

Analyzing thailand s tourism industry tourism essay

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Abstract

In the present context of an increasingly globalized world, and the nature of the tourism industry, it is worthwhile to note if Porter's Diamond framework still provides answers to the changing competitiveness of Thailand's tourism and identifies success factors and factors detrimental to its competitiveness. A revised version of the Diamond framework has been proposed for the given context of tourism industry and Thailand state. This paper tries to analyze Thailand's Tourism industry using this revised form of Porter's Diamond Framework, identifying the various sources of competitiveness or the lack of it thereof. It attempts to identify key areas for improvement based on the above analysis and suggests solutions for the same. Keywords: Competitiveness, Thailand, Tourism, Diamond Model, Revised framework

Introduction

For any country tourism impacts not only revenues but employment and economic development as well. For Thailand, this is even more so. It is therefore important for Thailand's tourism industry to be competitive not just in ASEAN region but globally. Subsequent to the success of Visit Thailand Year in 1987, Thailand, a small country in the Asia Pacific region became the biggest growth story in the region with a growth rate of 7 %. Subsequently its economy (GDP) grew at an astounding 10.9 %, 13.2 % and 10 % respectively in the next three years - i. e. an average of 11.7 % from 1998 - 1990, about the best in the world. However, it did not maintain that growth subsequently, and its tourism industry faced many adversities. This paper will analyze the recent developments in the tourism industry to help

understand the reasons for the same in today's context. Today when not only individuals, products, firms compete against each other but industries and nations themselves strive to outdo the competition, it becomes imperative to understand what it takes to beat the competition and stay competitive i. e. to acquire a good understanding of the determining factors of competitive growth. This paper proposes to do such an analysis for the tourism industry of Thailand. It also, argues a case for revising the Porter's Diamond Model framework for the given context.

Porter's Diamond Model Framework

Besides traditional resource advantages like land, location, labour, natural resources and size of population Porter (1990) argued that grouping or 'clusters' of interconnected firms and stakeholders like institutions, suppliers and related industries provide 'competitive advantage' which are not inherited and which can be acquired. To get a better understanding of the determinants for such attainment of competitive advantage, Porter (1990, 1998) provided the famous diamond framework (Fig. 1). This framework helped in the analysis of not only industries but also nations. The four vertices of the diamond indicated four groups of determinants. These were: factor conditions (also called 'input' conditions), demand conditions, related and supporting industries; and firm strategy, structure and rivalry. These were the basic determinants. There were however two external or additional factors – chance; and government. All these factors were not isolated but interconnected. Thus, demand and factor conditions were connected. So were the factors: related and supporting industries; and firm strategy, structure and rivalry. The national factors of production like natural

resources, infrastructure and skilled labour are the key factor conditions. The nature of domestic demand for product and services chiefly define the demand conditions. The presence (or absence) of suppliers, related industries which are themselves competitive (internationally) form the related and supporting industries vertex. The domestic rivalry between the firms and the conditions that govern their formation, organization and management form the last vertex of the diamond in the framework. The framework is useful in identifying not only the sources of competitive advantage but also identifies key problem areas to be addressed. Oz (2006) illustrated this when identifying the sources of competitive advantage of Turkish construction companies in international markets. The success factors like dynamic domestic market, variables favourable to entrepreneurship, and intense domestic rivalry pressures effects were brought to fore along with the trouble causing areas like government induced hindrances, difficulties in financing and weak consulting and design engineering capabilities positioning of Turkey in the international arena. However, there are limitations to this framework and many researchers have combined this with other form of analysis like Rugman and Verbeke (1993) used SWOT for comparison, citing flaws like difficulty in making it operational i. e. of putting it in practice. It is noteworthy that this framework is been applicable to services as given by Lee and Spisto (2007).

The case for the Endogenous Role of Government and Chance

Apart from the limitation attributed to the diamond framework above, another flaw in it is that it does not include government as one of the basic

factors but only considers it as an external factor despite the fact that it greatly affects all the other basic factors. To compensate for this Wickham (2005) re-conceptualized the framework for the Australian context. It had government as an integral basic factor at the centre of the framework, depicted as government surrounded by all the other factors as vertices of a hexagon with the chance factor in incomplete (dotted) lines giving it a separate identity as an external factor alone. He also suggested that the role of chance be considered in with new attention when applied to a regional economic model like that of the Porter's Diamond.

Fig. 1: Determinants of Competitive Advantage: Porter's Diamond Model Framework

Factor Conditions

Chance

Firm Strategy, Structure & Rivalry

Related & Supporting Industries

Government

Demand Conditions

The importance of government policy initiatives to promote and develop the industry can be seen for the tourism context in Prideaux (1996), who on examining growth trends of Taiwanese inbound tourism to Australia, studied the factors responsible for this and listed them as better air connectivity, promotions and organization of Taiwan's travel industry. Suggestion was also made that repeat visitations would be greatly beneficial and to achieve better tourism prospects with Taiwan steps like forging links with operators

in Taiwan, increasing frequency and connectivity of airlines, cultural education including language training, and customization of products to suit Taiwanese tastes should be undertaken. The importance of the study lies in the fact that it provides a model for Thailand to replicate with neighbouring ASEAN nations. It provides inputs as to what it should do to target a lucrative, individual nation like China. Clearly government policies and trade agreements with regional nations play a great role in determining the relative competitiveness of Thailand as a tourist destination. The role of government and chance here, for the Thailand tourism industry plays a crucial role given the recent history of Thailand – it was the epicenter of the Asian financial crisis of 1997; it faced the Indian Ocean earthquake followed by Tsunami on 26th December 2004; it dealt with global recession post September 11, 2001 attacks, the financial downturn of 2008, SARS (and H1N1 Flu phenomena) and more recently domestic political chaos. These seem to have impacted tourism severely. This builds the case of chance being a critical determinant in the diamond model – leading to the assumption that it should definitely be regarded as an endogenous factor and not just one having an exogenous role in the whole framework. Pine, Chan and Leung (1996) have outlined the impact of the Asian economic downturn and stated that the economic downturn which affected adversely the tourism industry has led to slowing or halting of many projects in the hospitality arena. It noted that intra-regional tourism had grown due to the region's strong economic growth. They further expect the tourism to be adversely affected (based on limited data); intra-regional tourism was expected to decline but increase from Europe and Americas in the light of

the recent currency devaluations. Zhang (2005) has reported after analyzing industry data that China's outbound tourism got distributed as a result of the Tsunami. The South East Asian and South Asian nations lost out on many Chinese tourists to hitherto new choice of destinations. The perception of the region was one of high risk and this eventually led to loss in tourist numbers and revenue. The new destinations garnering attention even saw escalation in prices. Travel insurance was more sought as a result of the tsunami phenomena. Also, Ichinosawa (2006) provides highlights as to how Tsunami stigmatized Phuket as a tourist destination. Leiper and Hing (1998) studied unrelated four events in 1997-98 in the Asian context and the impact on the tourism industries of the respective nations. The events included huge forest fires in Sumatra and Kalimantan, Chinese takeover of Hong Kong, the triggering of Asian Economic Crisis with currency collapse in Thailand and social and economic unrest in Indonesia; and political and economic crises in Cambodia. These they inferred resulted in decline in international as well as domestic tourism. Thus, chance was a major factor here. Malhotra and Venkatesh (2009) have explored how vital it is to have contingency plans for crises and provide guidelines to proactively design a crisis management plan; even to take care when things go really bad. They compared Hong Kong's strategy and Thailand's response to the Tsunami and the SARS outbreak. Based on such deliberations they advise having fluid structures and policies with regards to the organizational design, so as to effectively and timely deal with uncertainties of various kinds. They name various kinds of crisis, along with all their stages and depending upon the readiness of the affected entity (nation etc) determines the gap that needs to be filled in

terms of crisis management. This they argue is the responsibility of the hospitality and tourism industry. The role of the government in formulating beneficial policies then becomes crucial given the above chance factor is so influential in the tourism industry. Thus, roles of chance and government are said to be critical in relation to the tourism industry. The influence chance has over government policies (and even governments themselves) implies that chance is way too important and thus should be regarded as intrusive, internal factor integrated with the whole framework of the diamond model. Clearly, for the case of a highly specific industry like tourism and a country where the government (directly or indirectly) holds more than half of its net capital stock (Phongsathorn, 2001), the government cannot be left out as just an exogenous factor. It is too important to be dealt as an influence. Thus, government should be thought of as an endogenous factor in the model. Also, government today has more a role of a collaborator than just an influencer or policy maker. Considering that the diamond framework has not been applied to services as it has been to manufacturing industries, and also less work is done specifically on the tourism industry using the model, the role of the external factors need to be seen in new light. Besides, tourism itself is such an industry which in the case of nations like Thailand may incorporate the whole country as the operating area. More recently, Pettus and Helms (2008) have included government in an endogenous role in the diamond model framework, while analyzing the case of Argentina. Though, Porter (1990) has opined that chance events are outside the control of the industry, nevertheless its effect can be negated. Also, prudent investment and preparation can actually prevent the occurrences of man-made disasters

and reduce the probability of many untoward incidents. Besides, the operationalization of chance even outside the diamond as an external factor is also very difficult. It is noteworthy also that chance even affects the government and its role. In the scenario of much globalized world where two countries are not isolated anymore and the events in one country affects the other in a more significant way than ever before the model requires an upgrading. Thus, a case has been made for the exogenous factors – Government and Chance to be treated as endogenous. Therefore, in effect the diamond model gives way to the proposed model (fig. 2).

Fig. 2: The Proposed Revised Porter’s Diamond Model Framework

Factor Conditions

Government

Related & Supporting Industries

Firm Strategy, Structure & Rivalry

Chance

Demand Conditions

Research Methodology

The study identifies the key variables that act as constituents to the various determinants of competitiveness of the tourism industry of Thailand. It also looks into the role played by Chance and the Government in altering the industry’s competitiveness. For this, unforeseen events and government policies and their impacts were studied and extensive literature reviewed to achieve the above stated objectives. A couple of telephonic interviews with

Thai people were conducted to probe into specific areas and to corroborate findings. Thus, primarily the analysis is qualitative in nature.

Discussion and Analysis

Factor Conditions

Factor conditions like infrastructure have been in the government's eye along with the human resources. However, it is perchance that the multi-million dollar airports that were to be a gateway to Thailand and its scenic beauty was the centre of anti-establishment protests and subsequently two airports were then shut down. Thailand's natural resources like beautiful beaches definitely provide a competitive edge. This factor condition is also one of the key variables for the tourism industry. Its spicy food, hospitality and exotic culture are inherent attractions. The significant external markets for the tourism industry are widely spread across the world and include major European countries, the U. S. and now even China. Thailand's ideological commitment to liberalization and open economy has had major impacts on the industry dynamics especially over the long run. Knowledge resources also have grown. Capital resources which were an area for concern has been dealt well in recent times and policy measures for financial markets has made it more sound and less prone to international volatility in comparison to earlier years. Location is definitely an important issue here. Singapore and Taiwan are so important for global businesses because of their strategic location. Quality and quantity of highly skilled work force for the industry is also a huge concern. Serious policy initiatives are to be taken by the state in this regard. Recommendations include the continued development of various transport related infrastructure and maintaining and <https://assignbuster.com/analyzing-thailand-s-tourism-industry-tourism-essay/>

enhancing a skilled labour pool. The Tourism Authority of Thailand Travel Industry Portal provides online training for the industry personnel. Another facilitator for easy travel is a rail link from Suvarnabhumi International Airport to Bangkok by means of a sky train. This initiative reduces the travel time to 15 min and is greatly appreciated by travelers.[1]There is growth in the road linkages. The newly formed North South Economic Corridor links Thailand to other Asian countries by means of a twelve hundred km R3A road highway which links Thailand with Laos to China emerging from Chiang Rai in Thailand was developed successfully in 2009. Thailand is becoming known for its status as a definitive hub for regional aviation. It has strong aviation linkages and airlines presence. Now, many countries have more flights from Thailand than most others in the whole of Asia. There are weekly 131 direct by around 13 airlines connecting Middle East Asia. Thailand is served by over seven hundred flights per by charter, scheduled and low-cost airlines from all over the world. Thai Airways has also launched new routes to Abu Dhabhi and Jeddah form Bangkok. Tehran-Bangkok link has been proposed. Similarly, rival Emirates Airlines have inducted Airbus-380 aircrafts for its Bangkok route to provide daily service from the city of Dubai.

[2]Human Resources: Labour Force Statistics 2009 (Source: NSO)Total population is 66. 72 million of which persons who are aged below 15 are 14. 15 million, and persons aged 15 years old and over 52. 57 million. Total labor force (Available for work) 37. 53 million. Persons not in labor force (Not available for work) are 15. 04 million. Thus, employed persons are 36. 50 million, unemployed persons are 0. 78 million. Of these seasonally inactive

are 0. 25 million. Household workers are 4. 93 million, students are 4. 41 million, and others are 5. 70 million.

Fig. 3: Comparison of number of employed persons between Quarter 1 of 2008 and 2009 by Industry

Unit: Million Persons

(Source: Labor Force Survey 2009, NSO)The physical and natural beauty of the beaches and islands of Thailand are the greatest attraction for tourists. Thailand's most popular beaches and island destinations include along the Andaman Coast: Phuket, Mu Ko Similan Marine National Park, Mu Ko Surin Marine National Park, Ao Phang-nga National Park, Krabi, Phi Phi Islands, Mu Ko Lanta Marine National Park, Tarutao Marine National Park; along the Gulf of Thailand: Cha-am (Hua Hin), Ko Samui, Ko Pha-ngan, Mu Ko Ang Thong Marine National Park, Ko Tao and along the Eastern section: Pattaya, Rayong & Ko Samet and Ko Chang Marine National Park. The National Telecommunications Commission Act of Oct 2004 along with the earlier Telecommunications Business Act 2001 has done a lot to setup the competitive environment for telecommunications industry. The formation of the Universal Service Fund by CAT (Communications Authority of Thailand) and TOT (Telecommunications Organization of Thailand) has provided impetus to the development of the industry. This has been instrumental for the growth of the tourism industry of Thailand. Car (rentals), train, bus; taxi services are available for transportation. A host of other offerings are available for inland transportation which includes motorcycle taxis, Tuk-Tuks, tricycles, bicycles and Song Thaeo or the very popular pick-up trucks. Charter, scheduled and low-cost airlines make up the air travel avenues;

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cruises, boat, etc provide water transportation facilities. Railways provide access to a large network of destinations in Thailand, providing economical and efficient transportation.

Firm Strategy, Rivalry

Corruption and bureaucratic hurdles created by the government is another deterrent to it reaching its competitively superior position. Anti-trust policies of the Government are few and far between. There is a lot to be desired on this front from the Thai government. A recently enacted anti-competitive law had a monumental flaw in it as it did not apply to state-owned enterprises (that enjoyed monopoly). Environmental regulations are being looked into by the state. To be competitive on the global platform requires efficiently producing goods and services of value more than that provided by other competing nations. It is important for Thailand to do so for the tourism industry to make a mark for itself on the global platform especially when its productivity levels are low. Firms should lay emphasis on retention of and attracting intellectual capital. Within the industry as well as across the industry technology should be shared. The Trade Competition Act 1999 and thereby the Trade Competition Board helps provide fair trade. The General Agreement on Trades in Services (GATS) furthers this cause. However, the anti-trust policies are not very effective as these are biased in favour of the government. Also, the players pay a high price for the illegal or unethical practices of rivals. The governmental officials prove a bane as there is rampant corruption and cases of corporate cronyism provide hinder fair competition between the players. The rivalry is also relatively less intense than it could be to get more value for the consumers for the services offered.

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The local base of the competition makes the rivalry worthwhile. Employer and labour relations are adequately cooperative to discourage any untoward strikes or major hurdles in provision of productive output. There is adequate decentralization of various corporate activities and delegation of responsibility and authority is a prevalent phenomenon. However, the corporate boards leave more to be desired in terms of efficacy. The cry for greater privatization is justified as it would certainly help in making the industry more competitive. Greater role of the private sector would ensure better management and corporate governance practices, reducing the business related corruption highly prevalent today. This process could be expedited by better corporate control activities, maintaining ethical business standards, sharing management know how, devising incentive based compensation systems, applying performance based appraisal systems, and having collaborative partnerships with local players with an understanding that practices to be in the right spirit, having joint investments, etc. Considering the significant role of the government in this industry, Private public partnerships (PPP) could effectively achieve the requisite competitiveness for being one of the best globally.

Table 1: Number and Percentage of Hotels and Guest Houses by form of Legal Organization and Size

All

Individual

Proprietor

Juristic-

Partnership

Company limited &

public company limited

no.

no.

%

no.

%

no.

%

All

2550

1389

54. 5

319

12. 5

842

33

< 60 rooms

1669

1300

77.9

164

9.8

205

12.3

60-149 rooms

543

87

16

127

23.4

329

60.6

150+

338

2

0.7

28

8. 1

308

91. 2

(Source: NSO, TAT)No doubt that if this is implemented properly over time then the incident revelations from CNN’s survey of global travel and tourism that Thailand was the best on the basis of value for money amongst all countries in the Asia Pacific region would not be an isolated event but among a series of similar results.’ Turtle Conservation Plan’ in Mai Khao area which involved beach and reef cleaning also is a PPP initiative for environmental considerations. Interestingly, many hotels in Thailand have raised the quality standards in terms of environment friendliness by going smoke-free i. e. promoting anti-smoking measures. Thai Airways and Nok Air have decided to cooperate to boost up domestic traffic over specific routes like Bangkok to Phitsanulok, Bangkok to Ratchathani and Chiang Mai to Mae Hong SonAlready Thai Airways is part of the Star Alliance – the world’s first major global airline alliance which aids its network operations.

Demand Conditions

The internal demand though grown is limited by the population size and disposable incomes. Reductions in prices have encouraged local demand in recent years. However, Thailand may not be able to charge the premium it did during the hey-days. And any further price increase will discourage domestic demand. However, the internal demand for Thailand’s tourism industry offerings has been seen to grow in recent years. Advantage for

Thailand exists in the offerings in terms of varied services and a competitive value proposition vis-à-vis other countries. Also, the active tendency of the local tourists to readily accept the latest offerings offered by the tourism industry makes the demand. A few regulatory standards for tourism based trade and environment are exacting in nature. Even the intellectual property rights and safety standards for online transactions are less than desirable providing less encouragement for innovation and stimulation of demand. However, not only does the internal demand conditions condition the industry to become competitive globally it provides an avenue for experimentation and more importantly provides revenues when global tourist inflows ebbs below expected levels. Increasing internal demand could then easily be used as a hedge for fluctuations in collections from international tourists especially during the off seasons. Specialized market segments for specialized services and distinctive benefit segmentation provides impetus to the internal demand and subsequently to the external demand. In this regard providing incentives for innovation and aiding multinational corporations should be the policies pursued by the industry. There are various activities that a visitor or tourist can undertake for pleasure. Thailand offers a wide array of such offerings which include shopping, golf, adventure treks, hill tribe visit, special cooking and food, elephant rides, special festivals and celebrations, spa, spiritual and religious insights and learning (especially Buddhism), meditation, water sports, etc. Water sports include diving, sailing, yachting, cruising, canoeing and kayaking, swimming and snorkeling, fishing, windsurfing, rock climbing and bouldering, jet skiing and wakeboarding. Medical-tourism and business

events also form an integral part of the range of offerings. Many indigenous events attract visitors from within and outside the country thereby stimulating demand. Some key events that happened from time to time in Thailand are the Luang Phor Thuad and Sunflower Field Festival dealing with the first blossoming of sunflower at a distinguished temple and paying tribute to Luang Phor Thuad, Chinese New Year Fair where prayers are offered the Chinese way, and there are opera shows and a food festival for vegetarians, Chinese Lantern Festival where a competition for lanterns and its decoration is held, World Wetland Day involving environmental related activities and awareness, bird watching and games, Eco-tourism and Kasalong Flower Festival involving bonfire and camping activities, showcasing of rare species of wild flowers and visiting caves, Thailand International Kite Festival that showcases traditional kites from different regions, kite flying competitions, etc; Thai Sky Festival involving a show of Skydiving by skydivers from many countries, Traditional Gold Leaf Covering Ceremony at Kuiburi Temple involving prayers and religious rites and as the name suggests gold leaf covering, Blooming Lotus Festival providing a tour of the Lotus Pond and trekking, Hua Hin Jazz Festival where Jazz concerts are performed, Hua Hin Regatta involving a race of sailors, Hua Hin (Cha-am) Golf Festival involving golfing contests, Hua Hin Vintage Car Rally which involves parading vintage cars.

Table 2: International Tourist Arrivals and Tourism Receipts

Major

International

Tourist

Arrivals

International

Tourism

Receipts

Destinations

1000

% change

Share %

US\$ mil

Share

(%)

2006

2007

2008*

07-06

08*/07

2008*

2006

2007

2008*

2008*

Asia Pacific

165, 989

181, 984

184, 104

9. 6

1. 2

100

157, 067

186, 789

206, 022

100

Australia

5, 532

5, 644

5, 586

2

-1

3

17, 840

22, 298

24, 660

12

Cambodia

1, 591

1, 873

2, 001

17. 7

6. 8

1. 1

963

1, 135

1, 221

0. 6

China

49, 913

54, 720

53, 049

9. 6

-3. 1

28. 8

33, 949

37, 233

40, 843

19. 8

Fiji

549

540

585

-1. 6

8. 4

0. 3

480

497

568

0. 3

Guam

1, 212

1, 225

1, 142

1. 1

-6. 8

0. 6

..

..

..

..

Hong Kong

15, 822

17, 154

17, 320

8. 4

1

9. 4

11, 638

13, 754

15, 300

7. 4

India

4, 447

5, 082

5, 367

14. 3

5. 6

2. 9

8, 634

10, 729

11, 832

5. 7

Indonesia

4, 871

5, 506

6, 234

13

13. 2

3. 4

4, 448

5, 346

7, 375

3. 6

Iran

2, 735

2, 172

..

-20. 6

..

..

1, 452

1, 486

..

..

Japan

7, 334

8, 347

8, 351

13. 8

0

4. 5

8, 469

9, 334

10, 821

5. 3

Korea Republic

6, 155

6, 448

6, 891

4. 8

6. 9

3. 7

5, 788

6, 138

9, 078

4. 4

Lao PDR

842

1, 142

1, 295

35. 6

13. 4

0. 7

173

233

276

0. 1

Macao

10, 683

12, 942

10, 605

21. 2

..

5. 8

9, 829

13, 612

13, 382

6. 5

Malaysia

17, 547

20, 973

22, 052

19. 5

5. 1

12

10, 424

14, 047

15, 277

7. 4

Maldives

602

676

683

12. 3

1. 1

0. 4

512

602

636

0.3

New Zealand

2,422

2,466

2,459

1.8

-0.3

1.3

4,738

5,400

4,912

2.4

Nepal

384

527

500

37.2

-5

0.3

128

198

336

0. 1

Pakistan

898

840

823

-6. 6

-2

0. 5

255

276

245

0. 1

Philippines

2, 843

3, 092

3, 139

8. 7

1. 5

1. 7

3, 501

4, 931

4, 388

2. 1

Singapore

7, 588

7, 957

7, 778

4. 9

-2. 2

4. 2

7, 535

9, 162

10, 575

5. 1

Sri Lanka

560

494

438

-11. 7

-11. 2

0. 3

410

385

342

0. 2

Taiwan

3, 520

3, 716

3, 845

5. 6

3. 5

2. 1

5, 136

5, 213

5, 937

2. 9

Thailand

13, 822

14, 464

14, 584

4. 6

0. 8

7. 9

13, 401

16, 669

17, 651

8. 6

Vietnam

3, 584

4, 229

4, 236

18

0. 2

2. 3

3, 200

3, 477

3, 926

1. 9

(Source: World Tourism Organization (UNWTO) 2009) Many sports events, trade events and festivals had been planned for attracting visitors to Thailand in 2009. Important among these were the 1st World Comedy Film Festival, Thailand Grand Sale 2009, Thailand Tourism Festival (TTF) 2009, LPGA Thailand 2009 (Golf), The 2009 King's Cup Elephant Polo Tournament, 1st Asian Martial Arts Games, Loi Kratong, Candle Festival, Songkran Festival and the 14th ASEAN Summit. New attractions like Sirindhorn Museum and Phu Kum Khao Dinosaur Excavation site, Chiang Mai Zoo Aquarium, Dragon

Descendants Museum, etc have come up. It is interesting to note that Thailand was voted as the best sailing venue in Asia in a poll conducted by Top of The Gulf Regatta. Also, Phuket King's Cup Regatta was the winner for best regatta in Asia. Thailand was also voted as the 'Asian Spa Capital' for 2009 by AsiaSpa magazine. Also, Thailand won the Destination Spa of the year for Six Senses Destination Spa in Phuket. The major destinations chosen by tourists are (by region): Central Thailand: Ayutthaya, Bangkok, Hua Hin, Kanchanaburi, Cha-Am, Chachoengsao, Lampun, Nonthaburi, Petchburi, Phetchaburi, Prachuab Khiri Khan, Pranburi, Samut Songkhram, Saraburi. Southern Thailand: Koh Lanta Island, Koh Phi Phi Island, Koh Samui Island, Krabi, Phang Nga, Phuket, Trang, Chumphon, Hat Yai, Khao Lak, Koh Phangan Island, Koh Tao Island, Nakhon Si Thammarat, Ranong, Suratthani. Eastern Thailand: Koh Chang Island, Koh Samed Island, Pattaya, Chanthaburi, Chonburi, Koh Kood Island, Rayong, Trat. Northern Thailand: Chiang Mai, Chiang Rai, Mae Hong Son, Sukhothai, Lampang, Phetchabun, Phitsanulok, Tak. North-East Thailand: Nakhonratchasima, Khon Kaen, Loei, Nong Khai, Ubonratchathani, Udonthani. Latest foreign technology is available to it and this should be made good use of by the industry players and the government. Use of ICT (info-communications and technology) in hotels and other areas is a step in the right direction. The following of the Star Rating methodology for hotel standards by Thailand's premier hotels was a step in achieving quality and recognition. To the advantage of Thailand is the level of orientation of the tourists coming to Thailand and the internal tourists as well). These are more or less favourable for the state and should be capitalized upon. 'Thailand Travel Mart' was a large showcase for

travel and events held in June in Bangkok. Such events promote the internal demand significantly. Inadequate reliance on experts and professionals for managing the business and related aspects of the industry, poor managerial innovation, low level research and development activities for the tourism industry, provides a hindrance for Thailand to emerge competitive against other players compromising the very nature of its competitive advantage. The extents to which it brands its industry though much better now and steadily improving over the years even in quality, leaves more to be desired in this front. Basing compensation on incentives is another recommendation for the industry. Training staff, at various levels is required to put together a skilled workforce and efficient labour pool for the industry.

Related and Supporting Industries

The tourism industry is well connected and 'linked' with industries like the transportation and hospitality. Specialty services and has also provided impetus to the industry. However, the stigma of child prostitution and Aids epidemic is still a major concern for the government of Thailand. Labour productivity of Thailand is also not competitive at all. The revenues per tourist to Thailand are less than many competitors in the region. Also, these have not gone up over the years. Understandably, this was due to the chance factor but nevertheless, it seems to compromise the competitiveness of the industry even further. The importance of the framework applied here is that it helps identify sources of competitive advantage. One specific area of interest is the formation of clusters. Domestic rivalry and geographic concentration enhance competitiveness of Thailand's tourism industry. The six factors depicted in fig. 2 help the framework act as system. Scalability,

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magnification and upgrading help provide linkages and networks. These thus help in forming clusters which provide competitive advantage. Efforts should be made to build special business relationships with the various players. Partnerships and alliances between and across the industry could help get the maximum value to the consumer inevitably making Thailand more competitive and the formation of clusters more evident, thereby benefitting the industry greatly. Provision of incentives to encourage; and subsidies to support the entrepreneurial talent in the industry's core and related areas could benefit the industry in many ways including the adoption of innovative tools, techniques and methods and even the generation of new business models. The core activities of the industry include that related to international transportation, operation of tours by related agencies, stay at hotels, dining at restaurants, related or relevant entertainment, and domestic travel and shopping. There seems to be a good degree of clustering for this industry in Thailand; more than any other major industry. The existence of supporting and related industries aids the industry to provide more value and transfer this value ultimately to the consumer providing the industry a competitive edge globally. The aiding industries include the local suppliers of food, the traditional souvenirs, the suppliers for building and construction material, service providers for financial services; and media and PR firms. Interestingly shopping can act as a major revenue source, increasing the net receipts from tourists manifold. Major shopping destinations include Chiang Mai and Phitsanulok in the North, Udon Thani, Khon Kaen and Nakorn Ratchasima in the North-East, Bangkok in the Centre, Cholburi in the East and in the South Phuket and Songkhla. Jusco is

an example that exemplifies the role of collaboration proving that local firms can help in creating definitive alliances of successful partnerships. Other examples of successful partnerships are Charoen Pokphand (CP), 7-11's franchise with Siam Makro forming an alliance with Makro, a multinational corporation.

Role of Government

The policy of the government directly impacts the industry. Policy affecting related industries also inadvertently impacts the industry because of the nature of the industry where firms in diverse sectors like transportation, hospitality (hotels and spas), tour operators, etc are increasingly reliant on each other. This interdependence makes any policy change in one of the sectors affect the whole industry. Also, this interdependence implies that a service failure at any of these sectors ultimately maligns Thailand's reputation as it mars the quality of the overall service and experience for the tourists. The role of government is not just limited to the maintaining of a favourable geopolitical environment but also to provide a stable and stimulating socio-economic environment. It should encourage investment by devising meaningful FDI policies. It needs to boost the business environment for the industry by initiating timely policies and have these implemented effectively in time. It also needs to support the creation of competitive clusters where there exists great linkage between and across the core industry and the related and supporting industries. Uniting the clusters to extract synergistic advantages should be the prime focus here. It needs to encourage innovation, empower at the local or regional level for effective implementation post the decision making process. Even the decision making

can be delegated to the local level. The government of Thailand should devise national level policies to promote the advent of value added services to the kitty of offerings of the tourism industry. It should encourage the industry to become competitive without relying only on cost as the basis for competitiveness. Thailand, along with ten other member nations of ASEAN was to open up its tourism services from the year 2010. However, due to the global downturn and difficult environment for tourism, the members accepted a proposal given by Thailand for an indefinite delay. Thailand has dedicated this year to tourism. This and similar policy initiatives if taken seriously, and repeated over time will help Thailand to reap huge rewards in the years to come. Its tourist - friendly visa policy is a step in this very direction.

Table 3: International Tourism Receipts for South East Asia over the years**International Tourism Receipts (US\$, million)****Market Share %****Change %****Receipts:****Per Capita****Per Arrival****Region /Country****1990****1995****2000****2003****2004****2005****1990****2000****2005****04/03/****05*/04****South-East Asia****14, 479**

26, 981

26, 210

24, 587

32, 184

33, 403

31. 2

29. 1

23. 7

30. 9

3. 8

685

57

Cambodia

..

53

304

389

603

840

0. 3

0. 6

55

39.3

570

45

Indonesia

2,105

5,229

4,975

4,037

4,798

4,521

4.5

5.5

3.2

18.8

-5.8

900

20

Lao PDR

3

51

114

87

119

147

0

0. 1

0. 1

36. 7

23. 4

290

20

Malaysia

1, 667

3, 969

5, 011

5, 898

8, 198

8, 543

3. 6

5. 6

6. 1

39

4. 2

520

349

Myanmar

9

151

162

56

84

..

0

0.2

50

345

2

Philippines

1,306

1,136

2,134

1,545

2,017

2,130

2.8

2.4

1. 5

30. 6

5. 6

880

23

Singapore

4, 937

7, 646

5, 142

3, 780

5, 219

5, 740

10. 6

5. 7

4. 1

38. 1

10

795

1, 199

Thailand

4, 326

8, 035

7, 483

7, 856

10, 034

10, 108

9. 3

8. 3

7. 2

27. 7

0. 7

855

157

(Source: UNWTO 2006)The various incentives the government could offer include fiscal and non-fiscal measures. Fiscal incentives for encouraging the tourism industry could include tax holidays and exemptions, tax subsidies on specific imports that related and supporting industries use as a key ingredient for a chief service offering. Non-fiscal measures could include provision of favourable accounting practices specific for the industry, special policies for getting speedy and sizable financing, giving incentives for innovation, aiding research and development, supporting environmental standards and similar ' green' issues, subsidies, acknowledging and rewarding the efforts of the players. Its efforts include partnering other nations in causes to promote regional tourism and improve visibility of its industry worldwide. It should lobby for trade policies that encourage the industry. The Emerald Triangle Region was such a project undertaken by the

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UNWTO post 2004 to promote tourism in the region bordering Thailand, Cambodia and Lao PDR. Similarly UNWTO also did during the same period a project initiated to promote and develop cultural heritage sites in the Greater Mekong region which included Nan destination of Thailand along with others from Cambodia, Lao PDR, Myanmar and Vietnam. TAT or Tourism Authority of Thailand in 2009 signed a memorandum with the Tourism Administration of China's Guangdong province to encourage travel between them. The UNWTO in 2009 acknowledging the problems the industry faces due to the global recession sought various measures for stimulating the growth of tourism. An initial assessment update marks Thailand to have used all measures except regional cooperation and environmental measures. Thailand has used fiscal measures, monetary measures, measures in travel facilitation, HR (employment) measures, measures of marketing and even PPP (public private partnerships). It implanted a visa on arrival policy, making foreign travel to Thailand by tourists more hassle free. It waived visa fees for four months (from 5th March to 4th June 2009) and now extended the waiver till March 2010. It implemented a scheme for micro credit for SMEs at attractive interest rates for a period of two years with the support of various national banks. This was especially applicable for small tourism operators and the funds committed total to US\$ 149 mil. The Ministry of Tourism and Sports has also been pro-active to outline a strategic plan for the near future (2010-2012) for the industry. Already about 16. 87 billion baht have been committed to it and may be increased to almost double the amount. Improve ' factor conditions' is the priority as per the plan with emphasis on infrastructure. Road shows promoting the nation and tourism

were done in various foreign lands like Japan, China, U. K., etc. Online marketing campaigns have been used for tourism. ‘ Thailand Real Time’ and ‘ Thailand Super Deal’ aid in promoting tourism. Projects like ‘ Thailand Talk to the World’ and ‘ Welcome Back’ have been done for the international arena and ‘ Partner on Demand’ for internal partners. Recent innovative online promotions using Facebook and Twitter has shown encourage results. ‘ Amazing Thailand Amazing Value’ was another successful campaign promoting Thailand as a value for money proposition. Campaigns to promote tourism were undertaken in 2009 by private sector players, ministries of Foreign Affairs, Commerce, Tourism and Sports together with the Board of Investment – a clear indication of PPP. Also, various stakeholders in the industry including travel agencies, tour operators, commercial banks, customs department, immigrations, airport authorities, airlines, tourism council and other government authorities have come together to address the challenges of the global downturn. For furthering the ‘ demand conditions’ the domestic travel is the target. Allocation of US\$ 4. 37 million was done to get a couple thousand of youth and over 150, 000 people to travel in Thailand during the months from April – June of 2009. The project encouraged and enforced the tours to be guided by tour agencies professionals, provided with private coaches for touring, hotel stay and meals at restaurants and the use of certified guides. Thus stimulating internal demand, encouraging locals to travel within their country was the focus. Tax rebates have been offered for seminar expenses (outside Bangkok). A directory has been published by the Convention and Exhibition Bureau detailing the MICE venues of Thailand with other information about

facilities for business. This was done to create more awareness about and promote the country as an attractive destination for business meetings and events. A 50% discount was offered on entrance charges to the national parks and historical sites from February - May 2009 and later extended by many more months. There were tax exemptions for operators of hotels for the year 2010. Other incentives include lowering electricity usage deposit based on record of their past three months. For the airlines, there was reduction in the parking and landing fees. Reduction was 50% given by the Department of Civil Aviation and 20% given by the Airport Authority of Thailand. This was applicable to all scheduled flights at all airports till September 2009. Other discounts were made for specific airports like Hat Yai, Chiang Rai Airport, Chiang Mai Airport, and the Don Muang Airport till October 2010. Also, for the passengers, check-in luggage was made free upto 40 kg weight. An innovative transit passenger model was developed in 2009 for those making a stopover for 6-12 hours (4-11 subsequently). Such passengers would be provided short tours in and around Bangkok.

Association of Thai Travel Agents (ATTA) and the Tourism Authority of Thailand came together for such a program highlighting the PPP and its usefulness. Campaigns like ' Fly THAI Get More' have been undertaken to promote air travel.' Flyer Pass' and ' Smile Cards' help customers get better deals and offer them convenience. The government has even used a Germany based consultancy group to help build a sustainable tourism development framework for Thailand's coastal areas in the Andamans. This entails biodiversity and tourism development. Ministry of Tourism and Sports initiatives to develop tourism and the service standards for tourism's product

and services is also a step in the correct direction. This will provide greater transparency, compliance, safety and quality besides standardization.

Role of Chance

Political unrest and tussle with the Royal family have spoiled the image of Thailand as the perfect getaway place and as a tension free zone. The Asian Crisis was the result of poor financial policies of the government. Devaluation of the Baht did result in a slight increase of foreign tourists as they enjoyed the great currency exchange premiums. However, for Thailand it was no net gain. A World Bank Report in 1993 described Thailand as an Asian Tiger, ready for substantial growth in the years to come. However July 1997 saw the Asian Financial Crisis. Subsequently, a string of chance events detrimental to the interests of Thailand and its tourism industry in particular came along. Tsunami, September 11 attacks, global downturn, financial crunch, SARS; H1N1 and other diseases, political unrest, renewed speculation of another global downturn - all these spoil the dream run of Thailand's booming tourism industry. Fuel prices and weather also play spoilsport at times increasing the support in view of chance being an intrusive and integral component of the framework. Consider the Bali bombings and the September 11 attacks in the US. These were events that were not directly related to Thailand but had far reaching consequences for its tourism industry. Thus, the competitiveness and attractiveness of Thailand's tourist destinations were undermined by no fault of its own. These could only be explained by the role of chance. In the wake of the adverse events the role of chance becomes significant. In fact in the present context this is attributed to as the ' constant shock syndrome'. The role of chance taken as

endogenous rather than as an external influencer may raise doubts. Michael Porter (1998) indicated that in the diamond framework chance was an external player as it was the factor which was out of the control of the industry. However, considering all the argument given earlier and the fact that government itself is to be considered an internal agent, in the context of Thailand which has had so much political trouble and has had five Prime Minister shuffles in as many years indicates that chance may have a greater internal role as well. Also, considering chance as 'probability', the likelihood of any event, adverse or favourable can be altered by pro-active involvement or high speed reaction. Thereby, the likelihood of an event occurring is altered. It means in other words that building earthquake proof homes would neutralize or minimize the ill effects of an earthquake or having sound long term economic policies would avoid economic crisis like the Asian Crisis. Thus, in effect chance too is affected. This makes the case for the endogenous role of chance even stronger. The formation of the Tourism Intelligence Unit and Crisis by Tourism Authority of Thailand is a step in this direction. It clearly spells out the belief that managing the risks related to tourism begins much before a crisis develops. Early detection and warning systems to serve before, during and after crisis is in place. Using marketing intelligence tools they have verified three reasons for the downturn in Thailand's tourism related earnings. They include fear of H1N1 disease but more importantly the global economic slowdown and political instability leading closure of the airport plus the Songkran agitation. Airport security bill 2009 was enacted to ensure airport and visitor security in the future and curtail similar incidents in the future. Early warning systems were put in

place and evacuation drills were conducted in Phuket's Patong beach. National Disaster Early Warning Centre is now in place to effectively monitor and report any possibilities of similar disasters aiding disaster prevention and mitigation. Deep clean fumigation, disinfection, use of TRUE HEPA air filters; surgical masks are some of the measures Thai Airways has undertaken for stopping H1N1 and similar diseases. The Sky Train and public areas are regularly sprayed with germ killing chemicals to minimize spread of such contagious diseases. The Ministry of Public Health issues guidelines whenever a need arises for such diseases. Thailand along with others has formed the ASEAN Regional Forum to counter terrorist attacks and reinforce border security.[3] Studying the impact of the tsunami on the resort areas that were the most affected - Khao Lak, Takua Pa, and Ko Phi Phi, Garcia et al. (2006) have suggested the role of planning and design in the risk mitigation and restoration process.

Table 4: Chance Events and Visitors

Year

No. of Tourists

% Change

Landmarks / Events

1995	695156612.73	> 7 Million Tourists
1996	71921453.46	Asian Economic Crisis
1997	72213450.41	Amazing Thailand
1998-99	77649317.53	> 8 Million Tourists
1999	858033210.54	0th Anniversary TAT
2000	950862310.82	Terrorism in US on Sept. 11
2001	100619505.82	Bali Bomb on Oct.
2002	107990677.33	SARS on Mar-July
2003	10004453-7.36	Bird Flu &

Southern Uprising20041165070316. 46Effects after TSUNAMI200511516939-1. 15

20061382180220. 01

2007144642284. 65

(Source: Immigration Bureau, Police Department, Thailand)Branding and proper promotion of one's country over time creates a valuable and powerful brand. If the rival brands (other countries) face some adverse events by chance or lose their competitive edge due to improper utilization of their resources and cluster networks, the country would stand to gain and have an edge over the competition. Thus marketing activities like brand building are a great way to be pro-active in search of opportunities.

Conclusion and Recommendations for Further Research

From 81, 000 visitors in 1960 and earnings of US\$ 10 million, to 14 million visitors and earnings of about US\$ 15 billion US, Thailand's tourism industry has come a long way.[4]Thailand's capital Bangkok was voted as the ' Best International Business City' by the readers of ' Travel and Leisure' magazine and CondeNast Traveler, US. Thailand also won the Norwegian and Swedish Grand Travel Award for being the ' Best Tourist Country in the World' for 2009. Despite all this one has to consider other things. As per the Global Competitiveness Report 2001, Thailand comes 35th out of eighty countries examined in terms of overall competitiveness. An umbrella strategy using to its benefit its natural resources and pushing key educational programs, for the available clusters in the tourism industry can help Thailand go a long way in helping tourism blossom as well as push up its overall competitiveness

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with respect to other competing nations. To gain competitive edge more than just Chance playing a role, the government assumes a significant responsibility to aid and encourage a greater interaction between the nodes of the diamond – the factor conditions, the demand conditions, related and supporting industries; and firm rivalry and strategy. This it can do with greater PPP and insightful policies. The various policies and initiatives it has undertaken to stimulate the tourism in the wake of the global downturn are commendable and needs to be continued in future. The focus should always be the same – how can Thailand’s tourism industry be globally competitive. For this the areas of weaknesses identified should be dealt with and strengths built upon. Only then will Thailand’s tourism would be at par with the best in world in terms of its value proposition. Innovation should also be kept in mind as Davis and Ellis (2000) advocate that innovation should be encouraged so as to achieve competitive advantage. For further related research various other variables under the factor conditions, demand conditions; etc could be examined in detail for the tourism industry of Thailand. Also, it could be examined as how the cluster network of Thailand differs from other tourism industries around the world. A study of various factors common to competitive tourism industries of the world could be undertaken based on the criteria of competitiveness as proposed by Porter’s Diamond framework. New industries and areas where the re-conceptualized Porter’s Diamond Model could be applied could also be explored.