

An Analysis of Factors Influencing the Competitiveness of the Thai Tourism Industry

Thavorn Thitthongkam
School of Management
Shinawatra International University,
Bangkok, Thailand
e-mail: thavorn.th@spu.ac.th

John Walsh
School of Management
Shinawatra International University
Bangkok, Thailand
e-mail: jcw Walsh@siu.ac.th

Abstract— The tourism industry plays a crucial role in the Thai economy. It is the second largest source of revenue for the country. However, there are numerous factors that influence the competitiveness of the industry. The aim of this paper is to study the factors influencing the competitiveness of the Thai tourism industry. This study is based on secondary sources and prior research articles in order to identify those issues and analyse their importance. The results indicated that political turmoil and crisis are the principal factors, while others include epidemic diseases, economic situation, media, disaster, crime and war, technology, marketing plan, culture, education, environmental issues, demographic change and other factors affecting the attitudes of international tourists. Language is another factor that influences Thai tourism industry competitiveness. This study does not provide positive solutions for the problems facing Thai tourism since its competitiveness is directly linked to politics and this has been in worsening crisis since 2006.

Keywords— competitiveness; tourism industry; language; Thailand; politics

I. INTRODUCTION

The Thai tourism industry is currently facing a serious downturn due to a combination of unfavorable factors such as the worldwide economic recession, the H1N1 flu outbreak [1], political instability and, more recently, the crisis of legitimacy of the Thai state. These factors are frequently found both inside and outside the country, and they are linked to each other. This study will analyse some factors that influence the competitiveness of the Thai tourism industry. They include political turmoil and military coup d'états, epidemic diseases, the economic situation, media, disaster, crime and war, technology, marketing plan, culture, education, environment, demographic change and other factors, for example, language and cultural issues.

II. AN ANALYSIS OF FACTORS

A. Political Turmoil, Military Coup d'états, and the Crisis of the Thai State

The first clearly seen factor influencing Thai tourism industry competitiveness is political turmoil and military coup d'états. It is recognized that Thailand is considered as being politically progressive [2], but political turmoil and military coup d'états in 1992 and in 2006 are examples that jolted many companies within the Thai tourism industry and

led to various negative effects. The political turmoil and the coups certainly made international tourists investors and people involved in the Thai tourism industry deeply uncomfortable with the situation. The Tourism Authority of Thailand (TAT) observed that political instability caused international tourists to leave early [3]. According to the Tourism Council of Thailand, the number of international tourists over the year 2008 decreased by 0.38 million people (2.65%) from the year 2007 [4], and the income obtained from international tourists decreased by 5.0 percent from 2007. The target for 2010 is 15.4 million international tourists. Still, there is no hint as to how the industry is supposed to accomplish the target. The TRIS Rating Company Limited reported that the Thai tourism industry has been significantly affected by politics from late 2008 to mid April 2009 when anti-government demonstrations led to riots in Bangkok [5]. This was then followed by the crisis of May 2010 when the state used military forces to disperse a lengthy pro-democracy demonstration and killed scores of demonstrators. The number of international tourists to Thailand dropped sharply. This resulted from the political turmoil within the country, and the situation proved that Thailand was not the destination preference for international tourists. Other external factors included political uncertainties concerning Palestine and Israel, which were still affecting Thailand because Israel is a major market in the Middle East [6]. This indicated that political turmoil and military coup d'états unquestionably influence the Thai tourism industry [7].

B. Epidemic Disease

Epidemic disease is another factor that influences Thai tourism industry competitiveness. The presence of HIV/AIDS [8] in Thailand has altered international tourist perceptions of what represents a safe and acceptable destination [9]. The high level of prevalence of HIV/AIDS in Thailand creates strong official displeasure over the image portrayed [10]. Not only this but also Severe Acute Respiratory Syndrome (SARS) and avian influenza (bird flu) have been significant factors in Thailand. As a clear example, SARS left behind the most negative impact in Thai tourism history, especially in the period of May 2003. The year 2003 saw a total of 10 million international tourists arriving in Thailand, which represented a decrease of 3.36 percent and generated tourism revenue of US\$9,664.53 million, which was a decrease of 4.39 percent from the year 2002. The average length of stay amounted to 8.19 days, with the

average tourist expenditure of US\$117.95 per person per day, which was different from the previous year [6]. There was a decrease of 7.36 percent of international tourists from East Asia, Europe, the Americas, South Asia, Oceania, the Middle East and Africa. However, later, the situation in 2003 improved, which partly resulted from the public and private partnership in the enacted marketing campaign. Lastly, the swine flu epidemic of 2009, which is suspected by some of having originated from Mexican pig farms, caused problem to the Thai tourism industry too. Although the Thai tourism industry was well-prepared to deal with the swine flu, it still had an impact on Thai tourism. Nonetheless, the industry had strong experience of organizing and managing previous threats which helped international tourists to reduce their level of concern about their health and safety when traveling to and around Thailand.

C. Economic Situation

The economic situation [11] [12] [13] is a strong factor that influences the Thai tourism industry. Recent increases in the price of oil suggest that the era of cheap air travel may be coming to a close. If the Thai tourism industry is to maintain its current level of competitiveness then a macroeconomic policy promoting stability will be required. The large proportion of GDP spent on importing oil and gas make the threat of inflation a constant one when oil prices are high, while this also has a negative impact on air fares [10]. In addition, a changing business environment has involved a sequence of power shifts in the economic realm, while lower capital and operating costs will mean that Thai tourism industry employment may shift to developing economies. The inevitable rise in the price of oil is one of the major economic issues in the current global environment and the consequent impact this will have on economies is of great concern. Uncertainty over the availability of oil and the size of reserves still available and reasonably accessible will engage the minds of government figures; it may after all be pointed out that world tourism is driven by major changes in economical circumstances. Consequently, the local economies and stable growth patterns [2] are a reality that the Thai tourism industry must consider as it looks at investment opportunities, and Thailand, the tourism industry has suffered, and the capital city's infrastructure and environmental problems are often cited as major contributing factors influencing its competitiveness [14]. The critical factors of the distribution and flow of world tourism; floating exchange rates, differential inflation rates in tourism, especially within the tourism components (hotel, labour and transportation) were pointed out. In the Thai tourism industry, the economic situation has certainly been affected by the world economic crisis and this had a knock on effect as lower consumer confidence and ability to spend have reduced tourism numbers around the world.

D. Media

The media is another factor that influences the Thai tourism industry. According to Tittichainuwat, negative news influenced international tourists to stay away from Thailand, even though the situation had in fact already returned to

normal. She brought up the case of the tsunami in 2004. The media circulated many negative but of course accurate images of this natural disaster [15]. It is similar to the ongoing crisis of the Thai state. It is suggested in this regard that the government has to increase safety and security standards to resolve international tourists' safety concerns, while also paying more attention to the media would help decrease negative images and their impact on Thai tourism industry competitiveness. This does not of course mean presenting a false or complacent impression of the system but, instead, describing the truth of events fairly and transparently and ending the current policy of massive censorship, suppression of free speech and attacking foreign media who do not follow the government's own unsustainable line.

E. Disaster

The tsunami that crashed onto land near the Andaman Sea in 2004 and around the region is an example of the natural disasters that have also affected the Thai tourism industry. It caused a huge shock and took 5,395 lives, almost half of whom were international tourists. This tragedy affected the number of international tourists coming to Thailand for some years [15]. It caused Thai tourism to decrease by 10 percent because international tourists from over the world were shocked by the unexpected dreadful disaster and did not travel because of fears of a recurrence, because facilities had been destroyed and because of issues of taste. Potential tourists decided to wait and to look forward to hearing of the security and safety measures that would be put into place and what else the disaster would bring [3]. Another example of the external factor in the form of a natural disaster is the hurricanes Katrina and Rita. These hurricanes severely damaged the United States of America and this also affected the Thai tourism industry because it lowered confidence. However, these cases had only a slight effect on Thailand because most people these days are able to identify that what happens in one part of the world will not necessarily happen in another part of the world. Although the nature of media consumption has become a globalised phenomenon, the impact of physical phenomena is not equivalently globalised.

F. Crime and War

Crime and war are also factors the influence the competitiveness of the Thai tourism industry. Terrorism threats in many countries around the world have certainly had an effect. A clear example is the bombing incident in Bali, Indonesia at the end of 2002. Thailand was also listed among countries facing a similar terrorism threat, according to the Australian Ministry of Foreign Affairs, when Phuket and Pattaya were named as potential targets. This and similar reports had an understandable and strongly negative impact on the image of the Thai tourism industry. People were concerned about security issues in the wake of the terrorist attacks in the USA and the international geopolitical situation generally appeared to be unstable. As another example, the Gulf War in 2003 made the tourism industry in Phuket Island faced a hard time because of loss of

confidence in American tourists in particular and because of (unjustified) suspicion of the good intentions of the majority Muslim southern Thai population. In the year 2003, Thai tourism industry tasted a drop of 6.0 percent of international tourist from the Americas. This is attributed at least in part to a consequence of the US-led invasion of Iraq [6]. Security concerns have never fully dissipated even though terrorism attacks in the south of Thailand, which have been intensive over recent years, have so far never targeted international visitors. Indeed, the only time that international observers have been targeted in Thailand has been when the military forces have been used to suppress pro-democracy demonstrations.

G. Technology

Changes in technology have also been influential. As Page and Connell specified, improvements in transport have been an enduring force in driving changes in the tourism industry [16], and have in turn heavily influenced Thai tourism. Changes in technology brought about a technological breakthrough in air transportation which brought more and more international tourists to Thailand. One of the implications of technological changing has been the generation of economies of scale, meaning that more people could travel more cheaply, more quickly, and more easily covering greater distances than ever before. This meant that the economic classes of people who could aspire to international travel and even long-haul travel were broadened considerably. It has been broadened further by the advent of the numerous low cost carriers which now criss-cross the East Asian region and, indeed, most of the world. In addition to technological change, the developments leading to high-speed rail links and improvements in road travel have assisted land-based infrastructure systems, linking both the various regions of Thailand with each other and also linking Thailand with neighboring countries. Information communication technology (ICT) also influences the Thai tourism industry. Communications will continue to develop and the evolution of more mobile and more effective communications technology is likely further to accelerate in the future. Service in the international tourism industry has improved to such an extent that people these days expect not to have to wait for anything. This observation is supported by Lohmann [11], who emphasized that technology, including transportation, communications and information, is a major factor that influences tourism industry competitiveness.

H. Marketing Planning

The TAT marketing plan was unsuccessful overall in promoting the competitiveness of the Thai tourism industry to the extent desired. In the year 2003, there was a problem of marketing management for airlines in South Africa. At first, Thai Airways International had cooperated with South African Airlines to operate three flights per week on a direct return route from Johannesburg-Bangkok. Later, the operating office there was withdrawn, causing the numbers of international tourists from Africa coming to Thailand to decrease by 25 percent.

I. Culture

Culture [12] is another factor that influences the Thai tourism industry. Thailand is a country of distinct regions that are separated not only geographically but also historically and culturally and that is a situation that offers a variety of challenges and opportunities [2]. Thailand has become known as the "Land of Smiles," and it is well-known by international tourists that the Thai people very frequently smile, even if they are not always sure why they are smiling. Nevertheless, this is a cultural practice that affects and benefits the Thai tourism industry.

J. Education

Education is also a factor that influences the Thai tourism industry. Most educational initiatives in Thai tourism have been led by higher and tertiary level education institutions and by successful Thai hotels. Some of these successful Thai hotels, such as the Dusit Thani Hotel, provide strong training programs.

K. Environmental Issues

Environmental issues have arisen and intensified as air-pollution levels have become so bad that people walk the streets of Bangkok with handkerchiefs across their faces. Added to this are the traffic jams of cars and buses [2], which add significantly to air and noise pollution in Bangkok and, increasingly, in other developed urban areas such as Chiang Mai and Pattaya. Environmental issues have created negative results within the Thai tourism industry. Cleaning beaches and tourism destinations (such as World Heritage site at Ayutthaya) will help relieve environmental concerns and improving the quality of seawater at beach areas are ways to maintain the number of international tourists and create positive responses to the country.

L. Demographic Change

Lohmann referred to demographic change such as age structure and education level [11]. In addition, the influences also come from general changes in international tourists' attitudes. Lohmann emphasized that all these factors are linked to each other.

M. Other Factors

In fact, there are more factors that have significantly influenced the Thai tourism industry. These factors include natural resources, facilities, marine resources, historical places, monuments, zoos, museums, national parks and forests, cultural events and ethnic communities. Importantly, language is also one of the factors influencing Thai tourism industry competitiveness [17] [18] [19] [20] [21] [22] [23]. The mentioned factors require more attention and more research to support and explore ways to help decrease negative impacts and extend positive impacts.

III. CONCLUSION

Many factors that influence the Thai tourism industry competitiveness have been mentioned and highlighted. It is up to the decision makers to take actions and prepare to deal with situations that might occur and create change leading to

better outcomes for the industry, which is one of the country's most important. Using public-private cooperation as a tool in the management of change for tourism destinations [25] might help Thai tourism industry recover from crisis and continue growing. Getting clear solutions for Thai tourism industry competitiveness, however, is not always easy since the industry is also linked to politics and, at the time of writing, it is hard to imagine any improvement in the ongoing crisis of the Thai state and the prospect of peaceful resolution seems hard to imagine. Nevertheless, the basic infrastructure of the industry remains in place and demand remains strong in many sectors of the international tourism market.

REFERENCES

- [1] L. Citrinot, "Increased budget for tourism in Thailand fails to reassure tourism professionals," *Global Travel Industry News*.
- [2] R. Meyer and T. Geary, "Thailand: Challenges and opportunities," *Cornell Hotel and Restaurant Administration Quarterly*; June 1993; vol. 34, 1993, pp.50-55, doi:10.1016/0010-8804(93)90086-X
- [3] Tourism Authority of Thailand Annual Report 2006, unpublished.
- [4] Tourism Council of Thailand, 2009. "Survival of Thailand tourism in year 2009," unpublished.
- [5] TRIS Rating Company Limited, "TRIS rating sees A/H1N1 flu outbreak to temporarily hit tourism industry," unpublished.
- [6] Tourism Authority of Thailand (TAT), "Situation 2003," unpublished.
- [7] A. Brownsell, "Thai tourism in safety push," *Marketing Magazine*, 15 April 2009.
- [8] E. Cohen, *Thai Tourism: Hill Tribes, Islands and Open-Ended Prostitution*. Bangkok, White Lotus, 1996.
- [9] Yeoman, C. Munro, and U. McMahon-Beattie, "Tomorrow's: World, consumer and tourist," *J. of Vacation Marketing*, vol. 12, 2006, pp. 174-190, doi:10.1177/1356766706062164.
- [10] R. Tasker, "Thailand: trade & investment-tourism," *Far Eastern Economic Review*, August 5, vol. 156, 1993, pp. 50-51.
- [11] M. Lohmann, "New Demand Factors in Tourism," *Proc. European Tourism Forum Budapest/Hungary*; 15 October 2004, pp. 1-10.
- [12] D. Lortanavanit, *Sate, Capital and the Community in Sustainable Tourism Management: A Comparative Study of Thailand and Japan*. Bangkok: Thammasert University, 2006.
- [13] N. D. Sausmarez, "Book Review: Thailand Tourism," *J. of Vacation Marketing*, vol. 13, October, 2007, pp. 383-384.
- [14] L. Kraar, "Asia's rising export powers," *Fortune*, Pacific Rim, 1989, p.31.
- [15] B. N. Rittichainuwat, "Tsunami recovery: a case study of Thailand's tourism," *Cornell Hotel and Restaurant Administration Quarterly*; November 2006; vol. 47, 2006, pp. 390-404, doi:10.1177/0010880406289994.
- [16] S. J. Page and J. Connell, *Tourism a Modern Synthesis*. 2nd ed. Thomson, 2006.
- [17] R. Tharp, *Institutional and Social Context of Educational Practice and Reform*, in E. A. Forman, N. Minick, and C. A. Stone (Eds.), *Contexts for learning: Sociocultural Dynamics in Children's Development*. Oxford: Oxford University Press, 1993.
- [18] H. Andersen and E. S. Rasmussen, "The role of language skills in corporate communication", *Corporate Communications: An International J.*, vol. 9, 2004, pp. 231-242, doi:10.1108/13563280410551150.
- [19] G. Forey, and D. Nunan, "The Roles of Language and Culture within the Accountancy Workplace," *Knowledge and Discourse: Language Ecology in Theory and Practice*. Singapore: Longman, 2002, pp. 204-220.
- [20] F. Britto, "English as a World Language and Its Role in Business and Intercultural Communication," *International Business Communicators*, Oxford University Press, 2006.
- [21] D. Leslie and H. Russel, "The importance of foreign language skills in the tourism sector: A comparative study of student perceptions in the UK and continental Europe," *Tourism Management*, 2006, vol. 27, pp. 1397-1407, doi:10.1016/j.tourman.2005.12.016
- [22] A. Korzybski, *The Role of Language in the Perceptual Processes*. New York: The Ronald Press, 1951, pp. 170-205, doi:10.1037/11505-007.
- [23] J. R. Sparks and C. S. Areni, "Multiple roles of language power in persuasion," *J. of Applied Social Psychology*, vol. 38, 2008, pp. 37-60.