

CHAPTER 5: CONCLUSION

Introduction

The chapter comprises three major sections. Firstly, it will meet the research objectives by considering and discussing the relationships between the findings presented in Chapter 4, and the relevant literatures. Secondly, a summary of relevant managerial implications will be proposed. Thirdly, the recommendations for future research will be outlined. Finally, this chapter will conclude the research with a number of closing remarks.

The following research objectives will be discussed:

1. To examine local negative factors affecting Phuket hotels.
2. To examine economic crisis as a global negative factor affecting Phuket hotels.
3. To investigate the critical success factors (CSFs) of crisis management implemented by Phuket hotels during an economic crisis.

Discussion of Research Objective #1

The aim of the first research question underpinning this study was to examine local negative factors affecting Phuket hotels. Locally, Phuket has been affected by an oversupply situation, low season, and its image as an expensive destination for Thai tourists. Details are shown below.

Oversupply

This research has found that a main concern of tourism in Phuket is over development, especially in low seasons which have low tourist demand yet high competition among tourism organizations in Phuket. A concern over Phuket's oversupply situation is supported by tourism literature that states that significant trends are emerging including a greater number of Thai investment entities developing new hotels, both publicly listed firms

and private individuals. Much of this can be attributed to domestic liquidity and the greater availability of debt (C9 Hotelworks 2008). Moreover, Banks continue to fund new hotel projects in a market which is well past saturation and, over the next decade, the possibility of oversupply is a real and present danger to the overall health of hotel grade assets (Barnett 2009).

Tourism literature also explains that branding of hotels is also on the rise with 27 of the 30 hotels operated by international, regional and domestic chains. Thailand based brands are growing at a rapid pace and regional chains are now expanding throughout the country. There remains growing concern on possible oversupply issues facing Phuket in the coming years and what is currently a sleeping giant, in terms of supply growth, is the conversion of exclusive villas and condos, in the non-traditional accommodation segment, becoming a direct competitor to the mainstream hotel market (C9 Hotelworks 2008).

Low Season

Findings from this research support the literature that Phuket can be considered as a seasonal destination. Promoting Phuket hotels during the low season is apparently very challenging. According to The Phuket News (2011), Phuket and the Andaman region usually enter a low tourist period, or so call 'green season' or 'low season', following Songkran festival in April. In turn, tourism operators will have to work hard to attract more visitors and keep the local economy ticking over.

Mantanarat (2011) voiced a further concern that Phuket's low season is extremely poor, with occupancies dropping at hotels by the end of April to a breakeven level, while running costs remain high. Selling Phuket during the six months from May through to October requires travel agents to flag a warning that while the weather can be bright and sunny, it is just as likely to be stormy with torrential rains blowing off the Andaman Sea. Swimming in most of the bays is off-limits due to dangerous rip-tides. Moreover, very few hotels are geared for the rainy season. They lack indoor activities and entertainment for families.

In order to cope with such challenges, respondents have stated that the tourism industry in Phuket needs to match the right market with the right season. If the tourism package is appealing, it is possible to attract the Chinese, Korean, and Australian tourists to travel to Phuket during the low season.

High Cost for Domestic Tourists

Whilst Phuket is considered as an affordable holiday by foreigners, Thai people perceive Phuket as a rather expensive destination. In fact, literature has shown that Phuket is officially the most expensive place in Thailand to live, and is even more expensive than Bangkok (Kaenkrachang 2010). Moreover, Phuket is largely considered by many Thais as a destination for tourists from overseas. This is primarily the reason why Phuket has been perceived by domestic tourists as a 'foreigner's city', where everything has become expensive (Khamlo 2011).

For domestic tourists traveling to Phuket, tourism statistics have shown that revenue gained from domestic tourists was not as high as from overseas tourists. Compared with overseas tourists, domestic tourists (mostly Thais) spend much less per day and their trips are shorter, on average two days and a half (Thai Websites 2011). Moreover, foreign tourists generally spent a large proportion of their budget on accommodation and air transportation, whereas Thai tourists normally stayed at mid-to low-end hotels and traveled by ground transportation (Bank of Thailand 2010).

Furthermore, Phuket is not a mainstay destination for domestic travel agents who prefer to sell specialized tours to the North and Northeast with eco-tourism or soft adventure options (Mantanarat 2011). With all these reasons, this research has endorsed tourism literature findings that the tourism industry in Phuket has not been able to gain sufficient volume from domestic tourists.

Discussion of Research Objective #2

The second research objective aimed to examine economic crisis as a global negative factor affecting Phuket hotels. This research has confirmed the literature which shows that an

economic crisis has a stronger negative impact than other crisis types (Badr, Zakareya & Saleh 2009).

In order to meet the second research objective, this research has demonstrated that an economic crisis has negatively affected tourist decisions to travel to Phuket as they would rather save their money, travel to short-haul destinations, shorten their stay, and choose value-for-money destinations. The details are discussed below.

Reduced Travel Budget

According to this research's findings, an economic crisis is a global crisis which affects Phuket's tourist-generating countries. There is a price issue as people tend to avoid travel in order to save money. Traveling is not as important as basic needs in people's lives such as food and accommodation, and therefore travel spending is one of the first expenses to be reduced by those who have been affected by an economic crisis. Even if tourists could afford to travel, they may be budget-cautious with their spending and spend less accordingly, such as having dinner at local restaurants instead of eating in the hotel's restaurants.

Such findings are in line with tourism studies which show that tourists will think twice before deciding to travel during an economic crisis (UNWTO 2009). Travelers may stay at less expensive hotels, and eat at cheaper restaurants (Wilkening 2011b). Furthermore, tourists are likely to economize on the duration of their stay, scale back their expenditure per night and tend to sacrifice secondary holidays (Smeral 2009).

This complexity is further explained by Smeral (2009) who stated that tourism, as a non-necessary consumer good, will recover slower than other economic activities due to a number of reasons: firstly, high unemployment rates means tight consumer budgets will be first spent on necessary consumer goods; secondly, the loss in wealth will increase saving rates in the medium term; and thirdly, higher taxes and reduced public spending will limit consumer expenditure. Clearly, an economic crisis situation makes it difficult for people to justify travel spending.

Short Haul Travel

This research has pointed out that although some tourists can afford to travel, they would prefer short-haul travel. It supports literature which shows that tourists now tend to travel to destinations closer to home, meaning more domestic travel. This is expected to be favored over long-haul travel (Smeral 2009; UNWTO 2009).

In terms of destination choice, leisure tourists in the years to come will be more likely to travel closer to home, a phenomenon recently called ‘staycation.’ Domestic tourism is expected to boom as a repercussion of global economic recession, and segments such as visiting friends and relatives, repeat visitors, special-interest, and independent travelers are expected to be more resilient (Papatheodorou, Rosselló & Xiao 2010).

Instead of buying an airplane ticket, consumers who have foregone travel during the recession may decide to take their vacations within driving distance. Although rising oil prices will impact the cost of a road trip, a destination within driving distance is still likely to be less expensive to reach than one that requires an international flight. The gas prices will almost certainly mean some cutbacks on travel expenses, at the very least (Wilkening 2011b).

All these reasons are consistent with the research findings which explain why Phuket’s long haul markets, primarily tourists from Europe and the USA, have not bounced back from the economic crisis.

Shortened Stay

As a result of economic and currency impacts, long haul arrivals into Phuket from Europe and the USA were down, but have been compensated by newer shorter-haul markets particularly those of emerging Asia; Russia and the Middle East. However, shorter haul visitors tend to stay for shorter time periods. Phuket currently has an average of 2.8 to 3.5 days per visitor, whereas the average for European long-haul visitors was 6 to 7 days (Daniel 2011).

Tourism scholars explained that a decline in length of stay and international tourism expenditure will be more pronounced than volume (or number of arrivals) (Papatheodorou,

Rosselló & Xiao 2010). Moreover, visiting friends and relatives, repeat visitors and special interest and independent travelers are expected to be more resilient. Moreover, the decline in average length of stay and expenditure will be more pronounced than the decline in overall volume (UNWTO 2009).

Literature discussed above has supported this research's findings that a number of tourists who have a tight budget are shortening their duration of stay in order to reduce costs. In fact, it should be pointed that an airfare is not the only expensive part of the holiday as low-cost airlines are offering affordable flight alternatives. A hotel stay is another expensive expenditure as tourists will be charged per night plus tax. Hence, offering attractive hotel rates as part of the value-for-money tourism package, to be further discussed below, is crucial.

Value-for-Money Travel

As pointed out in this research, Phuket's competitor destinations, primarily beach destinations such as Bali and the Maldives, have also been affected by the same global economic crisis. At this point, it is therefore crucial for hotels to highlight Phuket's competitive advantage by offering a variety of value-for-money tourism products. The Maldives, for instance, target primarily luxury and honeymooner markets whereby Phuket has a wide range of products from guest houses to five star hotels and resorts.

This statement is supported by tourism studies which demonstrate that valued tourism products should be emphasized during an economic crisis. With high priced indulgent tourism and hospitality products, travel demand will fall. More importantly, tourists will need to be convinced of the value and security of tourism products (Beirman 2011).

To promote the destination's value-for-money travel, stakeholders including hotels, airlines, cruise operators, land transport providers, tour operators and attractions all need to create, in concert, incentives for people to travel. Where possible rather than offer economically unsustainable discounts, attractive value added deals are highly recommended and air fares combined with add-on land products will offer perceived value for money

(Beirman 2011). Clearly, destinations offering value for money products have an advantage as price becomes a key issue (UNWTO 2009).

Discussion of Research Objective #3

Central to this research, the third research objective aimed to investigate the critical success factors (CSFs) of crisis management implemented by Phuket hotels during an economic crisis. This research has identified five CSFs as follows:

- CSF1: Crisis Management Plan
- CSF2: Crisis Market Segmentation
- CSF3: Crisis Marketing Promotion
- CSF4: Crisis Collaboration
- CSF5: Crisis Personnel Management

CSF1: Crisis Management Plan

The first critical success factor is to have a crisis management plan in place, which is supported by a number of scholars (Augustine 2000; Campbell 1999; Coombs 1999; Faulkner 2001; Pacific Asia Travel Association 2003; Ruff & Aziz 2003; World Tourism Organization 2003).

This research has pointed out that an economic crisis is different from other crisis types, and therefore there is a great need for a crisis management plan or guidelines developed for an economic crisis. It should be noted, however, that a crisis management plan is only a basic guideline. The plan needs to be adapted to the situation, location, and market. Such findings have been supported by tourism scholars who stated that each crisis requires a different crisis management plan (Aktas & Gunlu 2005; Henderson 2007; Tiernan et al. 2007, p. 324)

One of the most important components of a crisis management plan is a crisis marketing strategy. With a crisis management plan, hotels would be able to implement the right marketing strategy at the right time. This has been endorsed by Thompson (2010) who stated that preparing a marketing plan is essential during an economic crisis situation. This literature further suggested that the marketing plan should show sharp market segmentation, which means that a company should not run after the whole market, but only the segments in which it can make a higher bid and win. It is also crucial to come up with the right marketing promotion which generally consists of either lowering prices or adding some additional value.

Based on the research findings together with Thompson (2010)'s recommendations, this chapter now reviews crisis market segmentation (CSF2), and crisis marketing promotion (CSF3) strategies as shown below.

CSF2: Crisis Market Segmentation

This research has supported the literature in that organizations, during a crisis situation, should focus on markets that will generate revenue (Johnson, Scholes & Whittington 2005, p. 524). To begin with, hotels must choose the right mix of market segmentation (Thompson, S. 2010). Although Phuket has successfully attracted a number of tourists from both overseas and domestic markets in the past, attracting either overseas or domestic tourists to Phuket during an economic crisis has become complicated.

For overseas markets, it is vital for hotels in Phuket to focus either on markets that have not been affected, or emerging markets. Moreover, Phuket is a seasonal destination. Mantanarat (2011) has pointed out that promoting Phuket during the low seasons, six months from May to October, is extremely challenging. Therefore Phuket hotels would need to match the right market with the right season.

With regards to the domestic market, this research has supported tourism literature which shows that Thai tourists perceive Phuket as a rather expensive destination (Kaenkrachang 2010) which primarily welcomes overseas tourists (Khamlo 2011). This research also added that although Phuket can successfully attract domestic tourists, those

tourists are likely to spend less than overseas tourists and also tend to stay at low-medium level hotel accommodation (Thai Websites 2011). Therefore, medium-high level hotels in Phuket would need to work harder to attract domestic tourists who could afford their products.

CSF3: Crisis Marketing Promotion

As highlighted in this research, tourists are generally cost conscious during an economic crisis. Hence a marketing promotion offered by a hotel needs to explain the possibilities of having an affordable quality holiday. Findings from this research have shown that there are largely two approaches of doing so, either by discounting or by adding value to the tourism products. Both approaches are discussed below.

For a large number of hotels, the most important thing for them during an economic crisis is to generate cash by discounting, regardless of rates. This is in line with Thompson and Martin's (2005, p. 651) study which demonstrated that a price decrease can result in increased revenue by stimulating demand.

This research has argued, however, that discounting has a number of downfalls. Firstly, discounted rates can be perceived as a reduced level of service. Secondly, it can take a long period of time for hotels to reach normal room rates once the rate has been discounted. Thirdly, discounting rates means that hotels may be attracting tourists who are very cautious with their spending and are not the hotel's preferred target market.

An alternative to discounting rates is adding value to the tourism products, which appears to be a superior approach for attracting customers during an economic crisis. The Tourism Authority of Thailand (TAT), for example, launched a global campaign 'Amazing Thailand, Amazing Value' in 2009. By emphasizing Thailand's worthwhile proposition, TAT can better address travelers who still like to go on vacation, but to a less-costly destination. A survey by CNN has confirmed the campaign effectiveness, titling Thailand as the best value destination in Asia-Pacific (Ketter 2009).

In order for hotels in Phuket to maximize product value from a limited marketing budget, effective collaboration (CSF4) with tourism stakeholders is needed. In turn, the next CSF is presented below.

CSF4: Crisis Collaboration

A common problem during an economic crisis happens when hotels compete using discounting strategies. It is therefore suggested that hotels work hand-in-hand with suppliers in order to achieve an economy of scale which would lower the total product costs. As Beirman (2011) has explained, collaboration among tourism organizations would enable them to sell bulk tourism products as an attractive value-added package.

Aktas and Gunlu (2005) added that crisis collaboration requires partnership among various parties ranging from public and private authorities to the leading associations of all income-generating industries existing in the destination. Although no single authority can be expected to provide solutions to problems caused by a crisis, it is often governments who steer the joint efforts of numerous organizations and launch special public units and centers to accelerate recovery.

In regard to the government's push for crisis collaboration, The Phuket News (2011) reported that the Tourism Authority of Thailand (TAT)'s Phuket Office has recently launched a new campaign, encouraging domestic trips to Phuket from Bangkok. The campaign, 'Phuket Great Time – Click and Go', is a collective effort from over 100 tourism agencies in Phuket and Phang-nga. Whilst this campaign will only be available to Thai nationals, it is hoped an influx of domestic tourists will be able to compensate for the loss of other tourism markets.

Nonetheless, research findings have shown otherwise. Some leading tourism organizations, particularly TAT and Thai Airways, have been criticized for not doing enough to support the tourism industry during an economic crisis situation.

CSF5: Crisis Personnel Management

It should be pointed out that hotels' biggest costs are overhead costs. At the same time, employees are the most valuable asset. In turn, hotels in Phuket were cautious with fixed and variable costs during an economic crisis in which generating revenue became difficult. Therefore, it is important to have a personnel management plan that can be implemented and adapted during an economic crisis situation. In fact, the most important thing is that the leader explains clearly why the decision has been made, and how it would help the organization. This is endorsed by Ruff and Aziz (2003, p. 93) who stated that organizations that communicate well internally tend to communicate better overall, achieving a more favorable perception among external audiences.

This research has suggested that employing casual staff has proved to be helpful during an economic crisis. The advantage of hiring casual staff would provide hotels with the flexibility of not hiring them, not only during an economic crisis situation, but also during Phuket's low season. For hotels with a large number of employees however, laying off casual staff alone is not enough and therefore reducing labor cost would appear to be challenging.

During low occupancy, there are a number of human resource management options: firstly, there is paid leave, and also leave-without-pay. For large hotels with properties in different locations, staff can be transferred to a location that has not been affected by the economic crisis. Such strategies are endorsed by literature (Harrison & Enz 2005, p. 177) which shows that approaches to reduce overhead costs can help sustain the organization's financial outlook.

Managerial Implications

There are three major managerial implications from this research. Firstly, Phuket hotels have been affected by Phuket's disadvantages of being oversupplied, seasonal, and high cost for domestic tourists. Such local factors could complicate an economic crisis management. Owing to these negative factors, the hotel business in Phuket can no longer be recognized as 'business as usual' and therefore top executives at Phuket hotels must take this concern into consideration.

Secondly, the economic crisis has transformed travel patterns. With limited travel budget, travel spending is one of the first expenses to be reduced by those who have been affected by an economic crisis. Those who can afford to travel tend to prefer short haul travel, or 'staycation', in order to save money. In turn, short haul tourists tend to stay for shorter time periods as a hotel stay is an expenditure that is accumulatively charged per night. Consequently, tourists would prefer a tourism product with perceived value for money in order to justify their travel budget during an economic crisis.

Thirdly, it is important for hotels as well as policy makers to note that all five critical success factors identified in this research are considered very important by respondents. To begin with, it is strongly suggested that hotels develop a flexible, yet economic crisis-specific, crisis management plan in order to be proactive rather than reactive. Hotels then need to identify potential markets, possibly targeting a combination of overseas and domestic tourists, which will generate revenue.

Next, this research suggests that a marketing promotion which explains the possibilities of having an affordable quality holiday should be considered by hotels' marketing departments. To do so, collaboration with stakeholders, particularly suppliers, is recommended. Last, but not least, staff is considered by hotels as the most valuable asset, yet staff salaries appear to be the biggest business cost. A number of personnel management approaches have been addressed in this research, and should be carefully selected prior to implementation

Recommendations for Future Research

This research has achieved its aim of identifying and examining the critical success factors (CSFs) of crisis management implemented by Phuket hotels during an economic crisis. Its results provide a foundation for further research in three major ways.

Firstly, this research mainly investigated crisis management approaches generally used by hotels in Phuket. In turn, an aim of this research was not to compare approaches implemented by hotels of different sizes. Ruff and Aziz (2003) suggested however that the different size of organizations necessitates different approaches to crisis preparedness. Pechlaner et al. (2007, p. 159) also added that small businesses have limited resources (e.g.

human and financial resources), and are generally unable to devote resources in a similar manner to large organizations. Therefore, this research suggests that similar investigations in future economic crises need to be conducted by comparing the crisis management approaches utilized by hotels of different sizes.

Secondly, tourism literature has highlighted that each crisis is unique, and in addition, that the same crisis may often pose different degrees of severity across different destinations. Therefore, it would be beneficial if comparative studies are conducted in the future focusing on the same hotel sector, yet in different economic crisis-affected destinations. For instance, this could involve an examination of crisis management implemented by hotels in the Maldives or Bali where their tourism-generating countries have also been affected by an economic crisis. The findings of such research can potentially provide important insights into the similarities and differences of economic crisis management strategies in different regions.

Thirdly, while this research interviewed hotel employees on economic crisis management issues, another angle of this phenomenon needs to be investigated directly from tourists. On this point, there are a number of key issues upon which future researches in the area could focus including: the influence of an economic crisis on tourists' buying decisions; their attitude toward discounted tourism products; and their views on the value of tourism products.

Summary

Tourism is without doubt a major export service of Thailand, benefitting from its people's hospitality, rich culture, cultural heritage, and historical tourist destinations. Like the global and Asia Pacific tourism industry, Thailand's tourism however has been negatively influenced in recent years by a number of crises, and particularly by the recent economic crisis. Phuket, one of the most important tourist destinations in Thailand, is no exception. Such a crisis, in turn, has transformed travel patterns and discouraged tourists from spending their holidays at hotels in Phuket. Therefore, effective crisis management approaches and strategies are needed for Phuket hotels.

In partially redressing these and related omissions in the field, this research has examined economic crisis management issues in the context of Phuket hotels. Its findings

have provided in-depth and substantially meaningful insights and understanding of an economic crisis, and the ways such a crisis affects tourists more severely than other crisis types, whilst simultaneously complicating its crisis management processes.

More importantly, this research has not only provided tourism researchers with a number of contributions to the knowledge of the field, but has also provided hotels, together with the tourism industry, with several potentially valuable managerial implications. In sum, both the contributions and implications of this research have the potential to contribute to better economic crisis management in the tourism industry as a whole.

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APPENDIX

Interview Questions

Research Objectives	Issues	Interview Questions
	Introduction	How would you describe current tourism situation in Phuket?
1	Local negative factors affecting Phuket hotels	What are the local negative factors affecting Phuket hotels? Please explain why.
		In what ways have those factors affected Phuket hotels?
2	Impact of the economic crisis as a global negative factor affecting Phuket hotels	In what ways has the economic crisis affected Phuket hotels?
		In what ways has the economic crisis affected your hotel?
3	Critical success factors (CSFs) of crisis management implemented by Phuket hotels during an economic crisis.	In what ways did your hotel manage the economic crisis?
		Based on your answers, what are the most important factors in managing economic crisis? Please explain why.