

# The Guest-House Segment of the Tourism Industry 1- Growth in numbers and geographic expansion

By: Ibrahim Athif Shakoor



The Tourism industry in the Maldives can be said to have officially begun when 2 resort islands opened towards the latter half of 1972. From humble beginnings, the tourism industry has grown and expanded rapidly, both geographically into all corners of the country and manifested its dominance through GDP figures and employment numbers. Maldives is today known throughout the world as the best holiday destination for sun, sea and sand. We are, in fact, the 'sunny side of life' to the world.

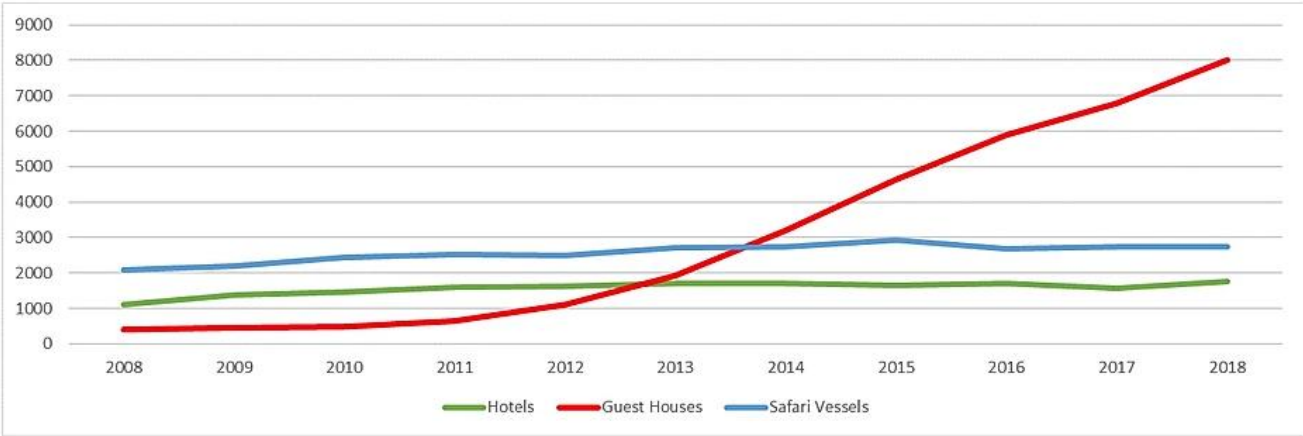
While this growth has been mostly on exclusive resort hotels built on uninhabited islands, a guest-house segment -where tourists are hosted in inhabited islands, have been registering exponential growth, since 2008, when the segment was officially recognized and promoted.

Maldivians have always played host to tourists at small guest-houses in inhabited islands. In fact, the fact-finding team who travelled to Maldives in 1971, and the first batch of 22 guests who arrived in early 1972, were hosted in small guest houses in the capital, Male'. This fast-growing, guest-house segment has only spread to all atolls of the country today. While unofficial estimates calculate that the number of beds in the guest-house segment at over 20% of bed capacity, official statistics at the end of 2018 recognize only 18.14%. From 400 beds in the segment at 2008, to 8,017 beds at the end of 2018, the guest-house segment show a remarkable growth of over 1900% during the decade.

While the Maldivian tourism product has been known and marketed as a private holiday on an exclusive and often an expensive resort island, the guest-house segment has opened the Maldives to a whole new customer base of more price conscious customers. Tourists who used to arrive in the Maldives previously were basically restricted to the choices and rates of the resort they check into. However, the guest-house segment is enabling a whole new cohort of budget sensitive tourists to spend their holiday in the Maldives- often spending 3-4 days at one or two guest-houses in different islands and topping it off with a night in a resort. This format, apart from budgetary considerations, offer access to a larger geographical stretch and wealth of natural beauty of the Maldives. Additionally, this segment has offered the opportunity to enjoy competitive rates for accommodation and other services, as multiple vendors on each guest-house island compete for business.

Detractors of the guest-house segment speak of the potential for injury to the culture and the Maldivian way of life because of the growing number of tourists living on local islands and mixing with locals in increasing numbers. Meanwhile advocates of the guest-house trade, point to the opportunities for growth to SME entrepreneurs, not only in accommodation services, but also in offering diving, snorkeling and fishing trips at very affordable rates. As an added bonus, even smaller house-hold level micro-entrepreneurs are able to offer laundry, masonry, carpentry, refrigeration and repair and maintenance services and earn, all the while resident on their home island and living with their family.

As an indication of the growing numbers of non-resort beds, today’s National Accounts offer a distinct line for ‘other accommodation services’ under the larger Tourism industry. The term ‘other accommodation services’ would, of course, include guest-houses, hotels, and safari vessels. However, a scan of the growth of beds outside of resorts clearly show, the energy and vitality of the guest-house segment and its authority on what is called ‘other accommodation services’ in the larger Tourism Industry.



Increase in Beds. Source Ministry of Tourism. Charts mer.mv

According to National Statistics, 'other accommodation services' was the leading driver of the larger growth in the tourism industry having grown by a massive 31.7% in the period 2013-2017 while the larger tourism industry grew by a modest 3.9% during the period.



% Growth. Source National Bureau of Statistics. Charts mer.mv

Official statistics also show that the guest-house segment is full of energy, growing at a rapid pace, and now clearly spread to all atolls of the Maldives. There is still lingering concern about the long-term effects on culture and the Maldivian way of life, but there can be no doubt, any longer, of the relevance of the Guest-house segment in the larger Tourism Industry.

An understanding of the changes and improvements necessary for the fast-growing guest-house segment to reach its potential and carry its own weight, is essential today. The segment can grow sustainably, contribute better to National Accounts, and offer better employment options, only when these areas are better understood.

The guest-house segment is here to stay. It's time for the larger tourism industry to recognize this truth and work with the segment for the larger good of the Tourism Industry.

Part 2 of this commentary will attempt an analysis of the relevance of the guest-house segment on two fronts; vis-a-vis National Account contributions and the preference of incoming tourists.