

# Business Success and Constraints in the Swedish Nature-based Tourism Sector



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Lundberg, C. & Fredman, P. (under review). Critical Success Factors and Constraints among Nature-Based Tourism Entrepreneurs. *Submitted manuscript*

# What's special about nature-based tourism?

- Nature-based attractions
  - Public good characteristics
  - Multiple stakeholders
  - Commodification of natural heritage
- Peripheral supply – urban demand
- Seasonal and climate dependent
- Lifestyle driven
- Lack of definitions and statistics
- Growing?



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# Some evidence from the literature

- The nature based tourism sector is flavoured by the paradox of attractions with public good characteristics generating economic flows in other parts of the economy (i.e. travel and lodging), and the lack of high-quality data on these matters call for further research on the supply side of the nature based tourism system **(Fredman & Tyrväinen, 2010)**
- Commercialization of outdoor recreation (including the retail sector) and increasing urbanization (more people with less everyday contact with nature demanding products and services when visiting nature) are the two major factors for economic growth in the nature based tourism sector **(Buckley, 2000)**
- The supply of nature based tourism is often described as a sector of small- and medium sized companies, sometimes accompanied by a few larger activity-based operators often located in rural regions **(Mehmetoglu, 2007)**



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# Some evidence from the literature

- Nature-based entrepreneurs may not have the accumulation of capital or profit as their primary objective, but rather the purpose to enable their selected life-style and many of them are lacking a formal education and knowledge regarding tourism operations **(Morrisson, 1999; Müller, 2008)**
- Studies in New Zealand tourism show that the rejection of economic and business growth is an ideological expression which does not necessarily result in financial disaster, but an opportunity to engage with 'niche' market consumers informed by values common to themselves **(Ateljevic & Doome, 2000)**



”Turism i natur  
Definitioner, omfattning, statistik”

Available at [www.etour.se](http://www.etour.se)

# Project design and data collection

1. 12 'Life story' interviews
2. 176 telephone interviews (Sveaskog, Ekoturismföreningen, LRF)
3. Follow-up 'critical incidence' interviews

**Aim:** to analyze business success and constraints among nature-based tourism entrepreneurs using Sweden as a case study and a mixed method approach to capture both qualitative and quantitative dimensions of this topic

# Type of business

- Lodging 30%
- Hiking, guiding etc. 27%
- Hunting, fishing 26%
- Kayak, canoe, sailing etc. 22%
- Horse riding 21%
- Conference, training, food etc. 19%
- Other 18%
- Dog-sledging, snowmobiling 12%

# Some business characteristics...

- **Number of business activities**

- One 40%
- Two 29%
- Three 14%
- Four or more 8%

- **Turnover**

- < 50 tSEK: 4%
- 51-200 tSEK: 21%
- 201-500 tSEK: 23%
- 501-1500 tSEK: 38%
- > 1500 tSEK: 13%

- **Location**

- North Sweden 47%
- South Sweden 53%

# Success factors (26)

Managers commitment	4,78
Access to natural resources	4,72
Manager competence	4,65
Life-style fits with the business	4,57
Own interest for outdoor recreation	4,51
Managers' network	4,31
Bounds to the local region	4,25
Relations to important operators	4,22
Ownership/access to establishments/structures	4,2
Product development	4,03
Collaborators	3,88
Financial resources	3,82
Commitment to business by family members	3,79
Possibility to make large investments	3,65
Destination marketing	3,6
The Right of Public Access	3,57
Good examples / Inspirers	3,3
Human resources (education, competence, attitudes, commitment)	3,24
Training and education	3,16
Certification and standards	3,03
Cooperation with foreign agents	2,85
Previous work experience from tourism	2,82
Membership in trade organizations	2,8
Sole right to natural resources	2,62
The Protection of Public Access to Beaches	2,55
Economic subsidies	2,39



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# Analyses

- A *factor analysis* was used to identify a smaller number of success categories
- *Linear regression* models were then estimated to predict what business characteristics are associated with the standardized z-scores obtained for each category
- A '*Success Index*' (SI) was estimated to rank the relative importance of each category

$$SI_i = \left( \sum_{j=1}^n X_{ij} \right) / n$$



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# Results

- Nine success categories were identified...
  1. Management (SI=4.43)
  2. Life-style (SI=4.29)
  3. Financial situation (SI=3.90)
  4. Local connection (SI=3.86)
  5. External support (SI=3.80)
  6. Natural resources (SI=3.67)
  7. Access (SI=3.04)
  8. Experience (SI=3.01)
  9. Networks (SI=2.90)
- ...we will take a closer look at the three most important categories

# Success categories

## 1. Management

- Managers' commitment
- Manager competence
- Managers' network
- Product development

>> No differences found among the companies studied

# Success categories

## 2. Life-style

- Life-style which fits with the business
- Own interest for outdoor recreation
- Commitment to business by family members.

>> Primarily small companies and companies combining different activities

# Success categories

## 3. Financial situation

- Relations to important operators
  - Financial resources
  - Possibility to make large investments.
- 
- >> Companies doing hunting and fishing and small companies
  - >> To a smaller extent companies doing hiking and guiding

# Constraints (15)



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Low profitability	3,28
Lack of capital for investments	3,13
Tax levels	2,96
Rules and regulations	2,86
Limited infrastructure	2,86
Exercise of public authority	2,83
Lack of destination marketing	2,51
Lack of knowledge	2,31
Land-owners	2,02
Recruitment of personnel	2,01
Education of personnel	1,83
Geographic location	1,83
The Protection of Public Access to Beaches	1,67
The Right of Public Access	1,59
Lack of access to natural resources (e.g. fishing grounds, hunting grounds, nature areas)	1,54



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# Analyses

- Same as for success factors...



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# Results

- Six constraint categories were identified...
  1. Capital and knowledge (CI=2.91)
  2. External restrictions (CI=2.56)
  3. Location (CI=2.35)
  4. External resources (CI=2.01)
  5. Personnel (CI=1.92)
  6. Public access (CI=1.63)
- ... we will take a closer look at the three most important categories

# Constraint categories

## 1. Capital and knowledge

- Low profitability
- Lack of capital for investments
- Lack of knowledge

>> Larger companies

# Constraint categories

## 2. External restrictions

- Rules and regulations
- Exercise of public authority
- Land-owners

>> Small companies

# Constraint categories

## 3. Location

- Limited infrastructure
- Geographic location

>> To a smaller extent among larger companies

# Conclusions

- This study shows that society can promote the future development of the nature-based tourism sector in several ways.
- Non-monetary and life-style related arguments could probably attract more people to enter this sector.
- Management, access to natural resources and external restrictions should be considered to promote all kind of business activities and throughout the business life-cycle.
- Access to natural resources and the financial situation is, however, of extra importance among those involved in hunting and fishing activities.
- As future growth of this sector is expected, we will also emphasize the need of more capital for investment, particularly to promote the development from small to larger nature-based tourism businesses.