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FROM THE AMERICAN PEOPLE

DOING BUSINESS WITH GREENLAND CASE STUDY

Launching the Next Global Travel Destination

CONTEXT

Greenland, the world's largest island, has an average of 105,000 domestic and international visitors annually, with almost half of them coming from abroad.¹ Although dependent upon the primary sector of fishing, Greenland has recently prioritized significant investment and growth in the tourism and mining sectors. Historically, the country has had close economic ties to Denmark and Europe, but it is increasingly looking to expand its commercial ties to support the growing and diversifying economy. Improvements to tourism infrastructure and strategic development are making Greenland more accessible than ever before to international visitors.

TOURISM SECTOR OVERVIEW

As one of the last few global destinations of vast and unspoiled nature, Greenland has been attracting increasingly more tourists looking to explore the diversity of the Arctic. The country has a robust but largely disconnected tourism sector composed of local independent tour operators, travel agencies, hotel and lodging providers, international tourism companies, and affiliated stakeholders. Boasting main visitor populations from Denmark, Europe, and the United States, Greenland's annual visitors grew an average of 4 percent annually over the last ten years until the height of the COVID-19 pandemic in 2020.² Visitor numbers are steadily regaining pre-pandemic levels as international travel has normalized, but Greenland's unique travel logistics make it an expensive and time-intensive destination.

In 2019, international tourists spent an average of 17 nights in country.³ With only two airlines flying into Greenland via Iceland or Denmark, it can take up to two days for international tourists to arrive. Travel to and within the country makes up much of visitors' costs. A typical two-week trip to Greenland for a couple in the high season can cost anywhere from USD \$5,000 to \$12,000, depending upon activities and departure destination.⁴ Greenland's towns and settlements are not connected by roads. This necessitates domestic travel by plane, ship, helicopter, ultra-terrain vehicle, and even dog sled in remote regions. These complex logistics limit travel from the average (mass-market) tourist, offering the most value to international

GREENLAND

Air Greenland. National airline, providing seaplane, jet, and helicopter service and scheduled flights.

Arctic Dream. Tour operator in East Greenland, featuring boat and dogsledding tours.

Sermilik Adventures. Tour operator in East Greenland, featuring overnight, immersive tours in nature.

Siku Tours. Tour operator in Uummannaq, featuring sailing, dogsledding, and fishing tours.

Two Ravens. Tour operator in Nuuk, featuring heliskiing, hiking, and camping tours.

1 "Number of Guests (TUEHOT)" International visitor numbers, 2012-2021. Greenland Tourism Statistics. December 16, 2022. <http://www.tourismstat.gl/>.

2 "Number of Guests (TUEHOT)" 2009-2019. Greenland Tourism Statistics. December 16, 2022. <http://www.tourismstat.gl/>.

3 "Average Number of Overnights Per Guest (TUEHOT)" 2019. Greenland Tourism Statistics. December 16, 2022. <http://www.tourismstat.gl/>.

4 "Travel budget and cost of living in Greenland." Where and When to Travel. January 4, 2023. <https://www.whereandwhen.net/budget/greenland/>.

tourists with an elevated spending power and the ability to take more than a week of vacation. New airports coming in 2024 to Nuuk and Ilulissat and in 2025 to Qaqortoq have the potential to reduce transit time and costs, as more direct flight routes service Greenland, but they highlight the country's desire for a growth strategy that focuses on attracting the "right" tourist rather than on increasing total visitor numbers.



THE 'RIGHT' TOURIST

Overall, tourists to Greenland want to experience the country's culture and natural environment, though at differing levels of physical activity.⁵ Greenland's tourist segments range from those who want to engage in physically challenging adventures to those who desire to observe or to engage in light activities. A sampling of available attractions includes hiking, hunting, dogsledding, whale and bird watching, heliskiing, ice fishing, viewing the Aurora Borealis, and more. While local operators, such as Sermilik Adventures and Siku Tours, provide immersive experiences, international operators, such as Powderbird and Quark Expeditions, bring luxury service to elevate these experiences and to attract new clientele. Targeting specific market niches of high-end tourists, adventure seekers, and cultural appreciators will best position Greenland for growth.

BARRIERS TO GROWTH

On the front lines of climate change, Greenland wants more visitors, but only through an environmentally friendly approach that does not overwhelm its modest population and delicate infrastructure. Common challenges facing the sector affect the country's ability to achieve its goals of sustainably growing the tourism sector while capturing more overall value.

ACCESSIBILITY. Despite North America's close location, there are no direct flights between Greenland and Canada or the United States. For most countries outside of Europe, it takes at least two flights and two days to reach Greenland. The country's remoteness potentially limits sector growth. Narrow-body jets can only land in Kangerlussuaq, a settlement an hour away by propeller aircraft from major population and tourism centers Nuuk and Ilulissat.⁶ Accessibility is more limited during the off-season in the winter, curtailing the development of low-season tourism business models.

INFRASTRUCTURE. Tourism infrastructure in Greenland includes roads, airports, heliports, harbors, accommodations, and more. As the country prepares for a boom in tourism, strategy and planning for tourism infrastructure development vary by municipality. With new airport construction in three of the four largest towns in Greenland, it is harder for smaller towns to be prioritized. Destinations such as Tasiilaq in East Greenland are geographically isolated with limited infrastructure but boast some of Greenland's best sites all in one place. Strengthening a hub-and-spoke distribution model around the new airports could provide for inclusive development of areas outside of the capital.

GROWTH FINANCING. As operators and accommodation providers consider growth approaches, they encounter the issue of capital. Businesses in smaller, lesser populated destinations have a harder time receiving bank loans due to the high burden to prove their ability to repay. Operators such as Siku Tours in Uummannaq seek investment to further expand business, preferring equity over debt financing to facilitate tourism growth. Many micro and small business operators in Greenland cite challenging loan repayments as a hindrance to their growth. Facilitating investment for operators and tourism businesses—particularly for infrastructure-related projects—could help usher Greenland into the next stage of tourism growth.

FOREIGN BUSINESS. The current tourism value that Greenland retains from international tourism companies operating in country falls short of its available potential. The most visible example of this is in the cruise industry. Greenland is a popular destination for many international cruise lines.

UNITED STATES

Powderbird. Heliskiing company, providing premier single and multiday heliskiing tours in Utah and internationally.

Quark Expeditions. Adventure travel company, providing luxury expedition trips to the Arctic and Antarctic.

5 "Market Segmentation in Greenland." Visit Greenland. December 20, 2022. http://www.tourismstat.gl/resources/Market%20Segments%20in%20Greenland%20Booklet_ENG.pdf.
6 Greenland: Economic Growth and Community Development Landscape Assessment (CrossBoundary LLC, January 2021).

Although Greenland applies harbor taxes on ships and per-person fees on cruise ship visitors, the tax and fee structure could be more comprehensive to compensate for the overall impact from cruise tourism. Cruise ships have a large environmental footprint, and its tourists spend little while in town, since their port stops are only a few hours long and since food and accommodations are provided on the ship. Moreover, foreign businesses without permanent facilities and without foreign employees in Greenland, operating on a short-term basis, fall under the category of “expedition activities,” essentially operating freely in Greenland.⁷ They frequently bring in their own international guides and staff, squeezing local operators out of the market and limiting residents’ job opportunities.

International companies can also find it challenging to do business in Greenland. Weather disruptions are frequent and affect tourism planning and operations before and during the season. This unpredictability can make on-the-ground operations difficult and slows down communication for decision-making with local partners.

A FORWARD OUTLOOK

Given the challenges, tourism stakeholders can consider various opportunities to cultivate tourism growth in line with Greenland’s economic development and sustainability goals.

1. **ENHANCE ATTRACTIONS.** Greenland’s planned airports will enable increased flight capacity and shorter transit times but will not guarantee increased demand—“No one comes to a country because of its airport.”⁸ As accessibility becomes less of a challenge over the medium term, demand generation becomes the priority. Developing Greenland’s tourism attractions into realized destinations linked in a strong structural ecosystem will facilitate sustained revenue. Local stakeholders, such as Visit Greenland and Nalik Ventures, can aid in ecosystem development. Improved accessibility and expanded attractions will stimulate low-season tourism, creating year-round industry.
2. **CONSIDER LUXURY TOURISM.** As a part of its market segmentation strategy, Greenland focuses on adventure tourism—a high-value tourism niche. Another such niche, luxury tourism, is largely untapped for Greenland and has the potential to increase tourism revenue with fewer overall visitors. Luxury tourists are defined by their accommodation choices, staying in hotels or equivalent non-hotel accommodations of five or more stars and desiring unique and customized experiences that feature exclusivity, privacy, relaxation, and adventure. The luxury tourism market worldwide reached USD \$17 billion in 2021, with a projected 15 percent annual growth between 2022 and 2030.⁹ Adventure and safari tourism will be the leading segment in luxury tourism during this period.¹⁰ Appealing to this class of tourism in Greenland requires service industry maturation and infrastructure development, especially for accommodations. Following larger established luxury service operators, small operators, such as Arctic Dream, are leaning into this niche and evaluating potential offerings.
3. **DIVERSIFY MARKETING EFFORTS.** Tour operators in Greenland primarily market their offerings through travel agencies, social media, or proprietary websites. Many do not have the in-house knowledge to conduct their own marketing and instead work with larger operators and European travel agencies to market their attractions. Others engage in non-targeted social media use with paid promotions and advertisements. Although these methods serve current operator needs and fill capacity during the season, expanding their marketing efforts can help businesses capitalize on forecasted near-term growth. This could include working with more North American travel agencies and developing social media engagement to target Greenland’s optimal tourist segments.



7 Powderbird Vice President of Operations Kevin O’Rourke, interview by Evan Legé, December 2, 2022.

8 Air Greenland Chief Commercial Officer Henrik Bjørner Søe, interview by Evan Legé, January 5, 2023.

9 “Luxury Tourism Market.” Global Market Insights. January 19, 2023. <https://www.gminsights.com/industry-analysis/luxury-tourism-market>.

10 “Luxury Travel Market.” Straits Research. January 19, 2023. <https://straitresearch.com/report/luxury-travel-market>.

Marketing strategies for consideration include highlighting Greenland's environmental and cultural stewardship. Much of Greenlanders' way of life is conducted in sustainable and inclusive ways. Green operations and local hiring are the foundation of many local tour operators. Dominant traveler segments, such as millennials and luxury travelers, are making more eco-conscious decisions. Gaining sustainable and responsible tourism certifications, such as Green Key and EarthCheck, which carry weight in the international market, are one way to champion Greenland's sustainable brand.

4. **CAPTURE VALUABLE FOREIGN INVESTMENT.** Updating the current structure of business fees and taxes could more effectively capture value from existing foreign businesses that profit from Greenland's exclusive natural and cultural attractions. Additionally, attracting international companies that will also generate social value is important. These companies consider development objectives vital to their operations. Through its local partnership with Two Ravens, Powderbird is building the capacity of Greenlandic heliskiing operations. Quark Expeditions piloted and will soon scale Greenlandic culinary talent on one of its expeditions. Quark is also employing youth for internships in Sisimiut to support a pipeline for Greenlandic guide talent and to provide youth with possible career opportunities within Greenland. These meaningful interactions go beyond financial gain and increase the sector's value potential.
5. **CULTIVATE THE U.S. MARKET.** With the prospect of direct flights from the East Coast, the United States is potentially a significant tourism market segment for Greenland. Data show a dramatic increase in Americans planning long-haul, off-the-beaten-path travel to destinations such as Antarctica and Australia.¹¹ American tourists increasingly desire adventure and luxury travel, which could fit well into Greenland's current and future tourism strategies. Operators seeking to directly attract American tourists should understand their customer service preferences and boost English language skill sets. If considering doing business with American companies, researching required standard business insurances and becoming familiar with contracts will be useful preparation.

11 "New Travel Trends Survey Finds American Travelers Eager to Explore." Travel Pulse. January 19, 2023. <https://www.travelpulse.com/news/features/new-travel-trends-survey-finds-american-travelers-eager-to-explore.html>.

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