



**Short Review Paper**

# Importance of tourism value chain analysis system (VCAS) towards pro-poor tourism development in Madhya Pradesh Region, India

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## Abstract

*Value chain analysis system (VCAS) towards Pro-Poor Tourism Development in Madhya Pradesh Region intend to explain that how the economic flows reaches various groups of society in the different region of the state. Over the past two decades, researchers and practitioners have given considerable attention to issues of tourism value chain governance. Various dimensions of tourism value chain governance, namely, policy, destination management and marketing, integration of distribution channels, and sustainability of the tourism value chain, are examined. An attempt has been made in this paper that Value chain analysis system (VCAS) has been conducted in an open and participatory way and further VCAS is used as valuable and proficient apparatus for capacity building which help to construct a common thoughtful of tourism destinations financially viable gap and for promoting good government tourism officials.*

**Keywords:** Value chain analysis (VCA), Tourism Destination, Companies, Monitoring committees, Global panel, e-governance family-friendly, Networking, Local economy etc.

## Introduction

A value chain is a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market. The concept comes from business management and was first described and popularized by Michael Porter in his 1985 best-seller, *Competitive Advantage: Creating and Sustaining Superior Performance*. The idea of the value chain is based on the process view of organizations, the idea of seeing a manufacturing (or service) organization as a system, made up of subsystems each with inputs, transformation processes and outputs. Inputs, transformation processes, and outputs involve the acquisition and consumption of resources - money, labor, materials, equipment, buildings, land, administration and management. How value chain activities are carried out determines costs and affects profits. Value chain analysis has also been successfully used in large petrochemical plant maintenance organizations to show how work selection, work planning, work scheduling and finally work execution can (when considered as elements of chains) help drive lean approaches to maintenance<sup>1</sup>.

## Aims and objectives

Successful value chains are founded on good and strong connections. Participants were invited to use this opportunity to connect with peers around the globe and make the connection between work currently being carried out on value chains and their own particular circumstances.

The conference provided a valuable and practical learning opportunity for representatives of private companies and farmers organizations, as well as aid organizations, governments and civil society. It enabled participants to share ideas, knowledge, new approaches and best practices in order to strengthen the efficiency and profitability of existing commercial value chains and assist those working to promote value chain development for the benefit of smallholder communities.

## Importance of value chain analysis

Value chain analysis has been acknowledged a valuable apparatus it consists two types of activities: primary activities and supportive activities. Primary activities are most of the value for the customers are created. The support activities are those that are undertaken to the individuals and groups engaged in doing in primary activities. It also provides the latest and real scenario of the tourism economy and its pro-poor linkages in a specific tourism destination and a generic framework to analyze both the behavior of cost as well as the existing and potential sources differentiation between companies. It also use for cluster analysis and to obtain valuable information for local government and other key stockholders.

## Tourism in Madhya Pradesh – Looking ahead

Government of Madhya Pradesh and the private sector both develop the infrastructure for tourism like hotel and accommodation in the area of tourist interest, operating

transport fleet of coaches, cars and organizing package tours in the state. Promotional activities and marketing of tourist destination and facilities has also been a major concern of the state tourism department. However they make an attempt to cover maximum destination of the state by their efforts but with the result that there has been a vast difference among the places and activities of venues which has been scheduled for common developmental Programmes. The point of concern is they both government and private sector has been over-emphasis at certain venues, while some other important places and activities have been neglected.

### Strategy for development

The State Department of Tourism will focus on certain areas as improvement and establishment of sufficient basic infrastructure – land, road, water, electricity etc., progression and escalation of accommodation, catering and recreational facilities, expansion of transport facilities, promotion and marketing of destinations to ensure best possible use of infrastructure, establishing and strengthening institutions for the improvement of human resources, growing suitable policies for increasing foreign exchange earnings, encouragement of the arts and handicrafts of the State.

**Value Chain Analysis System (VCAS) at Industry Level:** An industry value-chain opening with unprocessed materials which convert into final product (also known as the supply chain), is a physical representation of the various processes involved in producing goods (and services). It is based on the notion of value-added at the link (read: stage of production) level. The sum total of link-level value.

**Value Chain Analysis System (VCAS) at Global Level:** The Global enterprises often developed world wide market connectivity, invest abroad and establishing link that provided facilitate to services at home. These enterprises locate "research, development, design, assembly, production of parts, marketing and branding" activities in different countries around the globe to enhance efficiency and to optimize their profits. For Example in China and Mexico the cost of labor is very lowest because labour-intensive activities.

**Value Chain Analysis System (VCAS) at cross border / cross region value chains:** Through global value chains, there has been growth in interconnectedness as MNEs play an increasingly larger role in the internationalization of business. In response, governments have cut corporate income tax (CIT) rates or introduced new incentives for research and development to compete in this changing geopolitical landscape. In an industrial development context, the concepts of Global Value Chain analysis were first introduced in the 1990s and have gradually been integrated into development policy by the World Bank<sup>2</sup>.

Value chain analysis has also been employed in the development sector as a means of identifying poverty reduction strategies by upgrading along the value chain. Although commonly associated with export-oriented trade, development practitioners have begun to highlight the importance of developing national and intra-regional chains in addition to international ones. For example, the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) has investigated strengthening the value chain for sweet sorghum as a biofuel crop in India. Its aim in doing so was to provide a sustainable means of making ethanol that would increase the incomes of the rural poor, without sacrificing food and fodder security, while protecting the environment<sup>3</sup>.

**Value Chain Analysis System (VCAS) at Firm-level:** At this level the value chain analysis system is based on two rich activities they are – primary and support level.

There are two different approaches on how to perform the analysis, which depend on what type of competitive advantage a company wants to create. Following steps are used to achieve cost advantage of firm.

**Step 1. Classify the firm's primary and support activities.** All that are undertaken to produce goods or services have to be clearly identified and separated from each other. This requires an adequate knowledge of company's operations because value chain activities are not organized in the same way as the company itself.

**Step 2. Set up the relative importance of each activity.** The total costs of product or service must be broken down and assigned to each activity and activity based costing is used to calculate costs for each process.

**Step 3. Identify cost drivers for each activity.** Only by understanding what factors drive the costs, managers can focus on improving them. Costs for labor-intensive activities will be driven by work hours, work speed, wage rate, etc. Different activities will have different cost drivers.

**Step 4. Categorize links between activities.** Reduction of costs in one activity may lead to further cost reductions in subsequent activities. Therefore identifying the links between activities will lead to better understanding how cost improvements would affect the whole value chain. Sometimes, cost reductions in one activity lead to higher costs for other activities.

**Step 5. Discover opportunities for reducing costs.** When the company knows its inefficient activities and cost drivers, it can plan on how to improve them.

### Differentiation advantage

VCA is done differently because the basis of discrimination benefit produce better-quality package, to pleasing customer

and fulfill their needs with adding up more features, consequently the cost structure would be higher.

**Step 1. Categorize the customers' value-creating activities.** Promotional tricks of the product plays very crucial role to create customer value so that company has to focus and plan the activity frequently. There are an number of product in the market which is success mainly because of their marketing strategy For example, Apple products.

**Step 2. Evaluate the segregation strategies for improving consumer value.** For increasing the customer value and the product differentiation company can use the dissimilar approaches and strategy like enhance customization, recommend balancing product, focused on customer service, and very important is adding new and extra product features.

**Step 3. Identify the best sustainable segregation.** Generally many interconnected activities and strategies using by manager outcome, higher differentiation and customer value, and to pursue the sustainable differentiation advantage they must grouping of these activities.

Primary Activities includes mainly follow: There are two type of activities followed in the value chain system: i. Primary activities: primary activities are inbound logistics, operations, outbound logistics and sales, services. All these activities very important to perform very particularly to get expected result. ii. Secondary activities: Secondary activities are procurement, Infrastructure, Human resource management and technological development.

SWOT analysis can be use to check the excellence of the system. Equally, other models can be used to assess performance, risk, market potential, environmental waste, etc.

## Conclusion

Value chain analysis has been acknowledged a valuable apparatus it consists two types of activities: primary activities and supportive activities. Primary activities are most of the value for the customers are created. The support activities are those that are undertaken to the individuals and groups engaged in doing in primary activities. It also provides the latest and real scenario of the tourism economy and its pro-poor linkages in a specific tourism destination and a generic framework to analyze both the behavior of cost as well as the existing and potential sources differentiation between companies. It also use for cluster analysis and to obtain valuable information for local government and other key stockholders.

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