adventure, Eco, Agro, Golf, Gem related and Culinary tourism (Fernando, 2012; Fernando et al, 2015). Therefore, develop inspirations upon creative repackaging or re-marketing and innovative new product offerings have been highlighted by many destinations. The composition of the Tourism sector has been illustrated in Figure 1, with basic eight sectorial interrelationships, as every part is essential for successful operations and survival.

Within the twenty-first century, more discretionary income levels among people and leisure time created a foundation for a new lifestyle affiliated with travel and tourism. On the contrary, tourism is an activity that the visitor/or traveler have to seek for the tourism service, or should come to the destination (Miller and Gibson, 2005; Kvist et al., 2006), although in other economic segments, the product should reach towards the customer to satisfy the needs. Tourism is an exception where the customer should visit the destination to visitation process, thereby, resulting in a heavy impact on local and regional economic development (Fernando, 2012). Over the last decades, tourism has been one of the sectors with the highest potential for expansion, as such improved transportation, communication and ICT have reduced traveling time-cost, thus resulted to increase in business trips, holidays and weekend outings, although have accelerated the growth of tourism and internationalization process, (Cunha and Cunha, 2005). The market growth of global tourism might due to, (a) ongoing internationalization that porous borders and generate transfers/or linkages between destinations (b) demographic changes in the global market structure, specially due to the "greying" of the Western world and tendency towards "experience hunting" within the younger generation (Generation Y) (Kvist et al.,2006). The tourism sector is the only industry in the service sector that has the potentiality to provide trading opportunities to nations regardless of the level of development (Bobirca, 2007). The sector inherits the positive and negative

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