RESOURCE-BASED VIEW ON TOURISM DEVELOPMENT IN MALAYSIA (1965-2010)

A Thesis Submitted
in Fulfillment of the Requirements
for the Degree of Doctor of Philosophy

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STATEMENT OF ORIGINALITY

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Noor Zatul Iffah Hussin
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Al-hamdu lillaahi Rabbil-‘Aalamiin - ‘All praise unto Allah, the sustenance of the universe, the most gracious’. Because of Him I managed to complete this study and He sent someone wonderful people to help me complete this challenging journey.

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ABSTRACT

This thesis seeks to examine the structural factors that influence the development of tourism at the national level, with a focus on Malaysia. Tourism in Malaysia emerged later than in its neighbouring countries such as Singapore, Thailand and Indonesia. This is because the primary source of foreign-exchange earnings before 1985 came from commodities and the manufacturing industry. Only after a severe economic recession did Malaysia consider the tourism industry as an alternative to broaden the country’s economic base. Ever since, with an efficient marketing and planning strategy, Malaysia has become the most visited country in Southeast Asia after Thailand. In gross national product (GNP), tourism ranked second after manufacturing, contributing approximately 34 per cent of the total GNP of Malaysia in 2005.

To understand the factors that influence tourism development in Malaysia, this study has chosen a qualitative method because it involves answering questions pertaining to ‘what’, ‘why’ and ‘how’, which can provide a wealth of profound and detailed information on the issues being investigated. As the qualitative method is the root for the interpretive paradigm, this study has chosen bibliographic research as its research method, as the information gathered for this study is from published material and data were analysed using content analysis/NVivo 8.0.

The findings from this study indicate that Malaysia’s planning in the tourism industry appears to exhibit characteristics consistent with the stages of Butler’s Tourism Life-cycle Model in that Malaysia has undergone the stages of exploration, involvement and development. This study discovered that Malaysia’s strength has been in its four
marketing areas (product, price, promotions and distribution channel). However, the last marketing areas, planning and implementation, were not receiving full cooperation from some of the stakeholders, rendering the long-term marketing objectives unachievable. This indicated that competitive advantages may arise, but if resources are imitable, competitive advantage is not sustainable. The marketing strategies that have been employed by Tourism Malaysia for short-term and long-term objectives indicate that Malaysia has constantly considered its core resources (e.g. nature and culture), created resources and supported resources (e.g. accessibility, quality of service and market ties) and capabilities that are capable of attracting visitors in a consistent manner (see Table 3.7).

This study contributes to the theory of tourism in Malays and provides practical perspectives. From the theory perspective, this study validates the importance of integrating a resource-based view (RBV) and Butler’s development theory in underpinning the country’s degree of competitive ability in tourism. These theories can be used as a guideline for other countries in their tourism planning, assisting them to use their resources efficiently. This study also reveals that Malaysia possesses individual capabilities that result in short-term advantages in tourism. From the practical perspective, the Malaysian government needs to improve its marketing resources by developing a close relationship with its stakeholders, as this relationship is presently marked by a lack of cooperation.
TABLE OF CONTENTS

STATEMENT OF ORIGINALITY ........................................................................................................... ii
ACKNOWLEDGEMENT ...................................................................................................................... iii
ABSTRACT ........................................................................................................................................ iv
TABLE OF CONTENTS ...................................................................................................................... vi
LIST OF TABLES ............................................................................................................................... xiii
LIST OF FIGURES ............................................................................................................................. xv
LIST OF ABBREVIATIONS ............................................................................................................... xvi

CHAPTER ONE: INTRODUCTION ....................................................................................................... 1
1.1 BACKGROUND ........................................................................................................................... 1
1.2 RESEARCH OBJECTIVE AND GUIDING PROPOSITIONS .................................................. 5
1.3 SUMMARY OF RESEARCH METHODOLOGY ................................................................ 8
1.4 SCOPE OF THE STUDY ........................................................................................................... 11
1.5 RESEARCH LIMITATION ....................................................................................................... 11
1.6 THESIS OUTLINE .................................................................................................................. 12
1.7 CHAPTER SUMMARY ............................................................................................................. 14

CHAPTER TWO: LITERATURE REVIEW ............................................................................................ 15
2.1 INTRODUCTION ....................................................................................................................... 15
2.2 TOURISM PRODUCTS .............................................................................................................. 15
2.3 THE CONCEPT OF SERVICE IN TOURISM ......................................................................... 16
2.4 TANGIBILISING FACTORS IN THE TOURISM INDUSTRY .............................................. 18
  2.4.1 Qualified and Experienced Employees ................................................................................. 19
  2.4.2 Physical Environment ........................................................................................................... 20
  2.4.3 Price .................................................................................................................................. 21
  2.4.4 Destination Image ................................................................................................................ 22
  2.4.5 Experience with a Destination ............................................................................................ 27
2.5 STRATEGIC PLANNING AND SUSTAINABILITY ............................................................... 32
  2.5.1 Planning and Developing Countries .................................................................................... 34
3.4 AN OVERVIEW OF MALAYSIA TOURISM AND THE NATIONAL ECONOMY ................................................................. 130
3.5 CHAPTER SUMMARY ........................................................................................................... 140

CHAPTER FOUR: MALAYSIA DEVELOPMENT PLANS AND TOURISM ... 141

4.1 INTRODUCTION .................................................................................................................. 141
4.2 THE FIRST MALAYSIA PLAN (1965-1970) ................................................................. 143
  4.2.1 Institutional Setting and Planning Process ............................................................... 143
  4.2.2 Tourism Policy: Objectives and Demands ............................................................... 145
  4.2.3 Tourism Decisions and Output .............................................................................. 146
  4.2.4 Tourism Impact ..................................................................................................... 154
  4.2.5 Conclusion ........................................................................................................... 154
4.3 THE SECOND MALAYSIA PLAN (1971-1975) ......................................................... 156
  4.3.1 Institutional Setting and Planning Process ............................................................... 156
  4.3.2 Tourism Policy: Objectives and Demand ............................................................... 160
  4.3.3 Tourism Decisions and Output .............................................................................. 161
  4.3.4 Tourism Impact ..................................................................................................... 172
  4.3.5 Conclusion ........................................................................................................... 173
4.4 THIRD MALAYSIA PLAN (1976-1980) ................................................................. 175
  4.4.1 Institutional Setting and Planning Process ............................................................... 175
  4.4.2 Tourism Policy: Objectives and Demand ............................................................... 176
  4.4.3 Tourism Decisions and Output .............................................................................. 177
  4.4.4 Tourism Impact ..................................................................................................... 189
  4.4.5 Conclusion ........................................................................................................... 190
4.5. FOURTH MALAYSIA PLAN (1981-1985) .......................................................... 192
  4.5.1 Institutional Setting and Planning Process ............................................................... 192
  4.5.2 Tourism Policy: Objectives and Demands ............................................................... 193
  4.5.3 Tourism Decisions and Output .............................................................................. 193
  4.5.4 Tourism Impact ..................................................................................................... 200
  4.5.5 Conclusion ........................................................................................................... 202
4.6 FIFTH MALAYSIA PLAN (1986-1990) ............................................................. 204
  4.6.1 Institutional Setting and Planning Process ............................................................... 204
  4.6.2 Tourism Policy: Objectives and Demands ............................................................... 205
4.6.3 Policy Decisions and Output ................................................................. 205
4.6.4 Tourism Impact ..................................................................................... 216
4.6.5 Conclusion ............................................................................................ 219

4.7.1 Institutional Setting and Planning Process .............................................. 220
4.7.2 Tourism Policy: Objectives and Demands ............................................. 221
4.7.3. Tourism Decisions and Output ............................................................. 222
4.7.4 Tourism Impact ..................................................................................... 239
4.7.5 Conclusion ............................................................................................ 241

4.8 SEVENTH MALAYSIA PLAN (1996-2000) ............................................ 242
4.8.1 Institutional Setting and Planning Process .............................................. 242
4.8.2 Tourism Policy: Objectives and Demand .............................................. 243
4.8.3 Tourism Decisions and Output ............................................................... 244
4.8.4 Tourism Impact ..................................................................................... 259
4.8.5 Conclusion ............................................................................................ 261

4.9 EIGHTH MALAYSIA PLAN (2001-2005) .............................................. 262
4.9.1 Institutional Setting and Planning Process .............................................. 262
4.9.2 Tourism Policy: Objectives and Demands ............................................ 263
4.9.3 Tourism Decisions and Output ............................................................... 265
4.9.4 Tourism Impacts .................................................................................. 277
4.9.5 Conclusion ............................................................................................ 279

4.10 NINTH MALAYSIA PLAN (2006-2010) .............................................. 280
4.10.1 Institutional Setting and Planning Process ............................................ 280
4.10.2 Tourism Policy: Objectives and Demands ........................................... 280
4.10.3 Tourism Decision and Output ............................................................... 281
4.10.4 Tourism Impact .................................................................................. 288
4.10.5 Conclusion .......................................................................................... 289

4.11 CHAPTER CONCLUSION .................................................................... 290

CHAPTER FIVE: RESEARCH DESIGN AND METHODOLOGY .................. 292
5.1 INTRODUCTION ...................................................................................... 292
5.2 RESEARCH PARADIGM ....................................................................... 292
5.2.1 Positivist ............................................................................................... 294
5.2.2 Post-positivism ................................................................. 296
5.2.3 Interpretivism/Constructivism ........................................... 297
5.2.4 Critical Theory ............................................................... 298

5.3 DIFFERENCES BETWEEN QUALITATIVE AND
QUANTITATIVE METHODOLOGIES ........................................ 302

5.4 QUALITATIVE METHODOLOGY—A QUESTION.
OF TRUSTWORTHINESS ........................................................... 304

5.5 TYPES OF DATA ................................................................. 306
5.5.1 Secondary Data ............................................................... 307

5.6 DATA METHOD: BIBLIOGRAPHIC RESEARCH ................... 308
5.6.1 Publication Search and Eligible Data ......................... 309

5.7 DATA ANALYSIS: INDUCTIVE CONTENT ANALYSIS ....... 310
5.7.1 Preparation Phase ......................................................... 312
5.7.2 Organising Phase .......................................................... 313
5.7.3 Reporting the Analysing Process and Results ............... 313

5.8 DATA ANALYSIS ............................................................... 317

CHAPTER SIX: RESULTS AND ANALYSIS ................................. 318
6.1 INTRODUCTION ................................................................. 318

6.2 REVIEW OF TOURISM DEVELOPMENT IN MALAYSIA .... 319
6.2.1 First Malaysia Plan (1965–1970) ...................................... 319
6.2.2 Second Malaysia Plan (1971–1975) ................................. 320
6.2.3 Third Malaysia Plan (1976–1980) ................................. 321
6.2.4 Fourth Malaysia Plan (1981–1985) ................................. 322
6.2.5 Fifth Malaysia Plan (1986–1990) ................................. 323
6.2.6 Sixth Malaysia Plan (1991–1995) ................................. 324
6.2.7 Seventh Malaysia Plan (1996–2000) ............................. 326
6.2.8 Eighth Malaysia Plan (2001–2005) ............................. 327
6.2.9 Ninth Malaysia Plan (2006–2010) ............................. 329

6.3 ANALYSIS OF THE PLANS ................................................ 330
6.3.1 Proposition 1: What tourism development strategies has Malaysia
adopted since its First Malaysia Plan in 1965? ...................... 330
6.3.1.1 Tourism development in Malaysia ......................... 330
6.3.1.2 Conclusion ................................................................................................... 336

6.3.2 Proposition 2: What was the process grounding the development of Malaysia’s tourism strategies? ....................................................... 337

6.3.2.1 Conclusion ................................................................................................... 338

6.3.3 Proposition 3: Is there evidence of short-term and long-term objectives being formulated? ................................................................. 339

6.3.3.1 Short-term objectives ................................................................................... 339

6.3.3.2 Long-term objective: Destination image ...................................................... 339

6.3.3.3 Conclusion ................................................................................................... 342

6.3.4 Proposition 4: Were there specific targets identified for each of Malaysia’s tourism-development plans? ...................................................... 343

6.3.4.1 Market segmentation—international market ............................................... 343

6.3.4.2 Market segmentation—domestic tourists ..................................................... 346

6.3.4.3 Conclusion ................................................................................................... 350

6.3.5 Proposition 5: What attention is given in Malaysia’s tourism plans to capacity issues, namely in the context of identified capabilities and competencies? Proposition 6: Is there a discernible link between the development of capabilities and competencies and Malaysia’s strategies? ................................................................. 350

6.3.5.1 Resources and capabilities ........................................................................... 350

6.3.5.2 Conclusion ................................................................................................... 359

6.3.6 Proposition 7: What is the knowledge-transfer process between Malaysia’s nine tourism plans? ................................................................. 360

6.3.6.1 Conclusion ................................................................................................... 361

6.4 CHAPTER CONCLUSION .............................................................................. 362

CHAPTER SEVEN: DISCUSSION ............................................................................ 364

7.1 INTRODUCTION .............................................................................................. 364

7.1.1 Proposition 1: What are the development strategies that Malaysia adopted since its First Plan in 1965? ................................................................. 364

7.1.2 Proposition 2: What was the process grounding the development of Malaysia’s tourism strategies? ................................................................. 371
7.1.3 Proposition 3: Is there evidence of short-term and long-term objective being formulated? .................................................................................................................. 376
7.1.4 Proposition 4: Were specific targets identified for each of Malaysia’s tourism development plans? ................................................................. 379
7.1.5 Proposition 5: What attention is given in Malaysia’s tourism plans to capacity issues, namely in the context of identified capabilities? ................... 391
7.1.6 Proposition 6: Is there a discernable link between the development of capabilities and the Malaysia’s strategies? ........................................ 391
7.1.7 Proposition 7: What is the knowledge transfer process between Malaysia’s nine tourism plans? ................................................................. 401

7.2 CHAPTER CONCLUSION .............................................................................. 404

CHAPTER EIGHT: CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH ........................................................................................................ 407
8.1 ACHIEVEMENT OF OBJECTIVE ................................................................. 407
8.2. IMPLICATIONS ............................................................................................ 412
   8.2.1 For Theory ............................................................................................... 412
   8.2.2. Implication for Policy Makers and Tourism Planners ............................ 413
8.3 MAJOR CONTRIBUTIONS OF THE CURRENT STUDY .......................... 416
   8.3.1 For Theory ............................................................................................... 416
   8.3.2 For Practical ............................................................................................ 417
8.4 RESEARCH LIMITATIONS ........................................................................... 417
8.5 AREAS FOR FUTURE RESEARCH ........................................................... 418
REFERENCE ................................................................................................. 420
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1.1</td>
<td>Southeast Asia International Tourist Arrivals; 2000-2011</td>
</tr>
<tr>
<td>Table 1.2</td>
<td>Southeast Asia International Tourist Receipts; 2000-2011</td>
</tr>
<tr>
<td>Table 2.1</td>
<td>Intangible Resource Criteria with Respect to Sustainable Competitive Advantage</td>
</tr>
<tr>
<td>Table 2.2</td>
<td>Allocentric and Psychocentric Travellers Characteristic</td>
</tr>
<tr>
<td>Table 2.3</td>
<td>Psychographic Predictors of Destination Life Cycle</td>
</tr>
<tr>
<td>Table 3.1</td>
<td>Population Estimates by Ethnic Group in Malaysia</td>
</tr>
<tr>
<td>Table 3.2</td>
<td>List of the Prominent Resources in Malaysia</td>
</tr>
<tr>
<td>Table 3.3</td>
<td>A Match of Tourism Resources with National Preferences</td>
</tr>
<tr>
<td>Table 3.4</td>
<td>Development Allocation for Tourism from Sixth to Eighth Malaysia</td>
</tr>
<tr>
<td>Table 3.5</td>
<td>Number of Hotels and Rooms from 1995-2010</td>
</tr>
<tr>
<td>Table 3.6</td>
<td>Malaysia’s Top Foreign Exchange Earning by Items 1985-2005 (RM Malaysia)</td>
</tr>
<tr>
<td>Table 3.7</td>
<td>International Arrivals, Receipts and Average Length of Stay</td>
</tr>
<tr>
<td>Table 3.8</td>
<td>Tourist Arrivals from the Major Markets 2000-2009</td>
</tr>
<tr>
<td>Table 3.9</td>
<td>Number of Hotels and Rooms from 1995-2010</td>
</tr>
<tr>
<td>Table 3.10</td>
<td>Malaysia’s Top Foreign Exchange Earning by Items 1985-2005 (RM Malaysia)</td>
</tr>
<tr>
<td>Table 3.11</td>
<td>International Arrivals, Receipts and Average Length of Stay</td>
</tr>
<tr>
<td>Table 3.12</td>
<td>Tourist Arrivals from the Major Markets 2000-2009</td>
</tr>
<tr>
<td>Table 3.13</td>
<td>Number of Hotels and Rooms from 1995-2010</td>
</tr>
<tr>
<td>Table 3.14</td>
<td>Malaysia’s Top Foreign Exchange Earning by Items 1985-2005 (RM Malaysia)</td>
</tr>
<tr>
<td>Table 3.15</td>
<td>International Arrivals, Receipts and Average Length of Stay</td>
</tr>
<tr>
<td>Table 3.16</td>
<td>Tourist Arrivals from the Major Markets 2000-2009</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Foreign Tourist Arrivals to Peninsular Malaysia by Major Market Area (1974-1980)</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Single Day Per Capita Expenditure of Foreign Tourists 1974/1980</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>The Classification of Source Countries According to Market Categories for the Fifth Plan</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Unique Selling Points for Eight Destinations</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Destination Package Attraction</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Market Criteria for the Market Category</td>
</tr>
<tr>
<td>Table 4.7</td>
<td>Destination Attractions for Selected Market</td>
</tr>
<tr>
<td>Table 4.8</td>
<td>Malaysia Theme Campaign for 1990 to 1994</td>
</tr>
<tr>
<td>Table 4.9</td>
<td>Unique Selling Point for Four Destinations</td>
</tr>
<tr>
<td>Table 4.10</td>
<td>The Classification of Destination According to Market Categories in 1997</td>
</tr>
<tr>
<td>Table 4.11</td>
<td>The Classification of Focus Group for 1997</td>
</tr>
</tbody>
</table>
Table 4.12  Destination Categories…………………………………………………………249
Table 4.13  World 15 Tourism Spenders 2000/2001  267
Table 5.1  Paradigm, Methods and Tools ..................................................301
LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.1</td>
<td>Overview of Research Approach</td>
</tr>
<tr>
<td>Figure 2.1</td>
<td>A Resource-Based Approach to Strategy Analysis</td>
</tr>
<tr>
<td>Figure 2.2</td>
<td>Psychographic Positions of Destinations</td>
</tr>
<tr>
<td>Figure 2.3</td>
<td>Butler Sequence</td>
</tr>
<tr>
<td>Figure 3.1</td>
<td>A General Map of Malaysia and its Neighbours (Brunei, Singapore, Thailand, Philippines, Vietnam and Indonesia)</td>
</tr>
<tr>
<td>Figure 3.2</td>
<td>Malaysia Attraction</td>
</tr>
<tr>
<td>Figure 3.3</td>
<td>Seasonality Trend in Malaysia</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Access Routes in Malaysia</td>
</tr>
<tr>
<td>Figure 5.1</td>
<td>Preparations, Organizing and Resulting Phase in the Content Analysis Process</td>
</tr>
<tr>
<td>Figure 5.2</td>
<td>A Suggestion for Abstraction Processes for Factors Influencing Development in Malaysia</td>
</tr>
</tbody>
</table>
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AACVB</td>
<td>Asian Association of Convention and Visitor Bureaus</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
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<td>CVB</td>
<td>Convention and Bureau</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<td>ICCA</td>
<td>International Congress and Convention Association</td>
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<tr>
<td>IO</td>
<td>Industry Organisation</td>
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<tr>
<td>MOCAT</td>
<td>Ministry of Arts, Culture and Tourism</td>
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<td>MOT</td>
<td>Ministry of Tourism</td>
</tr>
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<td>MTPB</td>
<td>Malaysian Tourism Promotional Board</td>
</tr>
<tr>
<td>MYR</td>
<td>Malaysia Ringgit</td>
</tr>
<tr>
<td>NAT</td>
<td>New Age of Tourism</td>
</tr>
<tr>
<td>NEAC</td>
<td>National Economic Action Council</td>
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<td>NTB</td>
<td>Nepal Tourism Board</td>
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<tr>
<td>NTO</td>
<td>National Tourism Organisations</td>
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<tr>
<td>PATA</td>
<td>Pacific Area Travel Association</td>
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<tr>
<td>PDR</td>
<td>People’s Democratic Republic</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource-based View</td>
</tr>
<tr>
<td>RCC</td>
<td>Regional Coordinating Committee</td>
</tr>
<tr>
<td>RM</td>
<td>Rancangan Malaysia</td>
</tr>
<tr>
<td>RTMP</td>
<td>Rural Tourism Master Plan</td>
</tr>
<tr>
<td>SEA</td>
<td>Southeast Asia</td>
</tr>
<tr>
<td>SOE</td>
<td>State-Owned Enterprises</td>
</tr>
<tr>
<td>SPO</td>
<td>State Planning Organization</td>
</tr>
<tr>
<td>TAT</td>
<td>Tourism Authority of Thailand</td>
</tr>
<tr>
<td>TDC</td>
<td>Tourist Development Corporation</td>
</tr>
<tr>
<td>TDC</td>
<td>Tourist Development Corporation of Malaysia</td>
</tr>
<tr>
<td>UNWTO</td>
<td>United Nations World Tourism Organization</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
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<td>--------------</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<tr>
<td>USP</td>
<td>Unique Selling Point</td>
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<tr>
<td>VRIO</td>
<td>Value, Rarity, Imitability, Organisation</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND

The global importance of the tourism sector as a major source of job creation, new employment and economic growth and development such as its income generation capabilities (valued at US$1,075 billion in 2012, equivalent to a daily income in excess of US$ 3 billion globally [World Tourism Organisation, 2013]) is well known. Since the development of the tourism sector often depends on, and conditions, the development of a country’s infrastructure, it is acknowledged that its activity has the potential to contribute to industrial diversification and, more generally, to the diversification of local economies.

While tourism income earning capabilities make it a key target for global competition, including at country level, the socioeconomic importance of the tourism sector justifies that many countries in the Asia-Pacific region—encompassing Northeast Asia, Southeast Asia, South Asia and Oceania—have afforded tourism priority status in their development. The World Trade Organization (WTO), together with factors such as exchange rates, low-cost air transportation, economic and political stability, national government support, assisted the Asia-Pacific region to outperform the Americas in international tourist arrivals and receipts since 2012, becoming the second largest tourism earner in the world after Europe (World Tourism Organisation 2013).
Regional success implies the relatively successful performance of the tourism sector in many Southeast Asian countries. Nevertheless, an in-depth understanding of the strategies implemented by individual countries with their given resources (i.e. capabilities and competencies) that demonstrate what worked and what did not, close cooperation with all stakeholders in achieving a sustainable tourism destination and the potential implications for long-term success, remain elusive in the literature. Other than identifying the unique nature of the resources of a country, it is essential for the country to integrate resources and capabilities with development theories as a guideline for planning so that the resources can be fully utilised. This means that countries require the correct method, expertise and knowledge to ensure the given product can adapt to constantly evolving demand. Promoting this understanding can assist in guiding the development of the tourism sector in the present and in the future, which is clearly an important issue, particularly when concerns about sustainability are considered. Reaching this understanding is the principal objective of this thesis, pursued through examining the case of Malaysia.

In applying the resource-based view (RBV) and Butler’s development theory in Malaysian planning and development, Malaysia needs to have distinctive resources to compete with other destinations. Thus, a shared vision among all the stakeholders, a well-executed destination-management plan and deploying capabilities allow Malaysia to enhance competitiveness and improve the quality of its destination product. Although some of the stakeholders in Malaysia might have their own disparate objectives, a transformation of the system and practices into an ongoing learning process, the lack of collaboration between the stakeholders can be solved.
As a leading performer among Southeast Asia countries, Malaysia’s tourism sector performance is illustrated in Table 1.1 and Table 1.2. The tables report a 59 percent increase in tourist arrivals from 10.2 million in 2000 to nearly 24.6 million in 2011. There was an increase of almost 73 percent in associated receipts, from US$5,011 million to US$18,276 million, over the same period, making Malaysia the most visited country in Southeast Asia with a receipt second only to Thailand (in the period 2005–2011). The reasons for the increase in tourist arrivals and receipts during this period are discussed in Chapter Four ‘Malaysia’s Development Plans and Tourism’.

### Table 1.1: Southeast Asia International Tourist Arrivals: 2000–2011

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>466</td>
<td>1,422</td>
<td>1,700</td>
<td>2,046</td>
<td>2,399</td>
<td>2,882</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5,064</td>
<td>5,002</td>
<td>4,871</td>
<td>6,324</td>
<td>7,003</td>
<td>7,650</td>
</tr>
<tr>
<td>Loa PDR</td>
<td>191</td>
<td>672</td>
<td>842</td>
<td>1,239</td>
<td>1,679</td>
<td>n/a</td>
</tr>
<tr>
<td>Malaysia</td>
<td>10,222</td>
<td>16,431</td>
<td>17,547</td>
<td>23,646</td>
<td>24,577</td>
<td>24,714</td>
</tr>
<tr>
<td>Myanmar</td>
<td>208</td>
<td>232</td>
<td>264</td>
<td>243</td>
<td>311</td>
<td>391</td>
</tr>
<tr>
<td>Philippines</td>
<td>1,992</td>
<td>2,623</td>
<td>2,843</td>
<td>3,017</td>
<td>3,520</td>
<td>3,917</td>
</tr>
<tr>
<td>Singapore</td>
<td>6,062</td>
<td>7,080</td>
<td>7,588</td>
<td>7,488</td>
<td>9,161</td>
<td>10,390</td>
</tr>
<tr>
<td>Thailand</td>
<td>9,579</td>
<td>11,567</td>
<td>13,882</td>
<td>14,150</td>
<td>15,936</td>
<td>19,098</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2,140</td>
<td>3,468</td>
<td>3,583</td>
<td>3,747</td>
<td>5,050</td>
<td>6,014</td>
</tr>
</tbody>
</table>

| Malaysia Ranking among SEA Countries | 1 | 1 | 1 | 1 | 1 | 1 |

* PDR = People’s Democratic Republic; SEA = Southeast Asian

Source: UNWTO (2007a, 2007b, 2008b)
Table 1.2: Southeast Asia International Tourist Receipts: 2000–2011

<table>
<thead>
<tr>
<th>Destination</th>
<th>International Tourist Arrival (1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>n/a</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4,975</td>
</tr>
<tr>
<td>Loa PDR*</td>
<td>n/a</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5,011</td>
</tr>
<tr>
<td>Myanmar</td>
<td>n/a</td>
</tr>
<tr>
<td>Philippines</td>
<td>2,156</td>
</tr>
<tr>
<td>Singapore</td>
<td>5,142</td>
</tr>
<tr>
<td>Thailand</td>
<td>7,468</td>
</tr>
<tr>
<td>Vietnam</td>
<td>n/a</td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
</tr>
<tr>
<td>Ranking among SEA* Countries</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

* PDR = People’s Democratic Republic; SEA = Southeast Asian

Source: (UNWTO, 2007a, 2008a, 2012)

In Malaysia, the tourism industry is the second largest foreign-exchange earner, after manufacturing, with reported gross earnings in 2006 of MYR 38.2 billion (US$1=MYR 3.55) and accounting for 6.7 percent of nominal gross domestic product (GDP) (see Table 3.6 Section 3.2) (Ministry of Finance, 2008). In terms of employment, tourism-related activities accounted for 492,000 direct jobs in 2006, representing 4.4 percent of the total workforce, which represents a 26 percent increase on the figures for 2000. However, total employment creation was even higher, considering the strong connections tourism has with other segments of the economy such as transportation, retail, utilities, food and beverage, as well as financial services. In addition, tourism plays a crucial role in helping low-income groups improve their livelihood through involvement in tourism-related activities, such as rural home-stay programmes, eco-
tourism and agro-tourism tour-guide activities as well as handicraft industries (Ministry of Finance, 2008). Malaysia’s tourism sector accounted for one in every 8.8 jobs in 2007 (World Travel & Tourism Council, 2007, p. 6).

The successes and continuing importance of Malaysia’s tourism sector have so far withstood certain factors that have adverse effects on tourism demand. These factors include exchange-rate fluctuations, economic slowdown, volatility of aviation-fuel prices (resulting in fuel surcharges by airlines) and health and security concerns (UNWTO, 2008a). Arguably, this may be the result of the considerable intervention by government in the sector, as evidenced by the elaboration and implementation of a series of official plans for the development of tourism. The focus of previous research has been on the study of Malaysia’s tourism policy and planning as a means of improving regional cooperation (Hamzah, 2004). A thorough critical analysis of this intervention, of the various plans, and of the associated outcomes to date is needed as a means to better prepare the sector for a sustainable future.

1.2 RESEARCH OBJECTIVE AND GUIDING PROPOSITIONS

While the success achieved by Malaysia is recognised, information is lacking on the country’s recipe for success, as well as the role played by Malaysia’s development plans and the planning process. The majority of studies on tourism development in Malaysia focus on resort (Smith, 1992; Wong, 1986), policy and planning (Hamzah, 2004; Marzuki, 2010), policy and alliances (Nanthakumar, Ibrahim, & Harun, 2008), marketing (Chon, Elgin, & Oppermann, 1997) and region (Oppermann, 1992a). None of the studies cited identify the success factors that influence the development of tourism
in Malaysia from the First Malaysia Plan to the Ninth Malaysia Plan from the lens of resource-based and life-cycle theory. As a result, the reason for Malaysia’s success is not known. The RBV and Butler’s development theory provide a framework that can be used to identify the reason for this success and fill the gap in knowledge. This study seeks to address the gap in the tourism and marketing literature by examining whether the RBV and development theory are aligned with Malaysia’s tourism-development strategy.

Drawing extensively on a critical analysis of the various official plans for Malaysian tourism development from the period of the First Malaysia Plan (1966–1970) to Ninth Malaysia Plan (2006–2011), this examination borrows its orientation from the RBV of the firm and from Butler’s development theory. The rationale of proposing RBV in this study is that not all countries possess the same strengths and uniqueness. Thus, it is important for the country, especially Malaysia, where tourism was ranked second after manufacturing in terms of GDP (Tourism Malaysia, 2005) to identify its valuable resources and capabilities and identify the process of managing the resources over time to achieve a sustainable competitive advantage. This resource management can be guided by Butler’s development theory, which is used in this study because in comparison to other models, Butler’s model has been used in multiple settings (e.g., resorts, rural areas, islands and countries). Besides, Butler’s model indicates the development of tourism from the perspective of evolution to explain the whole life-cycle process of a country. As mentioned by Butler (2009; 1980), each stage of development displays distinctive characteristics of the destination.
It is proposed that a country’s long-term success in tourism-development planning needs to take advantage of growth opportunities with usually scarce resources (capabilities and competencies encapsulated in a given level of capacity). This is proposed as the platform for sustainable tourism development and potential competitive advantage of a country as a tourism destination.

In pursuing the research objective stated for this thesis, and following a preliminary review of the relevant literature, the following seven propositions were developed to guide the research:

1. What tourism development strategies has Malaysia adopted since its First Malaysia Plan in 1965?
2. What was the process grounding the development of Malaysia’s tourism strategies?
3. Is there evidence of short-term and long-term objectives being formulated?
4. Were there specific targets identified for each of Malaysia’s tourism-development plans?
5. What attention is given in Malaysia’s tourism plans to capacity issues, namely in the context of identified capabilities and competencies?
6. Is there a discernible link between the development of capabilities and competencies and Malaysia’s strategies?
7. What is the knowledge-transfer process between Malaysia’s nine tourism plans?
1.3 SUMMARY OF RESEARCH METHODOLOGY

The bibliographic research method was adopted as the strategy of inquiry for this study since bibliographic information is the centre of an interpretive-research approach. Using an interpretive-research approach, the researcher can come to understand phenomena because it involves a development of explanations of phenomena (Jennings, 2010). Such an approach is highly relevant and suited to this study, which aims to understand the phenomena that influenced the development of tourism in Malaysia from the First Malaysia Plan to the Ninth Malaysia Plan).

Qualitative research is the foundation for the interpretive paradigm (refer Section 5.2). As this study involves only secondary source published materials, it could be criticised for its lack of rigour and credibility. Thus, it is important to consider carefully which publications to search and the identification of eligible data (Leonidou, Katsikeas, & Coudounaris, 2010) and content analysis (Krippendorff, 1980, 2004; Leonidou, et al., 2010) as a strategy to establish validity and rigour.

According to Elo and Kyngas (2007), content analysis involves three phases: preparation, organising and reporting. The preparation phase involves reviewing and analysing data from 1965 to 2010 based on the seven propositions mentioned previously (see Section 1.1). Gathering 45 years of secondary data involved a review of government documents, local newspapers, journals and seminar papers. In the organising phase, the data are examined to identify coding, themes and categories. Finally, the reporting phase is a process in which the researcher reports the decisions and practices concerning the coding process, as well as the method used to establish trustworthiness (Zhang & Wildemuth, 2009). The three phases described above are
analysed using NVivo 8.0. The sequence of the research approach used for this study is presented in Figure 1.1.
Figure 1: Overview of Research Approach

**Data Collection**
- Data obtained from government archrivals, local newspapers and journals

**Data Analysis**
- Coding using the content analysis (see Figure 5.1)
- To facilitate the coding process NVivo 8.0 was used.

Draw conclusion on factors that have influenced the development of tourism in Malaysia
1.4 SCOPE OF THE STUDY

This study aims to examine whether the strategies applied by tourism industry in Malaysia are aligned (or can be explained) by the RBV and/or Butler’s development theories. These theories will provide a guideline and explanation for effective tourism development. There is no attempt to question the appropriateness of the strategies or of the planning that may have led to their implementation since the aim of this study is to understand what is happening in a given context. As this study adopts an interpretive paradigm, it allows the researcher to understand the phenomena(Jennings, 2010) that influenced the development of tourism in Malaysia from the First Malaysia Plan to the Malaysia Ninth Plan. Bibliographic research was grounded in available secondary sources in the form of published official plans, newspapers, journals and seminar papers. These published materials are analysed using thematic/content analysis.

1.5 RESEARCH LIMITATION

Within the noted scope for this study, information gathered from the secondary data and analysis using the content analysis to address the factors influencing tourism development is not without limitation. There are four limitations identified throughout the study: (1) the study includes only until the Ninth Malaysia Plan, as the Tenth Malaysia Plan (2011–2015) will be published in 2016; (2) data is transcribed from Bahasa Malaysia into the English version, which involves a considerable amount of slang that when translated can affect the correct meaning of the sentence; (3) confidentiality of the information, especially when it involves sensitive information pertaining to political intervention in the planning process resulted the study to have
only a basic information regarding the planning process; and finally, (4) this study relies on published plans, newspapers and journals and has not accessed other sources that may allow confirmation of the interpretation.

1.6 THESIS OUTLINE

This thesis is divided into eight chapters. Chapter One provides an overview of the thesis objectives, approach and order of presentation. Following the discussion of the background of the study, this chapter explains the research objective and outlines the guiding questions (the seven propositions) and the methodology, as well as discussing the scope and the limitations of the study. Chapter One concludes with the present overview of the thesis structure.

Chapter Two ‘Literature Review’ discusses the literature relevant to the RBV and tourism-development theories. It is proposed that by identifying distinctive resources (capabilities and competencies, both natural and manufactured), policy makers and administrative tourism organisations are better equipped to develop appropriate tourism-development strategies, and better able to contribute to the country’s competitive advantage and sustainability as a tourism destination. These theoretical underpinnings have been used previously in the context of other tourism destinations. They are considered because of the need to understand the changes and strategies adopted by the Malaysian tourism administration in advancing the country’s tourism development.

The purpose of Chapter Three ‘Malaysia: Background and the Tourism Sector’ is to provide an overview of Malaysia’s political, cultural, touristic and economic geographies, as well as a first discussion of the country’s resources and potential as a
tourism destination, with an emphasis on the unique tourism resources (natural and manufactured) that give Malaysia its distinctive competitive advantage. Hence, this chapter is designed to provide the reader with the necessary context to understand the research objective more completely.

Chapter Four ‘Malaysia Development Plans and Tourism’ introduces and discusses the factors influencing the country’s development path from the First Malaysia Plan (1965) to the Ninth Malaysia Plan (2010). This chapter also identifies the strategies adopted during each plan, as they are deemed to have contributed to Malaysia’s tourism success. The summary of the plans is presented in Appendix B.

Chapter Five ‘Research Design and Methodology’ presents and justifies the qualitative methodology and research design used in this study to investigate the factors influencing the development of tourism from the First Malaysia Plan to Ninth Malaysia Plan. The qualitative methods involved in reviewing and analysing published materials (official plans, local newspapers, journals and seminar papers) use the thematic/content analysis software NVivo 8.0.

In Chapter Six ‘Results and Analysis’, the categories generated from the analysis process are used to answer the seven propositions outlined in Chapter 1. Chapter Seven ‘Discussion of Findings’ clarifies the seven propositions by connecting the content of the analysis to the literature.
Finally, Chapter Eight ‘Conclusion’ concludes the thesis with a research overview and a summary of the key findings. The chapter also illustrates the recommendations and implications for marketing, and offers meaningful guidance for future research. The chapter ends with a description of the limitations encountered during the study.

1.7 CHAPTER SUMMARY

This chapter has presented an overview of this study by outlining the background to the research and the propositions. The research methodology, scope of the study and the structure of the thesis have also been summarised. The following chapter will review the literature, demonstrating how the effective and efficient deployment of available resources within each of the development stages will lead to a competitive advantage.
CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

This chapter is divided into three sections. The first begins by exploring the notion of the product of tourism, with a focus on its intangible nature. The discussion then shifts to the importance of strategic planning in tourism development. The focus of the discussion is on examples of strategic planning in developing countries and understanding its effect. The discussion then proceeds to establish how a firm’s adoption of the RBV can improve tourism development for a country and underpin the degree of its competitive ability as a tourism destination. The final section consists of a review of tourism-development theory, paying particular attention to Butler’s life-cycle model, which is the most cited model in the literature and has been used in diverse settings.

2.2 TOURISM PRODUCTS

Several tourism researchers have attempted to clarify the nature of the tourism product. Some describe it as involving an association between supply and demand, where multiple components of a destination (supply) interact with the tourism consumers desires during the visitation event (demand). For instance, Gunn (1988) describes tourism as involving a complex consumption experience, with the consumer using multiple services (e.g. attraction, transportation, accommodation and other services,
information and promotion) when visiting a given destination. From a supply perspective, the tourism product has been described as an integration of various tourism inputs (e.g. physical plant, safety and the provision of many other support services) to produce an experiential ‘output ’—or sum experience—for the consumer (Smith, 1994). A tourism destination (whether a location, region or country) can be seen as an example of an overall service product of tourism. Sometimes tourism destinations are described as an amalgam of tourism products and experience opportunities that forms a total experience of the visited destination (Buhalis, 2000a). As explained by Hu and Ritchie (1993), a tourism destination consists of ‘a package of tourism facilities and services, which like any other consumer product or service, is composed of a number of multidimensional attributes that together determine its attractiveness to a particular individual in a given choice situation’ (p. 26). The synergistic interaction among tourism service products plays a significant role in the consumer experience (Bitney, 1990).

The key matter to consider when conceptualising tourism as a product is that it is not a physical product, but more of an intangible experience or activity. Hence, discussing the product of tourism in the context of services marketing theory is justified because its focus is on intangible experience.

2.3 THE CONCEPT OF SERVICE IN TOURISM

Kotler (1990) defines a service as ‘any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything
((Kotler, 1990, p. 455). To understand the nature of services, it is important to understand the products of the tourism industry that have general service properties such as perishability, inseparability, simultaneity, heterogeneity (Lovelock, 1992; Reisinger, 2001) and intangibility (Sussmann & Unel, 1999).

With respect to perishability, services are viewed as satisfying the need for consumption and production to occur simultaneously (Sussmann & Unel, 1999) because something perishable cannot be saved, stored, re-sold, returned or transported. This lack of separability of production and consumption requires that both the service provider and customer are present during the production and consumption process (Zeithaml & Bitner, 2003). Thus, mass production may not be prudent as it may affect the consumer’s perception of the quality of the service activity, with possible consequences for customer satisfaction when expectations are not met (Zeithaml & Bitner, 2003).

Heterogeneity describes a property that recognises that dissimilar service performances occur due to several reasons: inconsistency in employee performance in service delivery; the diverse needs and personality of the consumer (Zeithaml & Bitner, 2003); the range of consumer demographic characteristics; differential levels of intelligence and aptitude; personality-related differences and traits (Fullerton & Punj, 1993) and conflicting value systems in consuming the service (Wu, 2007). Hence, any service activity is unlikely to be experienced in the same manner in different service encounters, even when the service provider and consumer are the same. To control for heterogeneity, service managers have suggested service standardisation or customisation (Williams & Buswell, 2003).
Beyond the general service characteristics mentioned above, tourism products are perceived as intangible, and thus, the tourist’s image of the product is a fundamental component in decision making (Sussmann & Unel, 1999). Perovic, Stanovcic and Pekovix (2013) argue that only a planned and implemented intangibility can produce a competitive advantage. In this sense, the service experience of customers has to meet and/or exceed their expectations to have a positive effect and to give the destination the ability to compete effectively in a crowded tourism market.

2.4 TANGIBILISING FACTORS IN THE TOURISM INDUSTRY

Irrespective of the physical elements involved in tourism services, the key factor may be that the experiences provided to consumers are intangible. Since heterogeneous intangible experiences are difficult to evaluate, the service provider needs to make tangible (i.e. to ‘tangibilise’) the experience to facilitate consumer evaluation. Berry (1987), Levitt (1981) and Reddy, Buskirk and Kaicker (1993) advocate that the service firm needs to ‘tangibilise’ the intangible or concretise its image in the mind of the consumer to become more competitive. The use of tangible elements to represent intangible experiences assists consumer assessment of quality and satisfaction. Further, Bebko (2000) in investigating tourist response to satisfaction and service quality, claims that since consumers may not able to mentally unbundle goods and services in evaluating service quality, addressing tangibles (process and outcome) is an important source of tangibility. These arguments can disarm the sceptic: Bowen and Clarke (2002) argue that instead of being concerned with whether the service is tangible or intangible, the consumer is actually seeking a bundle of benefit.
Tangibilising the intangible can ease consumer evaluation and tourism products will be discussed further by focusing on qualified and experienced employees, and the physical environment, price and destination image (e.g. political stability and safety, experienced visitor and non-visitor, and length of stay).

2.4.1 Qualified and Experienced Employees

The nature of a service is that qualities that are high in credence render the consumer unable to evaluate key service elements or attributes accurately, which is also part of the reason for tangibilisation. As explained by Mitra, Reiss and Capella (1999), the difficulty of obtaining pre-purchase information and knowledge as the service moves from being search based (with attributes that can be evaluated prior to purchase), to experience (with attributes that can only be discovered and assessed after purchase or during use) or credence based (with attributes that cannot be ascertained even after the consumption experience) will increase perceived risk to the consumer. Thus, to reduce the risk or uncertainty of a credence-based service, carefully planned interaction and exchanges between service employees and customers (also known as service encounters) (Zeithaml & Bitner, 2003), and performance customisation are required to ensure quality (Mitra, et al., 1999). This service encounter may be the determining factor in customer-perceived quality assessments, decisions about satisfaction and, eventually, loyalty to the provider. Yuksle and Voola (2010) consider that the motivations and perceptions of exhibitor firms participating in travel shows to promote a destination country confirm the importance of staff characteristic (e.g. empathy, responsiveness and reliability). Consequently, this feature influences visitors’ perception of service quality.
2.4.2 Physical Environment

A high degree of intangibility also makes it difficult for consumers to make decisions about service products prior to purchase, thus, increasing consumers’ perceived risk. Providers can reduce this risk by providing tangibilising elements. In tourism, this may be photographs or descriptions of what a customer can expect to experience during a given tourism activity, for instance, a list of amenities provided when staying at a resort. To enhance perceived quality, providers can manipulate the physical environment. Consumers may value endorsements from peers and others they trust (Chang & Tarn, 2008) to inform their choices and reduce perceived risk. For instance, Chang and Tarn (2008) discussed how to enhance tangibility in the hotel industry by proposing physical representation and word-of-mouth to reduce consumers’ sense of risk and uncertainty when consuming the service. Another example is provided by Baker, Grewal and Parasuraman (1994) who examine the influence of environmental factors of shops (e.g. ambience, store design and social characteristics) on consumer decision making, finding that ambience (e.g. classical music and soft lighting) combined with social elements (e.g. sales people wearing aprons and greeting customers) led to the perception of higher service quality. The conclusion is that the correct ambience and social elements are important in forming the consumer’s impression of the shop, thus, influencing consumer’s experience.

Although the concept of experience might be similar in the retail and tourism industries, an important distinction is that tourists visit locations (destinations) to consume the inherent ‘atmosphere’ (Echtner & Ritchie, 1993), whereas the norm for consumers of
other types of service-products is to visit a shop location to consume or purchase the available performance (Murphy, Pritchard, & Smith, 2000). Nonetheless, the same factors that assist consumers in making decisions about the service products they choose from service providers may ultimately also be relevant to decisions about the choice and evaluation of a tourism destination.

2.4.3 Price

Tourism services typically consist of abstract inputs (performances) that cannot be evaluated objectively while they are being experienced; this also justifies the tangibilisation of the intangible. Reisinger (2001) advances price as a possible tangible criterion to evaluate service quality. Price can be used to indicate value and benefit to the customer, and can also be used as a positioning tool. For instance, price may reflect the type of customer (e.g. their income level) or location (e.g. a luxury hotel on the French Riviera). This is clearly evident in rural tourism in Israel, where Reichel, Lowengart and Milman (2000) report that not all tourists are compatible with the service attributes provided—rural tourism is more suited to the low-to-medium price range and quality substitution segments. Thus, by identifying the characteristics of the tourists, the rural industry can ensure acceptable levels of satisfaction by adjusting the satisfaction, raising service levels or utilising both strategies simultaneously.

Price also indicates different types of use at different times (e.g. school holiday, weekends and weekdays) (Kozak & Rimmington, 2000) and the buying behaviour of different market segments at different locations. Shanahan and Hyman (2007) identified and compared the perceptions of people from the United States (US) of domestic hotels with their perceptions of those in other countries(both developing and developed), and
found that people from the US may be willing to offset cleanliness, value and price for safety when travelling overseas. Similarly, in a comparison between the Gold Coast and Hawaii of Japanese-tourist satisfaction, it is clear that issues of safety and ease of access are more relevant to older tourists than younger tourists. Although lower price was identified as the main advantage of the Gold Coast, this factor was seen as transitory and might not be sufficient to motivate Japanese tourists to visit the Gold Coast in the future (Reisinger & Turner, 2006). By identifying price as the important factor, destinations are able to plan effective strategies rather than simply reducing their price, which may be unnecessary.

2.4.4 Destination Image

Price provides cues about a destination’s image. Tied to destination image, atmosphere is also arguably an important factor in influencing tourism experiences. Atmosphere is defined as ‘the sum of beliefs, ideas and impressions that a people have of a place’ (Kotler, Haider, & Rein, 2002, p. 141). Destination image refers to the mental structures (visual or otherwise) that ‘integrate the elements, the impressions and the values that people have about a specific place; and, it is based on a series of more or less material knowledge of those people, and on series of perceptions of a more emotional and effective nature’ (Kotler, et al., 2002, p. 141).

In a unique approach, Stabler (1988) identifies as demand or supply the factors influencing the formation of consumers’ perceptions of a destination image. According to Gunn (1972), images can be formed at two levels: the organic and the induced. The demand factors influencing consumer perceptions roughly correspond with organic-image formation, whereas the supply factors correspond to induced-image formation.
The organic image can be formed in the tourist’s mind by unintentional exposure to tourism-specific promotional material such as television documentaries, books or their friends’ experiences of certain destinations. At this stage, potential tourists will simply be aware of potential destinations. Once the desire to take a vacation emerges, prospective tourists will engage in an active information search guided by their motive for travelling, and this will lead to the second level of image formation—induced image. An induced image is derived from direct tourism promotion by tourism organisations, for instance, publicity, brochures and information available from travel agencies, travel articles in magazines, TV advertisements and word-of-mouth. Besides formation by external exposure (organic) and promotion (induced), an image can be formed based on value exchange, taking into account the difference between the values sought and expected, the efforts made to get the value, and other means. Gunn’s (1972) process of tourist image formation includes seven stages:

1. accumulating mental images of the destination (organic image)
2. modifying the initial image on the basis of more information (induced image)
3. deciding to visit the destination
4. visiting the destination, which involves the actual visitation and experience of the destination, resulting in formation of a complex image
5. sharing the destination—the actual experience with the supply factors (e.g. activities, accommodation and services) provided by the destination, which will influence the image formation of the destination
6. returning home and providing an evaluation and discussion of the tourist experience with other travellers
7. modifying the image based on experience—the actual experience gained from
the visitation is used to modify the previous destination image. These images on
the destination tend to be more realistic, complex and differentiated.

Just as an image is capable of being formed using different approaches, an image can
also be changed to different extents (Vaughan, 2007). For instance, Baloglu and
McCleary (1999; 1999) and Gartner (1994) consider the image formed by two
interrelated components: perceptive/cognitive evaluation and affective evaluation.
Perceptual/cognitive evaluation refers to beliefs and knowledge about an object,
involving evaluation of the object’s attributes (Baloglu & McCleary, 1999). Affective
evaluation represents an individual’s feeling about the object, which may be favourable,
unfavourable or neutral. In the context of tourism, Beerli and Martin (2004b)
categorised cognitive image as referring to natural resources, general infrastructure,
tourist infrastructure, tourist leisure and recreation, culture, history and art, political and
economic factors (e.g. political stability, safety and prices), natural environment, social
environment and the atmosphere of the location. In contrast, affective image leads to
feelings about a destination such as pleasant or unpleasant, exciting or boring. Both
types of images have a significant relationship with previous experience of the
destination and are relevant to image formation, since each type of image contributes
differently towards the destination. By understanding the affective and cognitive aspects
of image information, tourism-destination marketers can develop appropriate service
products that create more competitive destination images (Kim & Yoon, 2003).

Political stability and safety were identified above as factors in cognitive image
formation. Such concerns will have a negative effect on a destination image, which will
The literature proposes a variety of solutions to reduce the severity of concerns, or allay them completely. Sönmez, Apostolopoulos and Tarlow (1999) argue that negative media publicity during a disaster has negative repercussions on a destination image. Sönmez, Backman and Allen (1994) describe the repercussions, stating that such publicity can:

- threaten the normal operation and conduct of tourism-related businesses; damage a tourist destination’s reputation, negatively affecting visitors’ perceptions of that destination; and, in turn, cause a downturn in the local travel and tourism economy, and interrupt the continuity of business operations for the local travel and tourism industry, by the reduction in tourist arrivals and expenditures (Sönmez, Backman, & Allen, 1994, p. 13).

Arguably, destinations that are vulnerable to politically motivated violence should incorporate crisis management planning into overall sustainable development and marketing/management strategies to protect and rebuild their image of safety and attractiveness. To build tourism they must reassure potential visitors of the safety of the area, re-establish the area’s functionality/attractiveness, and aid members of the local travel and tourism industries in their economic recovery. Specific recommendations made by Sönmez et al. (1999) include ‘having a crises management plan in place, establishing a tourism crises management task force, developing a crises management guidebook, and partnering with law enforcement officials’ (p. 13).

Yin and Walsh (2011) analysed the strategy employed by the Tourism Authority of Thailand (TAT) to restore that country’s image during and after a recent political instability crisis. The research suggested two kinds of recovery strategies that were realised. These involved extensive promotion of Thailand by launching new branches in
the potential market, promoting the use of e-marketing channels, and domestic tourism and continuing to promote Thailand as a destination in emerging markets. Emergent strategies included establishing a crisis-management centre, promoting short-haul markets and diversifying products with new packages. The strategies adopted by TAT were considered effective, as the number of tourist arrivals has gradually increased. Rittichainuwat and Chakroborty (2009) examine tourist-perceived travel risks while travelling abroad (Thailand) and concluded that the first-time and repeat traveller would select to travel to a less dangerous destination. Thus, to alter risk perceptions associated with a crisis, a country can adopt strategies such as isolating problematic provinces from promotional campaigns to avoid ripple effects for the entire country, ensuring accessibility to information from authorities about the crisis, enhancing tourist security and improving quality and satisfaction issues. Baral, Baral and Morgan (2004) explain the method used by the Nepal Tourism Board (NTB) to change tourists’ perceptions of destination insecurity. Their work found that Nepal’s use of public and media relations with a targeted marketing campaign was successful.

In contrast, Lepp and Gibson (2003) argue that images that individuals hold of the risks of a destination may influence their likelihood of visiting it, concluding that the ‘novelty seeker may tolerate higher levels of risk’ (2003, p. 620). Therefore, to save unnecessary planning, a tourism planner can begin by identifying the type of risk that causes anxiety for a tourist. By being aware of this risk, the tourism planner can plan effective marketing strategies targeted to selected markets.

Even though cognitive and affective images are interrelated, Kim and Yoon (2003) and Kim and Perdue (2011) find that the affective construct apparently has more of an effect
on image formation than does the cognitive construct. This is demonstrated in a study by White (2003), which indicates that emotion and affect are the strongest predictors of visitation intention for both genders and that there are different components of destination attributes for male and female feelings towards a destination.

Examination of the affect’s role in predicting purchasing intentions shows that it accounts for almost twice the variance as other cognitive responses in predicting an individual’s behavioural intentions. Thus, it can be concluded that an affective image can be one of the most influential factors in image formation and visitation intention. The combination of these two factors produces an overall, or compound, image relating to the positive or negative evaluation of the product or brand (Beerli & Martin, 2004a, p. 658). Accordingly, Baloglu and McCleary (1999), cited in Beerli and Martin (2004b), indicate that perceptual/cognitive and affective evaluations have a direct influence on the overall image, and also that the former, through the latter, has an indirect influence on the image.

2.4.5 Experience with a Destination

It has been seen that experience with a destination can change tourists’ perceptions of that destination, that is, it can change destination image. Baloglu and McCleary (1999) go further in their investigation of four competing Mediterranean destinations, taking into account visitor (actual) and non-visitor (potential) segments. They conclude that direct experience with a destination may alter not only the image but also the positioning of the destination based on perceptual/cognitive, affective and overall attractiveness. While perceptual/cognitive items were the most differentiating elements in the visitors and non-visitor segments, affective items were the distinguishing factors
in the visitors segment. This suggests that the affective image can be considered one of the most influential factors in image formation.

Awaritefe (2004) examine differences in destination image perception between tourists and non-tourists and conclude that non-tourists perceive and interpret the tourism destination they consider important differently from tourists who are familiar with a tourist destination. Going one step further, Chon (1991) used the traveller-behaviour model developed by Gunn (1972) and found that post-visitors’ perceptions of South Korea were more positive than the perceptions held by pre-visitors, concluding that there was a significant destination image modification due to travellers’ experience visiting a destination. This is supported by range of research (Ahmed, 1991; Baloglu & McCleary, 1999; Baloglu & W.McCleary, 1999; Phelps, 1986) confirms that visitation to a destination may alter the image, suggesting that previous visitation or actual experience may alter not only image but also the positioning of destinations based on perceptual/cognitive variables, affective variables, and overall attractiveness. Phelps (1986) examined the primary and secondary images of Menorca finding that visitation experiences positively altered respondents’ impressions of the island. Ahmed (1991) indicated that both the amount of touring experience in the state of Utah and the region of primary residence affected image score, thus recommending that destination-marketing efforts reflect a regional image when positioning a state’s tourism product. These studies suggest perceptual differences between non-visitors and visitors of a destination, such that positioning and promotional strategies for the destination must also be distinct.
Length of stay may also affect destination image formation (Fakeye & Crompton, 1991). The long stayers among first-time and repeat visitors gained a deeper experience of the destination, reducing stereotyped images and facilitating more realistic perceptions. This is supported by Vogt and Andereck (2003), who examined change in destination perception during the vacation for first-time visitors (short versus extended stays) and repeat visitors (short versus extended stays). They found that length of stay influences the effect of prior experience on knowledge gained for some groups. Thus, to influence tourists to stay longer, destination marketers should distribute to visitors brochures and magazines with information about ‘things to do and ‘see’ in the destination (Hanlan & Kelly, 2005). As expressed by Chen and Hsu (2000) when reporting Koreans’ perceived images of overseas destinations:

  to increase Korean tourist spending and length of stay, travel destinations should promote similarities of lifestyle and provide Korean speaking tour guides and tourism workers. Itineraries for different lengths of visit also need to be designed to help them develop positive perceptions of the variety of attraction.(p. 415)

Alegre and Pou (2006) suggest several solutions to the problem of the reduction in length of stay at a destination. For instance, offering better quality tourist products (e.g. beaches and hotels) that are targeted towards customer loyalty, and price (an increase in price might mean that alternative destinations are chosen, which shortens the length of tourists’ stay). In line with considerations of the affective image, Baloglu and Brinberg (1997) argue that affective image space can be used as a tool by marketers to position tourism destinations. Destinations with a negative affective image can apply marketing techniques to modify that image. Such marketing techniques include the use of particular text and photographs on an official tourism website that is capable of reducing the perception of risk and inducing a positive image.
(Lepp, Gibson, & Lane, 2011). Conversely, destinations with a positive affective image can use the affective space to better understand their competitors and develop a unique positioning of their country along the four dimensions (Baloglu & Brinberg, 1997, p. 14). As noted by Goodall (1988), identifying factors influencing image formation means tourism suppliers can successfully tailor their product according to tourist demand.

It is important to remember that promoted images must correspond to, or exceed, created expectations (or promises). By having an image that is created by the advertiser according to consumer desire (‘dream reality’), the consumer can easily evaluate the destination. However, in certain situations, the image of the service projected by the advertiser deviates from the reality, causing dissatisfaction among consumers (Reisinger, 2010). This view is supported by Akama and Kieti’s (2003) conclusion that if tourism products and services match or exceed tourist expectations, tourists will be satisfied and will leave the destination with fond memories. In contrast, if the host destination does not perform according to the projected promises, and the interaction with the destination is not in accordance with tourist expectations, dissatisfaction will result (Govers, Go, & Kumar, 2007).

The connection between expectations and satisfaction is examined by Pizam and Milman (1993) who measured the satisfaction/dissatisfaction of a tourist from the US in Spain. They found that tourist expectation had a significant effect on satisfaction. Thus, instead of creating a false expectation by exaggerated publicity and advertising, it may be justified to create publicity and advertising that is modest and creates realistic expectations because if tourists experience goods or services that exceed their expectations, greater satisfaction will result. The rationale for considering the
connection between the level of satisfaction and the destination or services is that it is expected to affect the tourist’s intention to return (Kozak, 2001) and the perceived destination image (Govers, et al., 2007). As suggested by Laisen (2001), ‘the image connotes the traveller’s expectation of the destination and a positive image promises the traveller a rewarding life experience’ (p.1).

Recognition of the core product augmented with the supplementary services (tangible or intangible), which are elements that are used to enhance the value and appeal of the service product offered by a provider, assist consumers’ evaluation of service quality. Hence, ‘service marketers that are able to do something beyond expectations—something to break through the consumers’ “zone of indifference” and create positive disconfirmations—will hold a competitive advantage’ (Walker, 1995, p. 12). Thus, to guarantee that service quality delivers beyond expectation, service providers need to ascertain the nature of the service offering to ensure the effectiveness of strategic planning.

The literature review to this point suggests that intangible elements (e.g. qualified and experienced employees, physical environment, price, destination image, political stability, safety, experience of visitor and non-visitor, and length of stay) may help to reduce consumers’ sense of risk and uncertainty towards the tourism product. The physical environment, price and destination image (i.e. political stability, safety, experience of visitor and non-visitor; and length of stay) are chosen as the theory for this study based on the themes identified from an inductive-content-analysis process (see Chapter Five). Discussion on the role of these intangible elements from an RBV in creating a sustainable competitive advantage will be expanded in the RBV section of
this chapter. An understanding of the intangibility of the tourism product will assist the tourism planner to create and plan strategic marketing options for tourism.

2.5 STRATEGIC PLANNING AND SUSTAINABILITY

In the tourism-development context, strategic planning is a process (Gunn, 1988) that involves the sequence of choices and decisions taken about the deployment and commitment of resources to a tourist destination (Brownlie, 1994) to achieve the objective of creating a sustainable competitive advantage (David, 2005). Achieving this is essential for long-term success (David, 2005), especially in the area of tourism given the heightened competition between countries as tourist destinations (Kayar & Kozak, 2008). Arguably, ‘at a time when tourism worldwide is becoming increasingly competitive…all insight into the development, strength and weaknesses of competing destinations will become even more crucial’ (Pearce, 1997, p. 25). Therefore, achieving competitive advantage requires a destination to have effective development planning and management that integrates the decisions about the factors that comprise an effective tourism strategy (Athiyaman, 1995). These decisions include the choice of which tourism products to offer, the basis for competing, the organisational structure for the tourism sector and tourism infrastructure, and the policies and guidelines needed to articulate the various elements in the required positioning concepts.

Tourism-development planning is often perceived as a complex and extremely ambiguous system (Rose, 1984; Waterson, 1965). It involves considering social, economic, political, psychological, anthropological and technological factors (Tosun & Jenkins, 1998) concerning the past, present and future (Rose, 1984). It is also likely to involve a variety of conceptualisations as well as an amalgam of economic, social and
environmental goals that may vary over time (Hall, 1994). For instance, Greed (1993) contends that the meaning of planning depends on what a government seeks to achieve. Since different governments commonly seek to achieve different goals, no fixed planning solution can be applied to all destinations (Tosun & Jenkins, 1998).

It is apparent from the literature that the purpose of tourism planning varies between achieving tourist satisfaction (Goeldner, Ritchie, & McIntosh, 2006; Gunn & Var, 2002), economic and business success (Goeldner, et al., 2006; Mill & Morrison, 2006), sustainable resource use (Gunn & Var, 2002), sustainability (Hassan, 2000) and community integration (Gunn & Var, 2002). In pursuing these competing goals, the aim is to identify alternative approaches to planning to avoid conflicts and undesirable actions (Mill & Morrison, 2006), create desirable environmental outcomes for destination development and develop infrastructure and recreation facilities. This is to be achieved while ensuring cohesion between tourism goals and the interests of local government and populations to avoid conflicts and undesirable actions as a result of tourism development (Goeldner, et al., 2006). Certainly, there is evidence that some destination such as Lake Gateways in Minnesota (Gartner, 2006) have flourished without any conscious planning. However, many countries, including Turkey and Thailand, have suffered serious consequences from the absence of planning. For example, environmental degradation and adverse socio-cultural outcomes that affect the tourists and the local community (Mill & Morrison, 2006).

The importance of strategic planning for sustainable development and environment protection is clear (Goeldner, et al., 2006). Arguably, a destination without planning often suffers from environmental and social problems and increased costs resulting from
conflict resolution, both of which may lead to a decline in competitiveness (Dowling, 1993). Therefore, correct planning is vital for avoiding negative influences on tourism development (Hall, 1994). A consideration of the resources and capabilities that a destination country can allocate for strategic tourism development may assist in avoiding the degradation of human and natural resources that may ensue from unplanned tourism development. An ongoing tourism-development planning process that is sufficiently flexible to accommodate regional and temporal contexts is needed to ensure the sustainability of the tourism industry within a country, as well as the sustainability of a country’s international competitive ability.

2.5.1 Planning and Developing Countries

For developing countries to succeed in tourism, strategic planning and policy development should be aware of factors that determine whether government will be able to oversee a strategic development plan successfully (Tosun & Timothy, 2001). Using Turkey as an example, Tosun and Timothy (2001) identify nine weaknesses in tourism planning, which are discussed below. The justification of selecting Turkey for this study was due to its similarities with Malaysia because both countries are considered to have developing economies.

1. Over-centralisation of activities and improper practices in public administration:

   Most developing countries practise highly centralised planning with decision and implementation being under the direct control of the central government. Centralised planning processes may not fully reflect regional and local conditions, which may create barriers to achieving sustainability development
A rigid public administration and lack of homogeneity, in conjunction with centralised planning, contribute to ineffective state responses to problems in the tourism sector, which requires day-to-day and season-to-season operational decisions (Tosun & Timothy, 2001).

2. Tourism-development planning that is rigid and inflexible:

Turkey’s constitution states that the State Planning Organization (SPO) must prepare a national development plan every five years in consultation with the prime minister and other relevant ministers. Having a rigid planning framework that can only be authorised by the central government reduces flexibility of the planning process. Hence, ‘if a local body faces problems during the implementation of centrally made decisions, it is required to consult with and wait for the response of the central government, which may take some time’ (Tosun & Timothy, 2001, p. 354).

3. Tourism planning that is uncomprehensive and unprepared:

The allocation of resources and provision of a range of incentives in Turkey seem to focus more on tourism than the agricultural sector despite the fact that both sectors are essential in creating a healthy tourism industry. For instance, due to generous incentives from the government, most farmers have sold their lands to finance their new tourism-related venture (e.g. as a hotelier, shopkeeper, restaurant owner). Without a well-considered plan or an understanding of the viability of tourism, most former farmers fail in their attempts to operate a profitable small tourism business.
4. Tourism planning that lacks a community-based approach:

The main goal of tourism is to increase foreign income, which does not consider other dimensions of tourism. As a result, Turkish tourism continues to be determined by upper levels of government rather than community interest. Without the operation of a collaborative tourism planning approach, tourism growth contributes very little to the objective of the development.

5. Tourism-development planning that is dominantly supply oriented:

Building physical facilities such as hotels, restaurants, and a transport and telecommunication system has become the focus for tourism planning in many developing countries. To encourage such development, governments have given incentives to the private sector. As a result, there has been a sudden boost in facilities, especially at popular holiday destinations. However, aggressive physical construction in such areas can cause damage to the natural resources that tourist come to see. Other shortfalls in planning include inappropriate planning of investment and insufficient consideration of competitors’ marketing strategies, resulting in high inefficiency and low profitability for the country.

6. Tourism planning led by market orientation:

Most planning in Turkey has focused on marketing to attract tourists rather than appropriate development and management. As such, capacity parameters (both environmental and human) have rarely been considered.
7. Lack of consistency and continuity in planning policy:

A change of government and minister can create problems with sustainability. For instance, a replacement of former personnel by a new minister, without considering efficiency and effectiveness, is an example of the corruption that occurs in most developing countries. Brotherton and Woolfenden (1994) note that a change of government can contribute to a change of policy, a political hiatus, and the re-ordering of priorities and changes to personnel, which promotes a \textit{laissez-faire} approach to tourism development.

8. Adoption of a myopic approach to establishing goals for tourism-development planning:

Uncomprehensive planning approaches for developing mass tourism have created economic, environmental and social problems. For instance, many destinations have adopted a tourism approach that is either simplistic, improper or lacks any type of planning, which causes social and environmental problems. To address these issues, the goals of tourism development need to be reconsidered and determined in terms of ‘development and sustainability development’, which are primarily concerned with intra-generational and intergenerational equity, the provision of the basic needs of people, and the protection and preservation of natural and cultural resources.

9. Oversight of implementation difficulties:

Elements such as a lack of continuity in tourism planning, a rigid planning framework and unheeded local conditions that are not included in tourism-development plans have been demonstrated to result in a plan that was unable to
cope with real conditions in Turkey. The exclusion of elements from the plan was due to political interference designed to demonstrate that the ruling party is doing an efficient job or to increase its popularity. This will contribute to planning for political purposes rather than development.

Given these weaknesses, Tosun and Timothy (2001) recommended that to achieve the objectives and principles of development and sustainability Turkey should implement the following:

1. recognise institutional, political and developmental issues because these factors lead to a confident decision-making process and firm political choices
2. replace the old planning approach (which resulted in a rigid national master plan) with a contemporary planning model that is flexible, continuous, comprehensive, integrative, participatory and systematic.

The above list of weaknesses is not exhaustive, and may not be broadly applicable. For instance, in a case study involving the Peruvian city of Cusco, Ladkin and Bertramini (2002) emphasise 12 factors that may constrain tourism planning and sustainability from a collaboration perspective:

1. Lack of a shared vision for tourism development, including its benefit for stakeholders:

   Despite clear ideas among the stakeholders of how tourism in Cusco should develop, they still do not completely share a vision of tourism development or its benefits.
2. Lack of clearly defined roles and responsibilities of multiple public agencies:

Overlapping roles and responsibilities can become a barrier to effective tourism development. The problem becomes obvious when public agencies (a) perceive themselves to be independent, and thus strive to retain their decision-making powers (b) consider themselves as institutions with authority, instead of agencies that need to collaborate with private agencies and (c) have poorly defined roles, which then affects their management.

3. Limited financial resources of regional and local public institutions:

A scarcity of financial resources to develop tourism infrastructure and facilities appears to become a major limitation to tourism development. As a result of such scarcity, financial sources come from outside interests rather than the local interests, thus creating growth and a style of development that is uncontrollable.

4. Centralisation and limited decision making:

Centralised decision making restricts the ability of the public sector to manage its own decisions independently. Although this barrier is intended to ensure that government objectives are achieved, in reality it creates problems by preventing rapid decision making when problems arise.

5. Lack of expertise in the public sectors hinder the possibility of participating a joint decision-making process:

Less developed countries usually offered low salaries in the public sector, which discourages those with the skills and expertise from working in the public sector.
In the absence of expertise, the tourism development approach becomes myopic (Tosun, 2000).

6. Cultural barriers:

The conservative values of Cusco do not easily adapt to change. Its cultural philosophy that engenders the need in public and private-sector leaders to gain power and public recognition has made coordination and collaboration between stakeholders difficult. Similar findings on cultural barriers from other less-developed regions are also discuss by Timothy (1999) and Tosun (2000).

7. Multiplicity of decisions made by the public agencies that lead to a contradictory message to the private sectors:

Decision making by the public sector involves numerous organisations and if these are poorly managed or defined, this can send a contradictory message to the private sector.

8. Objectives that are too short-term because political constraint and frequent changes of public officials (due either to the consequences of elections or changes of heads at national and regional levels) make coordination and collaboration a sporadic and fruitless process. This highlights the importance of obtaining the input of professionals in shaping the tourism industry.

9. Absence of a long-term strategy for joint decision-making processes:

Factors such as centralisation, lack of authority, lack of finances and a lack of skilled labour have hampered the collaborative effort between the public and
private sectors. These factors have made the private sectors view the public sectors as uncoordinated and without a long-term strategy.

10. The slow decision-making process and implementation of decisions in coordinating meetings inhibit collaboration.

11. Poor information distribution about tourism policies (and development) from the government to residents:

   Such lack of communication results in low public involvement. This indicates that tourism development is shaped by the upper levels of government that prioritise their own interests over the interest of the community. Without a participatory planning approach, tourism growth may make little contribution to the objectives of tourism development (Tosun & Timothy, 2001).

12. A lack of leadership in facilitating decision making and actions.

   This is in agreement with Selin and Myers (1994) and Graci (2013), who find that strong leadership is required within the partnership.

To overcome these constraints, Ladkin et al. (2002) urge stakeholders to transform systems and practices that lack a collaborative and sustainable form of tourism development into an ongoing learning process. They also suggest a decentralised vision of tourism development and encourage a more collaborative form of decision making from the stakeholders.
It has also been noted that factors such as institutional, political and developmental issues and contemporary planning are not absolute; rather, they can augment and interact with each other. It is not sufficient for each factor to function on its own within the tourism-development planning process: an appropriate planning method is necessary; hence, the suggestion that developing countries (especially large and heterogeneous countries such as Turkey, Indonesia, Malaysia and India) should develop appropriate methods of planning according to national circumstances, incorporating the right blend and proportion of components (Tosun & Timothy, 2001). Ultimately, political stability and the consideration of the macro system are needed to develop and implement a better planning approach to tourism development. This is considered enormously difficult, especially for developing countries due to obstacles such as socioeconomic, legislative and political conditions. Overcoming these obstacles could justify collaboration between international organisations and the governments of developing countries to ensure successful planning and implementation (Tosun, 2001).

In examining limitations in achieving sustainable tourism development, Buhalis (1999) emphasises solutions tailored to the specific country. The argument is that every country destination should be treated differently according to its local resources, business arrangements, planning and regulations and its political situation. Policies considered by both the private and public sectors should be appropriately integrated to avert negative consequences from uncontrolled tourism growth such as an oversupply of tourism products applying downward pressure on the price level, resulting in excess capacity being sold at a lower price. Thus, although sustainable tourism development requires sufficient development for economies of scale, the effort needs to be managed to ensure normal economic returns or better (Buhalis, 1999).
In contrast to the views expressed by some authors, Buhalis (1999), Tosun and Timoty (2001), Tosun (2001) and, analysts such as Yuksel, Bramwekk and Yuksel (1998) and Misfud (2006) focus on internal efficiencies. Yuksel et al. (1998) examined collaboration planning between stakeholder groups (central and local government, residents, managers of local hotels, pensioners and related organisations) in Pamukkale, Turkey. They suggested that collaborative planning resolves conflict in the long term because the outcome ‘is more politically legitimate and it can build on the store of knowledge and capacities of the stakeholders’ (p. 351). However, it was noted that although stakeholder collaboration could be beneficial in Pamukkale’s planning development, collaboration was unlikely to occur due to the existing hierarchical centralism in which decisions and power are anchored with the central government. Misfud (2006) investigated policy and planning processes in another developing country, Malta. Focus was on the importance of factors such as the institutional setting, policy, power and politics, and stakeholder collaboration in achieving adequate plan implementation. Emphasis was placed on the need for effective commitments by decision makers (e.g. people on the entity board and the minister) heralding the importance of support from state and federal governments to ensure the success of tourism planning.

Based on the above review of the literature, it appears that those involved with planning, management and policy need to understand the elements or resources (tangible and intangible) available in the tourism industry. The implementation of effective tourism policy and planning, underpins sustainable development.
An understanding of how existing marketing theory applies to and improves tourism development may assist in developing effective tourism policy and planning. Three such theories are discussed below. Tourism policy and planning theory is first discussed. Borrowing from the resourced-based theory of the firm, attention then shifts to the examination of the relationship between resource-based value and sustainable competitive advantage in the tourism industry. Tourism-development theory is then examined with an emphasis on the development life cycle. As noted by Martin and Uysal (1990), each stage in the development life cycle will reveal different capacity thresholds and as such, each requires a distinct policy response. Early utilisation of policy in the life cycle will then prevent the destination country from reaching a stage of decline.

2.6 TOURISM POLICY AND PLANNING

In general terms, planning is a purposive process in which goals are set and policies are elaborated to implement these goals (Cullingsworth, 1997). Hence, policy and planning are closely related aspects of the ongoing destination management process, such that ‘policy provides the guidelines for the development of tourism facilities, while planning stipulates the timing of a specific action or activities to develop each component, subcomponent and element of the Ritchie and Crouch model of destination competitiveness or success’ (Goeldner, et al., 2006, p. 445). Both components need to be integrated to avoid waste and duplication and are briefly discussed below.
2.6.1 Tourism Policy

A government’s decisions, non-decision, action or inaction in choosing between a set of alternatives reflect the definition of policy; that is, ‘whatever government choose to do or not to do with respect of tourism’ (Hall, 2000, p. 8). Any decision made, either to do something or to do nothing, will have consequences for citizens (Patton & Sawicki, 1993). Therefore, it is better to have well-planned tourism policy, as it can ensure the long-term success of a tourism destination (Goeldner, et al., 2006). Factors such as political environment, values and ideologies, the distribution of power, institutional frameworks and decision-making processes need to be considered (Hall & Jenkins, 1995).

One important factor in building a quality tourism policy is effective decision making. For a policy to function effectively, policy making should consider different sectors of the society and economy because the tourism sector ‘does not exist in a vacuum’ (Goeldner, et al., 2006, p. 412). However, the ultimate decision (for public policy) still needs to be endorsed by public agencies. In instances in which a policy may not be significantly developed by the government, it still needs to be developed within the framework provided by the government (Hogwood & Gunn, 1984). Either way, the final policy is clearly based on a government decision.

An ideal approach to policy decision making is to evaluate all available information and possible actions in a rational manner. This involves considering various views from different perspectives and interests. However, due to time constraints or for other reasons, government often considers few options (Veal, 2002), usually determined by political interests. Fittingly, Hall (1991) described politics as control, while Lasswell
(1936) portrayed it as the power to decide ‘who gets what, where, how and why’. Only stakeholders included in the political agenda can affect the determination of policy, policy outcomes and the position of tourism (Hall, 1991, p. 213). The conclusion is that policies emerge from political processes that involve power relationships, rather than from a rational decision-making process (Veal, 2002).

Policy analysis is a vital tool in understanding how tourism planning and policy interact. Viewed as ‘multi-dimensional in examining the range of factors which affect the policy making and planning process’ (Hall, 2000, p. 69), the level of policy analysis depends on the nature of the enquiry being undertaken, such that the appropriate level consists of three sub-levels: ‘first, the micro level of decision making within organisations; second, the middle range analysis of policy formulation (and implementation); and third, macro analysis of political systems including examination of the role of the state’ (Ham & Hill, 1984, p. 17–18). The first two levels are regarded as planning and the third is the policy level (Hall, 2000).

Drawing from Hill’s model of the decision-making process, Zhang et al. (1999) argue that tourism policymaking can be affected by factors such as power arrangements, significant leaders, institutional arrangements and interest groups. In analysing China’s international tourism policies, four key components were identified:

1. policy demands from both inside and outside the political system
2. policy decisions by the political authority that are authoritative rather than routine
3. policy outputs
4. policy effects.
An alternative view forwarded by Fayos-Sola (1996) was that the focus of government tourism policies needs to change from mass tourism (Fordian tourism) to a new paradigm, the New Age of Tourism (NAT), as the former approach is not suitable for achieving competitiveness in today’s tourism enterprises and regions. Changes in development also imply a variation in policy content, shifting the focus from pure promotion to producing entrepreneurial competitiveness objectives. For instance, Spain is considered to exemplify NAT in their tourism policy (plan future), which was based on the Krippendorfian framework and consists of appropriate social, economic and environmental conditioning factors (Fayos-Sola, 1996). The five operative schemes (future coordination, modernisation, new products, promotion and excellence in plan future) contain programmes and sub-programmes in which a propitious entrepreneurial framework and the natural and cultural environment are important elements for the plan to attain excellence in tourism. In contrast, financial, economic and fiscal issues are not exclusively elements of attempts to achieve competitiveness. The propitious entrepreneurial framework and the elements of the natural and cultural environment require collaboration with social factors; hence, ‘the need for coordination among the various levels of government with authority in the field of tourism and between the various departments that constitute them’ (Fayos-Sola, 1996, p. 412).

2.6.2 Planning

To understand tourism policy and the planning process, outcomes and effects, it is essential to be aware of the role of state institutional arrangements (the institutional setting) in tourism policy (Hall, 2000). Since each country is likely to have a different policy, an understanding of the policy process requires an understanding of the institutional arrangement within each country. Institutional arrangements lead to
differences in policy as they ‘affect how political conflict is expressed, what strategies individual and groups will employ in attempting to influence policy, and the weight that policy-makers ascribe to particular social and economic interests’ (Brooks, 1993, p. 79). This implies that institutional arrangements can become one of the factors that influence the policy process.

In the past, tourism was not always the subject of policy. However, due to its recognised social and economic contributions, many countries and regions have begun to account for tourism in their political agenda (Hall & Jenkins, 1995). As tourism involves a complex of institutions (e.g. the elected legislatures, government departments and authorities, the judiciary, enforcement agencies, other levels of government, government–business enterprises, regulatory authorities, and a range of para-state organisations), the institutional setting has become an essential feature of the public-policy process, as it acts as a filter in the conflict between the institutions. Accordingly, the role of the institutional framework is to mediate conflict ‘by providing a set of rules and procedures that regulates how and where demands on tourism policy can be made, who has the authority to take certain decisions and actions, and ultimately, how policies and plan are implemented’ (Hall, 1998, p. 201).

Since the role of the institution is to mediate conflict, a consensus between all those who are responsible for tourism (e.g. the public authority or local government) is needed for the overall strategy (policy) to be effective. As noted by Lickorish and Jenkins (1997), this requires that the policy be ‘reinforced by an outline or guidelines’ so that it can ‘present a coordinated picture of the destination’s future shape as a tourism area, both at national and local level’ (p. 191). Moreover, since government formulates
the policy, it plays an important role in advising the private sector about its tourism strategy (Lickorish & Jenkins, 1997).

Government intervention in the development of tourism in developing countries has also been the object of attention. Active intervention by the government is required since developing countries have scarce resources, and lack a strong and tourism-experienced private sector. For this reason ‘government has to undertake an entrepreneurial role to ensure that pioneer activities are initiated’ (Jenkins & Henry, 1982, p. 501), notwithstanding its possible lack of sufficient expertise to develop a successful tourism industry. As stated by Goymen (cited in WTO, 2000):

in the early days of a country’s tourism development governments play a pioneering role. This is essential since huge investments are required to provide the basic infrastructure and facilities necessary to open up areas of the country to tourism and to attract growth. The private sector (sometimes a viable one may not exist) in the initial stage cannot be expected to take risk until a climate of confidence can be created and the full potential of the sector can be comprehended by the entrepreneur. (2000, p. 1029)

Referring to the initial stage of tourism development in Kenya, Akama (2002) supports this view about the roles of government and private sectors, with the government playing a major role in the establishment and management of tourism facilities, since private-sector initiatives are either minimal or non-existent. Direct involvement by the government at this stage becomes the catalyst for the tourism-development industry.

Choy (1993) investigated the various roles of governments, primarily focusing on the national tourism organisations (NTOs) for the top-five destinations in the Asia-Pacific region. These destinations vary in their economic and political systems, ranging from
free capitalism in Hong Kong, to government consensus in Japan and strong
government in Singapore, with this variance also reflected in NTO structures and
activities. The organisational structure can be single, quasi or dual. A dual structure,
such as that of the Malaysian tourism industry, incorporates ‘a ministry to handle inter-
agency coordination, legislation and administration functions with a quasi-government
corporation taking the lead role in working with the private sector’ (Choy, 1993, p.
365).

2.7 RBV THEORY AND STRATEGIC PLANNING

In a business context, strategic planning is conceptualised as the ‘process of determining
the mission, major objectives, strategies, and policies that govern the acquisition and
allocation of resources to achieve the organization aims’ (Pearce, Freeman, & Robinson,
1987, p. 658). Adopting the business context to a country’s tourism sector, and
effectively and efficiently deploying available resources, leads to a competitive advantage.

The RBV of a firm provides a framework for understanding how competitive advantage
is achieved through intra-firm resources and capabilities (Corbett & Claridge, 2002).
The logic is compelling when applied to a country’s tourism sector. Like businesses,
countries have limited resources (capabilities and competencies). Some of these
resources can be unique to a given country (i.e. the pyramids are only seen in Egypt,
Australia is the place for koalas and kangaroos in their natural habitats, the Petronas
Twin Towers are a unique feature of Kuala Lumpur, as is the Grand Canyon in the US,
the Eiffel Tower in Paris or ‘Big Ben’ and Westminster Abbey in London). However,
the key factor with these resources is that competing countries cannot replicate them. Indeed, it is often the degree of complexity associated with the resources available within a country or region that make the difference. The Eiffel Tower can be replicated (as it was in Las Vegas), but is not the same without the Seine des Champs Elysees, French cuisine and general hospitality. Similarly, Macao is not Las Vegas, though it boasts true-to-life replicas of some of the Las Vegas casinos.

Some countries have more unique resources and competencies than other countries, but it is unlikely that one country will have all possible resources and competencies. Hence, a country can be differentiated or characterised by its capabilities and competencies, as well as by its limitations or constraints.

The RBV theory is important for strategic managers because identification of intra-firm resources and capabilities can lead to sustained competitive advantage and consequently, to superior performance (Amit & Schoemaker, 1993; Barney, 1991; Day, 1994a; Day, 1988; Grant, 1991; Jacobsen, 1988; Lippman & Rumelt, 1982; Rumelt, 1991). Nonetheless, to be used in a manner that creates competitive advantage, strategic resources and capabilities must have a number of characteristics, including being valuable (Barney, 1986, 1991), rare in the sense of being unique or not available to competitors (Amit & Schoemaker, 1993; Barney, 1991), inimitable by competitors (Amit & Schoemaker, 1993; Barney, 1986, 1991), non-substitutable in the sense of no equivalent substitute available or still ambiguous to competitors (Barney, 1991), durable, complementary and specialised (Amit & Schoemaker, 1993). The idea of sustainable competitive advantage is presented in Table 2.1.
Table 2.1 connects the availability of each of four core resource characteristics to situations of subsequent competitive advantage and, ultimately, to firm performance. A firm that possesses all four core resources (i.e. resources that are valuable, rare, inimitable and non-substitutable) can expect to earn sustainable competitive advantage and perform better. The absence of one of the four core resources impairs sustainable competitive advantage; hence, superior performance (Carmeli, 2004).

It is apparent that the transformation of resources into capabilities is required for sustained competitive advantage and superior performance (Grant, 1991). Superior performance arises because of competencies (which allow a firm to become better than its competitors) and because of the firm’s distinctive resources. Distinctiveness makes these resources difficult to be replicated by competitors, at least in the short to medium term (Penrose, 1995).
Table 2.1: Intangible Resource Criteria with Respect to Sustainable Competitive Advantage

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<tbody>
<tr>
<td>Not Valuable</td>
<td>Not Rare</td>
<td>Imitable</td>
<td>Substitutable</td>
<td>Advantage Absent</td>
<td>Below Normal</td>
</tr>
<tr>
<td>Valuable</td>
<td>Not Rare</td>
<td>Imitable</td>
<td>Substitutable</td>
<td>Competitive Parity</td>
<td>Normal</td>
</tr>
<tr>
<td>Valuable</td>
<td>Not Rare</td>
<td>Inimitable</td>
<td>Substitutable</td>
<td>Temporary Competitive Advantage</td>
<td>Above Normal (ShortTerm)</td>
</tr>
<tr>
<td>Valuable</td>
<td>Rare</td>
<td>Inimitable</td>
<td>Non-Substitutable</td>
<td>Sustainable Competitive Advantage</td>
<td>Superior</td>
</tr>
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Source: (Carmeli, 2004)

The discussion of RBV theory in the management literature suggests that analysts differ in how they see resources, in a somewhat confusing articulation of terms such as capabilities, competencies, skills and assets (Carmeli, 2004). Barney (1991) defines resources as ‘all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc.’ (p. 101). Other authors have sought to clearly differentiate between resources and capabilities (Amit & Schoemaker, 1993; Grant, 1991; Javidan, 1998; Makadok, 2001) by arguing that resources consist of factors such as ‘know-how’ that can be traded, financial or physical assets and human capital. However, Grant (1991) refers to capabilities as an integration of resources either between people or between people and resources. This suggests that capability involves an integrated process of resources (e.g. tangible and intangible—the firm’s employees repeatedly apply their skill and knowledge) to add value to the resources and meet competitive demand (Vorhies, Harker, & Rio, 1999). The cooperation and coordination of team
resources will require learning through repetition, also known as the concept of ‘organizational routine’ (Grant, 1991).

In explaining learning by repetition as a concept in capability, Vorhies et al. (1999) state that ‘by bringing people and resources together in a repeated effort, firm[s] develop the processes upon which capabilities are based’ (p. 1175). Further, as people repeatedly apply their knowledge and skills to solve problems, a deeper knowledge base develops. The application of knowledge and skills in problem solving by all employees throughout the firm will then enhance the capability. The sustainable competitive advantage for the firm can only be gained when imperfect inimitability, and non-sustainability, non-transfer value-adding, functional-level capabilities are integrated along functional lines and are deployed across multiple product markets. Nath, Nachiappan and Ramanathan (2010) discuss the competitive advantage of capabilities, suggesting the following:

the possession of superior resources cannot achieve competitive advantage for the firm, but how a firm deploys it scarce resources, puts its capabilities to best use, invests and complements its existing capabilities infrastructure can bring ‘immobility and inimitability’ to its resource capability. (p. 318)

The notion of the competitive advantage of a firm is further explain by Grant (1991), who concludes that the resources and capabilities possessed by a firm are durable, difficult to identify and understand, imperfectly transferable and not easily replicated. This firm’s ‘crown jewels’ will then need to be protected because they act as a key for competitive strategy. The objective of the strategy is to maximise rent earned from deploying its resources and capabilities.
Deploying existing resources is not sufficient to ensure the sustainability of a firm. Thus, it is important for a firm to develop constantly its resources base to gain sustainable advantage. Such a task includes replacement investment to maintain the firm’s stock of resources and to augment resources to buttress and extend positions of competitive advantage, as well as to broaden the firm’s strategic opportunity set. This task is also known as filling the ‘resource gap’ (Grant, 1991). Following this discussion, the RBV concept can be seen in Figure 2.1 (suggested by Grant (1991).
4. Select a strategy that best exploits the firm’s resources and capabilities relative to external opportunities

5. Identify resource gaps that need to be filled
   Invest in replenishing, augmenting and upgrading the firm’s resource base

3. Appraise the rent-generating potential of resources and capabilities in terms of:
   a) their potential for sustainable competitive advantage, and
   b) the appropriateness of their return

2. Identify the firm’s capabilities: what can the firm do more effectively than its rivals? Identify the resource inputs to each capability, and the complexity of

1. Identify and classify the firm’s resources; appraise strengths and weaknesses relative to competitors; identify opportunities for better utilization of resources

Figure 2.1: A Resource-based Approach to Strategy Analysis
The Grant (1991) RBV framework indicates that competitive advantage of the firm can only be manifested through the combination of resources, rather than by resources individually. Capabilities, rather than resources, are considered to be the main source of competitive advantage (Flagstaff & Hope, 2001).

2.7.1 Capabilities and Competencies Term Uses

Capabilities are important in achieving competitive advantage (Flagstaff & Hope, 2001). In the literature, the concepts of capability and competency are either considered synonymous (Aung, 2000; Day, 1994a; Finch-Lees, Mabey, & Liefooghe, 2005; Lieberman & Montgomery, 1998; Prahalad & Hamel, 1990) or as separate concepts (Amit & Schoemaker, 1993; Bharadwaj, Saxena, & Halemane, 2010; Javidan, 1998; Stalk, Evans, & Shulman, 1992). For the purposes of this thesis, the two terms, capability and competency, will be regarded as sufficiently similar. As proposed by Day (1994b) and adopted from Teece, Pisano and Shuen (1991), ‘distinctions are frequently made between competencies, well-defined routines that are combined with firm-specific assets to enable distinctive functions to be carried out, and capabilities, the mechanisms and processes by which new competencies are developed. This implies that competencies are largely static, which seems a restrictive and unnecessary condition’ (p. 38). For this reason, the concepts of capabilities and competencies are used interchangeably in this study.
2.7.2 Marketing Perspective in the RBV

RBV has been accepted as an important theoretical framework in understanding and analysing marketing phenomena. Previous studies indicate that marketing, or the ability to use marketing to achieve goals, is in itself a powerful capability compared to other capabilities, in terms of its effect on performance. For instance, in assessing the relative effect of a firm’s functional capabilities (namely marketing and operations) on financial performance in the logistic industry, Nath, Natchiappan and Ramanathan (2010) suggest that marketing capabilities are the key determinant of superior performance, rather than focusing solely on operational capabilities. It is also clear that by deploying unique and inimitable marketing resources, a firm will be able to understand customer needs and create long-term relationships. Nath et al.(2010) and Ruiz-Ortega and Garcia Villaverde (2008) discuss the importance of marketing capabilities in producing superior firm performance from the perspective of information and communication technology. Ruiz-Ortega and Garcia Villaverde (2008) find that marketing capabilities have a more positive influence on firm performance than do other capabilities (managerial and technical), especially for pioneer and late-follower firms. Marketing capabilities give firms a strong brand image and achieve sustainable competitive advantage. Finally, Krasnikov and Jayachandran (2008) studied the influence of marketing, research and development (R&D) and an operation’s capabilities of firm performance based on reviewing marketing and management journals, papers and articles. They find that marketing capability has a stronger influence on firm performance than do other capabilities. Therefore, the general empirical conclusion from these studies is that compared with other capabilities, distinctive marketing capabilities lead to superior performance.
It is well known that marketing capabilities are important drivers of firm performance. For instance, Moore and Fairhurst (2003) examined the effectiveness of different marketing capabilities in image differentiation, promotions, external-market knowledge and customer service on fashion-retail performance. They conclude that image differentiation and promotion are the most effective capabilities compared to the other two. Vorhes, Harker and Rio (1999) examined six marketing capabilities (market research, pricing, product development, channel distribution, promotion and marketing management) individually, and found that market research and marketing management capabilities are crucial to the success of market-driven businesses.

As well as examining marketing capabilities individually, some studies investigate the interdependence of marketing capabilities with respect to firm performance. Vorhies and Morgan (2005) identify that interdependence among eight marketing capabilities (product management, price, channel management, marketing communication, selling, marketing information management, marketing planning and marketing implementation) generated a positive and direct contributions to business performance and are therefore, suitable for benchmarking. They also claim that the interdependency of marketing capabilities (rather than considering them separately) would create a resource that is more inimitable and provide greater competitive advantage. Morgan, Vorhies and Mason (2009) also find that the interaction between marketing capabilities and market orientation, enable a firm to align its resource deployment with its market environment better than its rival, which leads to superior firm performance. The importance of marketing capabilities in firm performance justifies the discussion of marketing capabilities in the tourism context.
2.7.3 National Perspective of RBV

RBV has developed in the context of the firm rather than the country. RBV research has examined sustainable competitive advantage in terms of core competencies (Hamel & Prahalad, 1994), dynamic capabilities (Teece, Pisano, & Shuen, 1997), ‘value, rarity, imitability, organisation’ (VRIO) framework (Barney, 2002) and capability lifecycle (Helfat & Peteraf, 2003). At the level of the firm, the concept is sometimes referred to as natural RBV (Hart, 1995) but using RBV at the national level of analysis to assess destination competitiveness may be useful (O'Donnell & Blumentritt, 1999). As mentioned by Dwyer and Kim (2003), destination competitiveness refers to the ability of the destination to deliver better goods and services than other destinations and considers the experience gained by tourists.

In determining the competitiveness of a country as a tourism destination, the concept of resources in a country or destination needs to be identified as ‘a set of specific physical, natural, cultural and human resources which are rare, inimitable and non-substitutable and can generate capabilities which become useful to create and develop competitive advantage’ (Craciuli & Nijkamp, 2008, p. 337). Resources are also discussed by Crouch and Ritchie (1999), who believe that endowed resources (e.g. human, physical, capital, infrastructure, tourism superstructure and historical and culture resources) will not provide a competitive advantage if there is no value added. Thus, a destination tourism vision, shares the vision among all stakeholders, allowing them to understand the destination’s strength and weaknesses, and develop appropriate marketing strategies.
to be implemented successfully, making the destination more competitive than other destinations.

The terminology of resources can also be considered tangible and intangible touristic assets. For instance, Ip and Law (2010) classify tangible resources as natural attractions, cultural heritage and local activities (where these are the forces that draw tourists towards a destination), whereas intangible resources tend to be more intrinsic and internal or emotional. Other authors such as Crouch and Ritchie (1999) and Ritchie and Crouch (2003) propose that tangible resources range from the destination’s endowment of natural resources and heritage or culture to the created resources (infrastructure, special events, the range of available activities, entertainment and shopping) and the destination’s management as the intangible resource. Intangible resources are considered essential for a country’s value-creation process, since resources that are tangible can be easily imitated (Chatterjee & Wernerfelt, 1991). An intangible factor can also act as a tool to enhance resources, strengthen the quality and effectiveness of the supporting factors (e.g. general infrastructure, accessibility, hospitality, quality of service and market ties), and assist in adapting to the constraints imposed by ‘situational situations’ (Crouch & Ritchie, 1999; Dwyer & Kim, 2003). As stated by Dwyer and Kim (2003), situational situations involve events or forces (e.g. microenvironment, destination location, macro environment, price competitiveness, safety and security) outside the destination that constrain the strategic options of the destination manager, who has no control over these factors. Thus, situational conditions may enhance or reduce destination competitiveness (Crouch & Ritchie, 1999). In others, an abundance of resources but a dearth of supporting factors will affect tourism development, at least in the short term (Crouch, 2006). Hence, intangible resources are the most important
factors in long-term success because they are the real source of competitive power and the key factor in corporate adaptability (Itami & Roehl, 1987). The view that resources are both tangible and intangible is assumed in this thesis.

Unlike the concept of resources, a capability can be understood as a destination’s ability to exploit its resources because not all resources are functional (Javidan, 1998). A capability has been described as ‘a destination’s capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end (Amit & Schoemaker, 1993, p. 35). Capabilities may be intangible and may develop over time due to the interaction of the destination’s resources (Itami & Roehl, 1987; Leonard-Barton, 1992). Since capabilities are interaction based, they are more difficult for competitors to duplicate (Collis, 1994; Ulrich & Smallwood, 2004). Thus, a destination with the attribute of heterogeneity results in performance (Ethiraj, Kale, M.S.Krishnan, & Singh, 2005).

Another definition of a destination’s capabilities in this thesis reflects its ability to achieve its goals, while providing better value for its stakeholders (e.g. tourists, residents and firms) (Cracolici & Nijkamp, 2008). Cracolici et al.(2008) also find that resources alone, without a complementarily effective and efficient destination management system, cannot enable a destination to offer a tourism product that outperforms other destinations. The importance of well-executed destination management (i.e. managerial and marketing effort) to improve destination competitiveness was also supported by Ritchie and Crouch (1993), who incorporated four other constructs: destination appeal (destination attractiveness and destination deterrents); destination organisation (management organisation capabilities and
For instance, the success of Malaysia in becoming the most visited destination in Southeast Asia was due to Tourism Malaysia’s fully utilised and integrated resources in terms of its tourism product (e.g. its nature, city and culture), website, well-trained and experienced policy and tourism planners and infrastructure. However, with regards to capability, an interaction between Tourism Malaysia and the public (i.e. state tourism department and government ministry) and private sectors was neither integrated nor harmonious, as there was always a clash of planning implementation between these sectors (Economic Planning Unit, 1986). This divergence between stakeholders generated a threat to the sustainability of Malaysia’s tourism.

Other studies, including those by Kim and Uysal (2002), suggest that a country or destination’s capabilities consist of the skills of its tourism policy makers in devising tourism-development strategies to create sustainable competitive advantage. For instance, the policy maker and tourism planner should possess the necessary skills to identify the most valuable resources, their characteristics (e.g. rare, inimitable, non-substitutable and immobile), while also considering the rival destination position in these resources, to achieve a sustainable competitive advantage (Gonzalez, Gil, & Arana, 2011).

Finally, Lee and King’s (2006) country or destination model drawn from industry-organisation (IO) and RBV theories suggested three major domains of tourism-destination resources and attractors, strategies and environments as determinants of destination competitiveness. Lee and King (2006) believe that deploying destination resources (e.g. natural resources, cultural assets, special attractions, cuisine,
accommodation, transportation, safety and security) through the formulation and implementation of tourism strategies (e.g. continuous human resource development, destination marketing management, price sensitivity—charging different rates according to whether the trip is taken at a peak or off-peak period—and government intervention to protect and promote the environment) that are adapted to a changing external environment (e.g. economic growth, demand conditions, socio-cultural change, community participation) can enhance destination competitiveness (Lee & King, 2006).

From the RBV perspective mentioned above, it is evident that the competitiveness of a country as a tourist destination is ultimately dependent on its strategic deployment of its resources (tangible and intangible) and capabilities. The application of Butler’s life cycle (discussed later in this chapter) in devising the resource and capabilities will help Malaysia to gain a competitive advantage. For instance, at the outset of the tourism industry, Tourism Malaysia identified its distinctive resources (e.g. its nature, islands, culture, warm and friendly people) and used them as it image (TDC, 1978; Tourism Malaysia, 1995a). As situational factors (e.g. demand, economics, needs and wants) arise that can have an effect upon destination competitiveness, Malaysia has placed a great deal of attention on its endowed resources (e.g. shopping, food, beaches and history) (Tourism Malaysia, 1995a);(Ministry of Tourism, 2004) and created resources and capabilities to fulfil the demand from its markets.
2.8 MARKETING CAPABILITIES AND TOURISM

The discussion below derives from a set of seven marketing capabilities drawn from Morgan et al.’s (2009) study. Selling capabilities are excluded because they require the firm to acquire customer orders, which was not applicable to the Malaysian tourism industry. Therefore, six marketing areas (product management, price, channel management, promotion, marketing planning and marketing implementation) with evidence of capabilities from the perspective of tourism will be addressed.

2.8.1 Product Development Capabilities

Product development capability involves the ability of a destination to develop new products (by product differentiation, product line extension or by cost) that are responsive to the needs of tourists who expect a rewarding tourism experience (Morgan, et al., 2009; Weiermair, 2004). Gonzalez, Gil and Arana (2011) examined potential resources for the success of gay tourism in the Gran Canarias on the premise that the identification of value resources allows a destination to design policies and communicate actions to capture new tourists to preserve or improve valuable resources and ultimately, to create new resources.

Where the identification of value resources to invest is concerned, Melian-Gonzalez and Garcia-Falson (2003) suggested a four-step heuristic procedure involving the following:

1. identification of resources by a group of experts
2. assessment of shortfalls of the destination
3. assessment of the destination’s valuable resources whether attractive, unattractive or neutral—the attractiveness or unattractiveness of the assets
depends on the relative difficulty for a destination in acquiring or developing their assets

4. competitive evaluation of resources in comparison with competitors.

It is proposed that applying this stepped procedure will assist a destination to identify resources that should be promoted, and weaker ones that threaten the destination (Melian-Gonzalez & Gercia-Falson, 2003). An alternative three-step process to identify the competitiveness of the destination’s resources involves identification of the core attractions, identification of substitute or competitive tourism products and the assessment of the destination competing destinations. By this process, the state of South Australia is deemed strong in only two out of eight core attractions it offers (Melian-Gonzalez & Gercia-Falson, 2003).

In the case of Taiwan, Lee and King (2006) used IO and RBV theories to develop a destination competitiveness model for hot springs tourism. The study suggested that to sustain destination competitiveness, resources such as food service, identifying and using existing natural settings instead of indoor hot spring facilities, considering security, safety and transport systems, improving human capital and employing effective government regulation all need to be effectively undertaken. However, in reality, many hot spring suppliers focused on short-term profits and tended to neglect their responsibility to the consumer, local community and the environment. In addition, there was no organised regulation governing the operation of the hot springs.

To further highlight the need for successful product development, Tsai and Horng (2009) provide an illustration that explores the relationship between food and culinary
tourism. Departing from the precept that Hong Kong and Singapore do not have abundant natural resources to develop, the study noted that these destinations used marketing-based product-development strategies to develop a diverse food offering tied to a diverse cultural background. The suggestion is that by combining tourism and creativity, both countries were able to forge culinary tourism to attract consumer attention. Further, it was suggested that an alliance between the public sector, private sector and local people could also enhance tourism attractiveness through different marketing strategies, creating a culinary image for both the destinations.

Collaboration involving different firms may also play a role in product development for particular destinations. A study of the relationship between the networking approach of tourism firms and the development of tourism core competencies in Italy found that inter-firm collaboration through inter-organisational learning with a systematic vision at the destination, influences the development of tourism competencies, and vice versa (Denicolai, Cioccarelli, & Zucchella, 2010). This suggests that collaboration among tourism firms can be very important for sustainable tourism development (Faukner, Opperman, & Fredline, 1999).

2.8.2 Price Capabilities

Another capability identified by Morgan et al. (2009) is pricing. According to Dolan (1995), price can have a tremendous effect on the volume of tourist arrivals. For that reason, a myriad of issues require careful and consistent consideration to attain capabilities in pricing. Such issues include a set of pricing policies to achieve the pricing goals and a price that can be accepted by the tourists (Vorhies, et al., 1999).
Adopting the following approach may improve a destination’s pricing capabilities:

1. Assess what value the tourist destination imparts on a product or service:

   Most companies determine price based on the product cost rather than thinking about how customers will value the product. Thus, for a destination to establish effective pricing, the process must be reversed. This involves careful market research and direct customer contact (Dolan, 1995). For instance, Alegre and Juaneda (2006) claim that when many other destinations offer a similar product, a review of pricing strategies based on customer perception of quality is needed to ensure the survival of the destination. A strategy that adopts a higher price as a reflection of perceived quality to influence travellers unfamiliar with the destination, may reduce any perceived risk (Alegre & Juaneda, 2006). This finding is congruent with that of Taylor (1998), who maintains that quality mirrors price.

2. Consider the variation in perceived product value for different market segments:

   Destinations will benefit from customising their product and prices according to each customer segment. For instance, it is important for a destination that projects itself as a high-end, luxury destination to identify the value that is appreciated most by its customers. This would certainly involve quality in addition to the intangible style, uniqueness, occasions and experience (Yeoman & Mcmahon-Beattie, 2006). For instance, Dubai has succeeded in pitching itself as a year-round luxury gateway for middle and high-income travellers. Compared to other traditional luxury destinations that focus on one segment, Dubai has adopted a mass-segment appeal, while maintaining high-quality with premium price (Mintel, 2004). Satisfying some tourists’ preference for higher
quality has also made Istanbul (whose reputation is of a rich cultural and fashionable place to visit) choose premium price as its strategy, as well as other strategies such as reducing costs of production, distribution and trips (reducing visa application fees and offering tax advantages to airlines and accommodation suppliers) (Alaeddinoglu & Can, 2009).

The premium-price strategy is considered essential for avoiding overcrowding and problems associated with sustainability. Cuba adopted a pure price strategy that caused social and environmental problems associated with tourism. Thus, Holan and Phillip (1997) suggest that instead of targeting a large volume of tourists, Cuba should instead focus on tourists that are willing to pay premium prices to experience its scenery. Ultimately, this strategy will help Cuba increase profits while relieving overcrowding at tourist venues.

Other than premium and pure price strategies, a mixed price strategy can be used to target different consumers, as it offers a wider variety of prices at different points during the season. Prices can depend on slight differences in the hotel, time of year, location and a myriad of other characteristics. This allows the destination to target larger market shares than with a pure price strategy (Taylor, 1998).
3. Assess tourist price sensitivity:

Dolan suggested three factors that influence customer price sensitivity:

- customer economics
- customer search and usage—advances in information technology mean that consumers are able to access alternative options and prices
- tourist response to competitor offering.

By identifying the degree of sensitivity to price, a destination can design an appropriate product with the appropriate set of activities according to tourist price preferences. A promotional campaign can also be designed according to target-market preferences (2011).

4. Identify an optimal structure:

A critical factor to be determined is whether the destination product attribute should be priced individually or in a bundle. As suggested by Kim, Bojonic and Warnick (2009), consumers benefit from lower prices when they purchase a package rather than separate components, which also gives the destination a greater margin of profit.

5. Consider competitive reaction:

A change in destination price will not only affect competitor response but also its profitability (Dolan, 1995). However, with a unique experience or product attribute involving quality, a destination is able to charge premium prices. For instance, Venice has unique product attributes and can charge substantially higher prices than other Italian destinations (Buhalis, 2000a).
6. Monitor the transaction level:

7. Consider tourists’ emotional responses:

   The key to understanding customers’ perceptions of a destination is to conduct a simple market survey assessing perceived price fairness and the purchasing intentions of customers. By doing this, negative word-of-mouth by unsatisfied consumers might be avoided.

8. Analyse revenue versus cost of service:

   The final factor to consider in the pricing process is the cost that the destination has to bear due for the adopted strategy. For instance, the success of a low cost/high volume strategy depends on the destination’s ability to become a true low-cost producer. Unfortunately for Cuba, choosing this strategy hindered the creation of a competitive industry and restricted the support of industries capable of producing infrastructure, products, and services that meet international standards. This required them to import these, which affected their revenue (Holan & Phillip, 1997).

2.8.3 Distribution-channel Capabilities

Distribution channels are regarded as the most critical element in the marketing mix, as they determine the competitiveness and profitability of an organisation, especially in times of increased competition (Buhalis, 2000b). Due to their multifaceted role as a price determinant, distribution channels are critical in the tourism sector and include real-time demand and available supply; manipulating and formulating tourism products according to tourist needs and desires; and facilitating promotion by targeting specific
markets and establishing communication (Buhalis, 2000b). Due to the importance of distribution channels to capabilities, it is important for a destination country to work closely with channel members to build effective relationships, and to bring efficiencies to the channel (Vorhies, et al., 1999).

Tourism distribution channels usually include several stakeholders that establish partnerships with each other to satisfy specific demand or to provide services requested by consumers (Buhalis, 2000b). However, since stakeholders in the tourism distribution channel differ in their objectives, intra-channel conflict can emerge. Such conflict can be minimised by close cooperation between stakeholders (Buhalis, 2000b; Morgan, et al., 2009; Vorhies & Morgan, 2005). Further, Zhang and Murphy (2009) propose that the key success factor for a competitive destination is better cooperation within the distribution channel through data exchange and effective communication. With an exchange of communication regarding consumer preferences between the supplier (destination representative) and tour agent, the latter can improve service performance and aim for long-term service development.

The eruption of the internet and e-business has broadened the distribution-channel process, as previously the distribution channel for tourism necessarily involved trade intermediaries such as travel agents, tour operators, charter brokers and reservation systems. With the internet becoming part of the distribution channel, trade intermediaries are able to gather information and conduct business transactions with travellers. Information gathered from travellers will enable intermediaries to identify travellers’ needs to target each customer individually and deliver tailor-made products (Law, Leung, & Wong, 2004).
The visibility of a website is important in attracting website usage by customers. In examining the importance of the internet as a distribution channel, Smithson, Devece and Lapiedra (2011) found that the presence of a website is not a source of competitiveness if it can be easily implemented and duplicated. However, outstanding online visibility is important in obtaining tourist attention, and usually leads to an online reservation. Thus, outstanding online visibility may be acquired through the understanding of information technology, gaining a wide knowledge of tourist search mechanisms and an understanding the needs of the potential market by the supplier.

From the perspective of capabilities, the tacit knowledge gathered from interaction with potential tourists (such as what attracts tourists and how this attraction is interpreted and experienced) gives intermediaries the opportunity to develop a strong and unique destination (Gnoth, 2005). The creation of a tourism product based on comprehensive information on consumers’ needs and desires will give the destination the added value that enhances its competitiveness (Martin & Williams, 2003).

2.8.4 Promotion Capabilities

To sharpen the capabilities of promotion, a destination or country must allow various groups of tourism agencies to focus on marketing opportunities and problems. The information acquired through marketing research on marketing opportunities and problems must be evaluated before a set of programmes and activities can be created. An important consideration is the process used to segment and target markets for product development and marketing programme deployment. The ability of the destination to discover attractive segments and gather all necessary resources to serve the needs of these segments will ward of competitors. To ensure this process occurs, the
destination or country requires the ability to coordinate action among the diverse groups within the organisation to design, manufacture and deliver the product to the market (Vorhies, et al., 1999).

The importance of promotional capabilities for destinations has been discussed by Vorhies and Morgan (2005), who suggested developing and executing an advertising programme, advertising management and building public-relations skills as part of the elements used in promotion capabilities. Without effective promotional capabilities, a destination will be unable to communicate the benefits of new products to potential customers (Vorhies, et al., 1999).

The capability of promotion was demonstrated by Loda, Norman and Backman (2005), who found that the sequence of ‘publicity-then-advertising’ more effective than ‘advertising-then-publicity’ in persuading potential customers to visit a tourist destination and develop the tourist image. The effectiveness of publicity in developing a destination-promotion strategy also indicated that in comparing publicity, advertising and personal selling, publicity was perceived to be more cost effective (Dore & Crouch, 2003) and had higher message credibility than others (Loda & Coleman, 2005). Thus Loda, Norman and Backman (2005) suggested marketers should focus more on publicity to gain destination-promotion competitiveness.

Bologlu (2001) found that besides focusing on mass media advertising to increase the familiarity of and/or improve its image, a destination can also give priority to sales promotions and public relations/publicity. According to Buhalis (2000b), public relations are extensively used for most tourist destinations. Representatives for the
destination usually establish tourism offices in their main market to distribute promotional materials and information. The distribution of the material and information also involves participation from embassies. In addition, public-relations mechanisms are utilised to generate stories, articles and publicity to develop consumer awareness and persuade them to purchase the product. Other public-relations activities include article printing, trade-show participation, spokesperson, cause-related marketing and giving press conferences (Seitel, 2001). As stated by Avraham and Eran Ketter (2006), public relations is part of a promotion whose function is to create a favourable image through the promotion of special events and positive stories. This is especially true during any crisis situation. In such a situation, public relations become more important than advertising in reducing the effect of the crisis. For instance, Fall (2004) indicates that in the wake of 11 September 2011, convention and bureau (CVB) managers increased the use of public relations while reducing advertising. Carden (2005) also finds that the use of public relations increased by eight per cent, whereas advertising decreased by an average three per cent over the period 2001–2002.

2.8.5 Marketing-planning and Marketing-implementation Capability

Rapid change in the tourism environment has created the impetus for tourism organisations to create a well-coordinated tourism marketing-planning process. While the development of a long-term vision is recognised as assisting European cities in becoming more competitive and increasing their share of the tourism market (Deffner & Metaxas, 2005), failure to identify market-segment characteristics, the use of unreliable information and lack of knowledge regarding the market have contributed to ineffective planning strategies (Papadopoulos, 1989).
There is evidence to support the suggestion that an effective plan for a tourism destination needs to include a mission, vision and objectives. This includes market research and the identification of market segments, along with all other aspects of effective planning in terms of capabilities and competencies available to the organisation. Attention also needs to be given to a destination’s image in tourism planning, with clear strategies to ensure destination competitiveness, as well as differentiation from competitors in terms of geographical characteristics, tradition and resources (Gunn, 1988). Moreover, a constant evaluation and reassessment of direction will make the planning process more adaptable to change, which may increase the planner’s ability to predict change (Getz, 1986). Constant monitoring will help the planner detect potential problems before they become serious. This monitoring may take place before or during implementation, ensuring objectives can be met in achieving the recommended policies. According to Go, Milne and Whittles (2012), effective implementation of the plan can be achieved by managing the interaction, allocation, organisation and monitoring of the tourism process on each implementation level (Baker & Cameron, 2008).

Keeping in mind that different regions or destinations possess their own strengths and uniqueness, by identifying the valuable and distinctive resources (either tangible or intangible) and capabilities, the policy maker or tourism administrative organisation can design tourism-development strategies specific to a region or destination.
2.9 DEVELOPMENT THEORIES AND TOURISM

The adoption of the RBV for tourism development within a country can underpin the country’s degree of competitive ability as a tourism destination. However, tourism destinations do not usually emerge from the ether in their most sophisticated form, rather this develops over time. This section discusses key theories for tourism destination development, including issues related to modernisation, dependency theory, economic neo-liberalism and alternative development, leading to the discussion of the life cycle in Section 2.10.

Development theory has been used in the economics (Todaro, 2000), social science (Preston, 1996) and tourism literature (Telfar, 2002). However, relatively little work has been done connecting development theory to tourism development (Telfer, 1996 cited in Telfer, 2002). As a result, although there is a causal relationship between development theory and tourism development (both in theory and in practice), this relationship is not always clear in the literature (Telfer & Sharpley, 2008). This is surprising considering that tourism continues to be a growing focus of economic development policy in many regions and nations (Malecki, 1997), especially in developing countries such as Malaysia. Arguably, in developing countries with a limited industrial sector, few natural resources and dependence on international aid, it is usual for tourism to represent the only realistic means of earning much needed foreign exchange, of creating employment and of attracting overseas investment (Sharpley, 2002b).
The RBV discussed earlier provides a rationale for identification and use of country resources to achieve sustainable competitive advantage. However, a country (as a business or as a tourist destination) may need to consider a process of resource management over time, or in cycles. Using the analogy of the construction of the first storey of a building, which needs to follow the preparation of a solid basement, tourism may need to develop in stages or cycles. This process can be guided by development cycle theory.

In this study, development is understood as a philosophy, a process, the outcome or product of that process, and a plan guiding the process towards desired objectives (Sharpley, 2002b). The development process in a society may result in its achieving a state or condition of development (Sharpley, 2000). Development can also be seen as a philosophical concept alluding to a desirable future state for a particular society, while development plans set out the steps for the achievement of the future state (Sharpley, 2002b).

Following Fletcher (2005), the concept of development has sometimes been confused with sustainability development. In reality, development has to be sustainable to be classified as such; otherwise it is considered as short-term growth. In order for finite resources to become sustainable, the use of technological invention and innovation is needed in seeking new resources in the future.

In apparent contrast, pursuing sustainable development has been seen as a potential limitation to the growth and scale of tourism (Sharpley, 2002a), particularly for
developing countries with severe balance of payment problems (Oppermann & Chon, 1997) and harbouring a perception of tourism as the only realistic development path (Brown, 1998). The issue here is that sustainable tourism is usually small in scale, compared with mass tourism which operates on a large, but often unsustainable, scale (Clarke, 1997). Hence, in this condition, sustainability is perceived to hinder development (Sharpley, 2002a), while tourism on a large, (albeit unsustainable) scale can make a significant and successful contribution to development, as illustrated by the cases of the Dominican Republic and Cyprus discussed by Sharpley (2002a).

Clearly, not all countries apply the same policy for tourism development, in which modernisation, dependency, economic neo-liberation and alternative development modes are aspects to consider.

2.9.1 Modernisation and Tourism

Defined as socioeconomic development, modernisation involves following an evolutionary path from a traditional to a modern society. Hence, modernisation may involve transformations from an agriculture-based economy to one that is characterised by its industry focus, to a contemporary services-based economy with money markets playing a central role. In the tourism context, modernisation may entail an investment in tourism infrastructure and equipment, involving internal communications, increase in quality standards to international levels and many other contemporary manifestations such as themed events and tourism marketing strategies. However, there is little agreement in the literature on this aspect, with the view that modernisation fosters development (Hettne, 1990) contrasting with the view that tourism development might
lie at different points on the traditional-to-modern development continuum (Fitzgerald, 1983). Nevertheless there is some consensus that all societal development follows the evolutionary path to modernisation (Sharpley, 2000).

It is apparent that the basic objective underpinning modernisation at the country level is economic growth through a development strategy to generate foreign exchange, improve the balance of payments, increase GDP, attract development capital, increase technology transfer and increase employment (Shaw & Williams, 2002), as well as a modern way of life associated with Western values (Mathieson & Wall, 1982). This justifies the claim that modernisation has become the implicit basis for many tourism studies in developing countries (Telfar, 2002).

Tourism development can only be understood in the context of the stage of development of the country being examined (Van Doorn 1979, cited in Telfer 2002), a circumstance underpinning proposed evolutionary models of tourism linked to modernisation, invariably focusing on internal or international tourism, on the importance of the development of resorts for tourism development, and sometimes linked to the development of international aviation. Schlenke and Stewig (1983 cited in Oppermann 1993) associate Rostow’s (1990) model of the stages of economic growth with the evolution of domestic tourism and identify five stages of economic development (the traditional society, the preconditions for take off, the take off, the drive to maturity and the age of high mass consumption). Earlier, Thurot (1973, cited in Telfar 2002) had identified three phases of international tourism development that link with the evolution of airline routes. Plog (1977) differentiated the stages of resort development according to tourist’s interests and activities while Miossec (1976) developed a model, with five
stages of development, which depicted the structural evolution of tourist regions, and identified hierarchy and specialisation. Van Doorn (1979, cited in Telfar 2002) proposed a combination of the stages of tourism development with the economy and level of social development.

Parallel to understanding tourism development from the development stages perspective, modernisation in development theory has also been examined from the perspective of the consumption of ‘experience’ as a tourism end-product (Awang, Hassan, & Zahari, 2009). Wang (2000) implies that the social status of tourists improves when they manage to travel and consume these experiences, while, at the same time, satisfying their egos.

Butler (1980) further improved the evolutionary model of a tourism area based on the product life cycle, proposing six development stages, namely involvement, exploration, development, consolidation, stagnation and decline or rejuvenation. Keller (1984) later adopted Butler’s model to include increasing levels of international control as the number of tourists increased. Butler’s development life cycle is discussed at length in the last section of this review.

Besides evolutionary models, the regional economic development theories and strategies were also considered under the modernisation paradigm that looks at the filtering of economic benefits through national, regional and local economies. Under regional economic development theory, tourism acts as a form of distributive justice (Pearce, 1989) which is popular among governments that seek to even out opportunities across the country (Telfar, 2002). For instance, Opperman (1992) used international
tourism as a tool for regional development in Malaysia and found that active tourists who travelled and stayed in at least four different locations contributed more to regional development compared to less active tourists. This may widen existing spatial disparities if there is an imbalance in preference for locations. Others, such as government planners in Mexico, used a growth pole approach similar to the theory of Perroux (1988), when developing tourist centres along the coast (Kemper, 1979). Infrastructure requirements for tourism have also been used as regional development tools (Peppelenbosh & Tempelman, 1973).

The private and public sectors can act as agents of tourism development. However, in certain circumstances, especially in developing countries where there is a weak private sector, the government may have to act as an entrepreneur to attract foreign investment for tourism development (Jenkins, 1980). This concept is similar to the concepts of modernisation where the state may be required to create the preconditions for economic growth (Telfar, 2002).

Although the application of modernisation paradigms in tourism can be a panacea for developing countries, some critics have criticised this concept. For instance, modernisation concepts have been criticised for their high levels of abstraction and for applying concepts of traditional value incompatible with modernity (So, 1990), as well as for their reliance on large-scale top-down meta theories that are no longer applied universally across a diversity of environments (Telfar, 2002). Others have rejected the modernisation theory due its perceived notion that all countries should follow a similar development trajectory (Nkurunziza, 2007). For these reasons, the dependency
paradigm gained prominence and become the best known neo-Marxist development theory.

2.9.2 Dependency and Tourism

Dependency theory proposes that the ability of an economy to achieve autonomous development is determined by its dependency upon other capitalist countries (Fletcher, 2005). This is due to the high initial investment cost in mass tourism which developing countries cannot afford, leading to dependency on foreign capital (Britton, 1982; Rodenburg, 1980) for organising the industry and marketing the destination (Oppermann, 1993). For example, it is argued that tour operators in core countries are one of the most influential stakeholders in the tourism arena, able to exert a strong effect on occupancy rate of hotels and spatial distribution of tourist flows in receiving countries (Shaw & Williams, 2002). In fact, many hotels in developing (or peripheral) countries, particularly those of international class, are owned or managed by transnational operators with huge financial resources and industry leverage ability.

At least in certain developing countries, not all international standard accommodation chains belong to operators based in developed countries and hence cannot be claimed to be controlled by external forces (Din, 1990). However, periphery has been argued to be detrimental to developing countries, such that the greater the dependency upon developed or capitalist countries, the lower the ability of developing countries to achieve economic development, which can be exploited by foreign operators in order to grow richer-even to the point of de-industrialising periphery countries (Fletcher, 2005). Hence, it has been argued that the role of tourism as a development agent is weak for
less developed countries (Oppermann, 1993) given the possible limitations on the development of economic growth (as applies to regional inequalities) and social progress (Baran, 1963). This negative scenario can only be averted by withdrawal from the world capitalist system, with development guided by a socialist political systems (Sharpley, 2000), a claim with political implications that is outside the boundaries of this thesis.

2.9.3 Economic Neo-Liberalism and Tourism

While some theorists adopt a hybrid approach encompassing modernisation and dependency perspectives, others move in the direction of neo-liberalism (Brohman, 1996). The economic neo-liberalism era of the 1980s was drawn from the principle of classical economic theory, laissez-faire and comparative advantage which proposed that in order for developing countries to develop, market liberalisation, privatisation of state enterprises and the reduction of excessive state intervention are required (Telfar, 2002).

An example from Peru may assist in understanding the issues being examined. The neo-liberalism concept was applied by the national government in Peru in the 1990s, when President Fujimori addressed the economic and political crises of the time. Besides implementing ‘el fujishock’ - a series of price adjustments, protective tariffs and subsidy removal - Fujimori also drastically reduced state spending and privatised state owned industry. This had a huge effect on the tourism industry as the state ceased to act in the ‘entrepreneur’ role, which it gave away to the private sector. The policy also reduced the number of public employees in the Ministry of Industry, Tourism, Integration and
Commerce (MINTINCI) from 2700 to 300. The state tourist board budget was reduced to zero, until it could clearly justify and define its role. The change of policy has contributed to (1) the return of airlines; (2) regular flights to Lima; (3) development of new hotels in Lima and Cusco, and (4) US and European entrepreneur investment in tourism in Peru (Desforges, 2000).

Even though economic policy has successfully increased tourist arrivals, Milne and Ateljevic (2001) contend that deregulation, privatisation and liberalisation, which was partly inspired by the World Bank and International Monetary Fund (IMP) through structural adjustment lending programmes (SALP) has reduced state influence (Milne & Ateljevic, 2001) and at the same time increased the role of the private sectors (Awang, et al., 2009). Thus it can be argued that neo-liberalisation involves a reorganisation of institutional, political and geographical settings.

2.9.4 Alternative Development and Tourism

Economic neo-liberalism is a concept that neglected socio-cultural and political relations, environment and sustainability issues. Therefore, creating alternative development approaches is recognised by tourism researchers as the greatest strategy for sustainability (Telfar, 2002). Included are locally-owned smaller scale development projects focusing on community participation, which should be culturally and environmentally sustainable. These approaches are underpinned by a philosophical stance that depends on the specific community, region, or country selecting the most appropriate strategies for themselves, based on their strengths, individuality and
uniqueness (Brohman, 1999). This is consistent with the discussion of the RBV theory earlier in this chapter.

These alternative development approaches have the potential to solve problems identified with mass tourism (Brohman, 1996), involving environmental destruction, overcrowding and conflict over resource use, loss of cultural identity and crime, all of which might be perceived by the local population as contributing to the deterioration of their quality of life (Tsartas, 1999). Importantly, this perception has contributed to many local people resenting foreign tourists (Brohman, 1999), which is highly influential in development as local people are considered part of the tourism product. Arguably, "tourism...relies on the goodwill and cooperation of local people because they are part of its product. Where development and planning do not fit in with local aspirations and capacity, resistance and hostility can...destroy the industries potential altogether" (Murphy, 1985:153). Therefore, in order to reduce negative effects and in 'some cases enhance the positive economic benefit', many developing countries adopted alternative development strategies in order to achieve a more appropriate form of development (Brohman, 1999)

Reflecting on the present discussion of the relationship between development theories and tourism development, it is apparent that new perspectives on tourism development theory and practice have evolved from the dynamic relationship between tourism, the environment and development theory. This evolution of tourism theory has, passed through four identifiable stages which, to some extent parallel the evolution of development theory namely advocacy, caution, adaptancy and knowledge (Jafari, 1989). Advocacy reflects modernisation theory and caution refers to the perils uncovered by dependency theory. Adaptancy and knowledge can be argued to relate to the alternative
development approach (Sharpley, 2002a; Telfer & Sharpley, 2008), all of which were discussed in this chapter.

Further understanding of tourism theory was sought by means of a model developed by Weaver (2000), focusing on the transition of tourism destinations from one state to another. The model considers four general tourism development states in the relationship between the level of tourism intensity and the amount of regulation associated with the tourism sector in a country, namely (1) Unsustainable Mass Tourism (UMT) (2) Deliberately Alternative Tourism (DAT), (3) Circumstances Alternative Tourism (CAT) and (4) Sustainable Mass Tourism (SMT) that resemble the knowledge-based stage. These four development states were then developed into eight possible transition scenarios, including Butler’s development life cycle model discussed below.

Although there have been new theories for tourism development (Telfer & Sharpley, 2008; Weaver, 2000), this study summarises only four main development theories (modernisation, dependency, economic neo-liberation and alternative development). Based on the Malaysia plan description (refer to Chapter 4), it was assumed that the Malaysian tourism industry evolved in line with these development theories.

As for the planning tool for these development theories, the Butler sequence can be used to describe rigorously the development of each plan.
2.10 DEVELOPMENT LIFE CYCLE

The development of a destination for tourism is a dynamic process that evolves over time. Many scholars apply the concept of the ‘life cycle model’ to indicate the development of tourism from the perspective of evolution to explain the whole life cycle process of a destination. For example, Plog (1974) delineated a life cycle from the perspective of the travellers’ psychology and classified tourists into three types: the allocentric, the mid-centric, and the psychocentric (refer to Figure 2.1 and Table 2.3).

One of the simplest models that applied the life cycle process was forwarded by Christaller (1993). The model pointed out that tourist locations follow a relatively consistent process of evolution starting from discovery, through to growth and decline (Meyer-Arendt, 1985). Gee, Makens, and Choy (1997) adapted a four-stage model of tourist activity comprising discovery, initiative and local response, institutionalisation and saturation and alienation.
More recently, Plog (2001) asserted that ‘at each stage, the destination appeal to different psychographic groups of travellers, determines the destination characteristic and success’ (p.18) (refer to Table 2.2). However, this was questioned on the grounds that Plog’s psychographic model was more attuned to describe the market rather than predicting the life cycle stage, as destinations usually attract a diversity of tourists ranging from allocentric/venture to psychocentric / dependable (2011). Rather than predicting the life cycle, the Plog model could be used as a tool to assess how to make the destination more accessible to certain markets.

Notwithstanding criticisms the Plog model in predicting the destination life cycle, it is still used as psychographic profiling to predict the tourist life cycle (Siguaw, Enz, & A, 2008; Weaver, 2012).
The Plog model is part of psychographic segmentation, used for market analysis according to psychological traits such as values, attitudes, perceptions, interests, motivations, opinions, needs, beliefs, activities and daily life routines (Pearce, Morrison, & Rutledge, 1998). Psychographic segmentation also was used to explain the underlying motivations for travel and it answered several important questions about the how, what, and why of travel (Plog, 1994).

Tahir (1994) argues that tourists from different regions may have different travel motivations. Furthermore, tourist motivations between nationalities and destinations differ from one person (or group) to another and from one destination to another; that is, ‘preference sets and destination attributes can be matched to specific psychographic profiles of tourists’ (Kozak, 2002, p. 222). This appears to confirm the finding of significant differences in studies involving a number of nationalities carried out in different geographical locations, (Jonsson & Devonish, 2008; Kozak, 2002; 1997; Sussmann & Rashcovsky, 1997). For example, behavioural differences were found among the Japanese, French, Italian, and American tourists on guided tours. The results indicated that in 18 out of 20 behavioural characteristics there was a significant perceived difference between the four nationalities. Tour guides perceived the Japanese to be the most unique among the four, and the Italians as the most similar to others (Pizam & Sussman, 1995).

It is apparent that, understanding motivations across cultures allows destination managers to efficiently allocate destination resources to match with each other and thus satisfy tourist needs. Understanding culture differences has an implication for management including marketing, training of staff and service provision, all of which
will help the destination management to make appropriate adjustments in its strategy (Kim, Prideaux, & Kim, 2002).

### Table 2.2: Allocentric and Psychocentric Travellers Characteristic

<table>
<thead>
<tr>
<th>Psychocentric (Dependable)</th>
<th>Allocentric (Venturer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel less frequently</td>
<td>Travel more frequently</td>
</tr>
<tr>
<td>Stay for shorter periods of time when travelling</td>
<td>Take relatively long trips</td>
</tr>
<tr>
<td>Spend less per capita at the destination</td>
<td>Spend more each day per capita</td>
</tr>
<tr>
<td>Prefer the familiar in travel destinations</td>
<td>Prefer non-touristy areas</td>
</tr>
<tr>
<td>Like commonplace activities at travel destinations</td>
<td>Enjoy sense of discovery and delight in new experiences, before others have visited the area</td>
</tr>
<tr>
<td>Tend to select recreational activities at these destinations that also are familiar</td>
<td>Prefer to participate in local customs and habits and tend to avoid those events that seem too common or familiar, or those staged for tourists.</td>
</tr>
<tr>
<td>Prefer sun ‘n’ fun sports, including considerable relaxation</td>
<td>Prefer novel and different destination</td>
</tr>
<tr>
<td>Purchase plenty of souvenirs, tee-shirts, decals, and other strong visual reminders of where they have been</td>
<td>Purchase mostly authentic local arts and craft, rather than souvenirs.</td>
</tr>
<tr>
<td>Are likely to return to a destination</td>
<td>Tend to seek new destinations each year, rather than return to previously visited places.</td>
</tr>
<tr>
<td>Low activity level</td>
<td>High activity level</td>
</tr>
<tr>
<td>Prefer destinations they can drive to</td>
<td>Prefer flying to destinations</td>
</tr>
<tr>
<td>Prefer heavy tourist accommodations, such as heavy hotel development, family type restaurant, and tourist shops</td>
<td>Tour accommodations should include adequate-to-good hotels and food, not necessarily modern or chain-type hotels, and few ‘tourist’ type attractions</td>
</tr>
<tr>
<td>Prefer familiar atmosphere</td>
<td>Enjoy meeting and dealing with people from a strange or foreign culture</td>
</tr>
<tr>
<td>Complete tour packaging appropriate, with heavy scheduling of activities</td>
<td>Tour arrangements should include basics (transport and hotels) and allow considerable freedom and flexibility.</td>
</tr>
</tbody>
</table>

Source: Plog (2001; 1974)
Table 23: Psychographics Predictors of Destination Life Cycle

<table>
<thead>
<tr>
<th>Stage of Butler Tourist Lifecycle</th>
<th>Exploratory</th>
<th>Involvement</th>
<th>Development</th>
<th>Consolidation/ Stagnation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plog’s Psychographic Model</td>
<td>Venturer</td>
<td>Near-Venturer</td>
<td>Mid-Centric*</td>
<td>Dependable</td>
</tr>
</tbody>
</table>

Source: Plog and *Cooper (Plog, 1991)

Identifying psychographic segmentation parameters allows tourism destinations to increase the effectiveness of their promotional campaigns by targeting the appropriate audience, focusing the message on actual segment needs, and selecting the appropriate media. It can also create a long-term, sustainable competitive advantage for a destination (Hsu, Kang, & Wolfe, 2002).

Other models (Benedetto & Bojanic, 1993; Cooper & Jackson, 1989; Debbage, 1990; Getz, 1992; Haywood, 1991; Ioannides, 1992) applied the product life cycle (PLC) concept to tourism area destinations, suggesting that the destination goes through a cycle of evolution similar to PLC (Butler, 1980). Of the existing models, the Tourist Area Life Cycle (TALC) theory developed by Butler in 1980 is the most cited model in the literature.

2.10.1 Butler’s Development Life Cycle

Butler’s (1980) development life cycle model has been used in multiple settings, such as resorts (Agarwal, 1997; Benedetto & Bojanic, 1993; Bianchi, 1994; Ioannides, 1992; Meyer-Arendt, 1985), rural areas (Dezco, 1997), national parks (Boyd, 2006; Zhong, Deng, & Xing, 2008), islands (Cooper & Jackson, 1989) (Rodriguez, Parra-Lopez, &
Yanes-Estevez, 2008) and countries (Akama, 1999; Formica & Uysal, 1996; Harrison, 1995; Sofield, 1995; Wilde & Cox, 2008).

Borrowing from the classic business literature on traditional product life cycles, and on spatial economic models (Coles, 2006), Butler (2009) urged that destinations be viewed as products, and suggested that the pattern of destination development closely mirrors the classic life cycle curve (product life cycle) encompassing introduction, growth, maturity and decline. The TALC model is expressed in term of visitor numbers and infrastructure (Butler, 1980). The model argues that destination development begins with exploration, involvement, development, consolidation, stagnation, and ends with either rejuvenation or decline (refer to Figure 2.2). At each stage, the destination displays distinctive characteristics.
Exploration

The exploration stage is a pre-tourism stage at which small numbers of visitors arrive from different countries with the intention of experiencing authentic and ‘unspoiled’ cultural and natural attractions. These adventurous or allocentric types of visitors usually travel throughout the destination and will remain in the country for an extended period of time. Since the tourism industry is non-existent (the destination has not established any specialised facilities or services for visitors), visitors tend to consume local products. This means that linkages with the local economy are extensive. Consequently, the relationship with tourists is very cordial, and tourists tend to be treated either as curiosities or honoured guest (Weaver & Lawton, 2000, p. 308). These attitudes are described as pre-euphoric.
Involvement

The transition to the involvement stage can be categorised into two major developments. First, visitor arrivals begin to gradually increase above the level of arrivals during the exploration stage. Second, in order to respond and stimulate visitor inflows, local entrepreneurs start to offer basic specialised services and facilities for tourists, leading to the development of the tourism industry. These services and facilities include the provision of a guide, small guesthouses and inns, small tour operations, eating venues and a few small semi-commercial attractions. The development of facilities, infrastructure and services is a sign of an informal tourism sector occurring within the local settlement, transportation gateway or near tourist attractions.

The involvement stage is associated with the ‘euphoria’ phase of the irridex. It occurs due to two factors: even though the inflow of a large number of visitors generates a significant revenue, the destination is still under local control, due to the development of the tourism sector, and there are still extensive backward linkages with agriculture and other local sectors, a high multiplier effect and mainly allocentric-oriented visitor arrivals. However it should be noted that ‘the growing intake is already mediated to some extent by the formal tourism system, thereby opening the way for nonlocal participation and for greater number of midcentric tourists’ (Weaver & Lawton, 2000, p. 311).

Factors that trigger the transition of the destination from exploration to the involvement stage can originate either from internal or external forces. Internal forces are those
that arise from within the destination community, such as through entrepreneurs who
develop and advertise new attractions in order to induce visitor arrivals. External forces
originate outside the destination and include word-of-mouth, article publications,
television documentaries, and visits from celebrities, or movies, effectively marking the
initiation of the advertising effort.

Development

In the development stage, faster tourism growth causes dramatic changes in all aspects
of the tourism sector over a short period of time. Development may involve enhanced
accessibilities, intensive and extensive advertising, recurrence to imported labour and
auxiliary facilities and services. However, this rapid growth contributes to the erosion of
local control as the community is overwhelmed by the scale of tourism development. As
the destination is rapidly integrated into the formal tourism system, larger transnational
and non-local companies obtain control over the process, nurturing midcentric and
psychocentric visitors who usually arrange their visitation through a package tour.

During this stage, rapid landscape change also occurs. For instance, large multi-storey
resorts substitute for guest houses and small hotels; golf courses, second-home
developments and theme parks replace agricultural land; and marinas replace
mangroves. Rapid development of tourism also contributes to large areas of farmland
being abandoned, due to sale to entrepreneurs or because most labour has been diverted
toward tourism. As a result, the uniqueness of the destination fades away, and is
replaced by a generic, ‘international’-style landscape.
With the increase of visitors and major landscape changes, a concern regarding the environment becomes obvious. The attitude of residents towards visitors also transforms from apathy (in the early development stage) to annoyance.

**Consolidation**

The consolidation stage settles in when the growth rate of visitors and other tourism-related activity declines, although the total amount of activity continues to increase. The decrease of the growth rate occurs because tourism development exceeds the environmental, social and economic carrying capacities of the destination, contributing to the deterioration of the tourism product.

During the consolidation stage, the number of visitors over a 12 month period exceeds those of the resident population. Visitor overflows lead to crowded, high-density tourism districts dominated by psychocentric clientele. The visitor relies largely on short-stay package tour arrangements affiliated with large tour operators and hotel chains. During this stage,

> ‘the destination is wholly integrated into large-scale, globalised tourism systems, and tourism dominates the economy of the areas. Attractions are largely specialized recreational sites of a contrived, generic nature (symbolized by theme parks and casinos), which overwhelm or replace authentic natural or cultural attractions that previously formed by the basis for the destination’s popularity’ (Weaver & Lawton, 2000, p. 314).
Seasonality emerges as a major influence on the destination’s economy, along with a high turnover in hotel and restaurant ownership, product deterioration and abandonment of facilities and areas due to a lack of interest in redevelopment. Much of this is due to transnational companies that abandon the destination to seek new territory.

Over-crowded and high-density tourism has caused some local residents to become blatantly antagonistic toward tourists while others either leave the area or adjust to the new environment. The hostile attitude of local residents towards tourists is due to the negative effects of tourism development (Johnson, Snepenger, & Akis, 1994; Mason & Cheyne, 2000; Teye, Sonmez, & Sirakaya, 2002). As a result of negative encounters between local residents and the local tourism product, exchanges of information by word–of-mouth among visitors contribute to the decrease in tourist arrivals.

**Stagnation**

During the stagnation stage, visitor numbers and the level of associated facilities such as accommodation have attained peak stage. A surplus capacity begins to become a persistent problem as it prompts price wars, which then lead to further product deterioration and bankruptcies, given the high fixed costs involved in the sector. The solution of companies to this problem is to convert accommodation to timeshare units or even permanent residences for retirees, students or others. Hotel-type accommodation becomes self-catering.
Even though the high-profile destination has become fashionable and less desirable, visitor arrivals remain stable because the destination relies on repeat visitation by psychocentrically oriented visitors. At this stage, the destination is incapable of attracting new visitors.

**Decline and rejuvenation**

The stagnation stage can theoretically persist for an indefinite period, but it is likely that the destination will eventually experience either the decline (downturn) or rejuvenation (upturn) stage.

**Decline**

The decline scenario occurs as a result of some combination of the following four factors:

1. Repeat clients are no longer satisfied with the available product, while efforts to recruit new visitors fail.
2. The destination stakeholder either has made no attempt to revitalise the local tourism product or these attempts are made but unsuccessful.
3. Resident resentment towards visitors becomes more outright and widespread which contributes to the negative image of the destination.
4. Tourists are drawn away by newer destinations; and those remaining are mostly day or weekly visitors.
The decline of tourist numbers contributes to the abandonment or conversion of hotels and other specialised tourism facilities into health care centres, apartments and facilities for retirees. Ironically, this situation may stimulate and permit locals to re-enter the tourism industry since most facilities are outmoded with the prices being relatively low. Similarly, the decline of tourism often reduces the tourism sector’s dominance of the destination as other service industries, such as call centres, health care, and government, are attracted to the area in response to its changing demography. The decline stage may be accelerated by a snowball effect, wherein major hotels and attractions are abandoned, which has a negative effect on the viability of other hotels and attractions. Ultimately, the destination either becomes a tourism slum or devoid of tourism activity altogether.

**Rejuvenation**

The last stage suggested by Butler in his destination life cycle sequence is the rejuvenation stage. This stage occurs after stagnation, with the possibility that instead of declining, the area rejuvenates. According to Butler, the rejuvenation strategy can involve either the introduction of an entirely new product (either creating a new set of artificial attractions or utilising unexploited natural resources) or radical re-imaging of the existing product with the intention of recapturing the destination’s competitive advantage and sense of uniqueness. Others, such as Brooker and Burges (2008) have suggested that cooperation and collaboration among various stakeholders, the development of a strategy, and a destination brand that resonates with existing and future visitors, and innovation, are incremental and revolutionary in the rejuvenation phase.
Although Butler (1980) stated that destinations go through six stages, ‘not all areas experience the stages of the cycle as clearly as others’ (p. 10). This suggests that not all models can be applied to all destinations in the same uniform manner because the shape of the curve depends on factors such as development, access, government policy, number of competing destinations and the changing nature of consumer taste (Benedetto & Bojanic, 1993). Also, factors such as political instability, natural disaster and terrorism will contribute to the shape of the model. This argument was corroborated by a study by Boyd (2006) on the establishment and development of Canadian National Parks which conformed to the six phases of the TALC model. Nonetheless, Boyd noted the difficulty of determining ‘where individual cases may be best represented within the model’ (Boyd, 2006, p. 138) that is, each individual park experienced an inconsistent phase within the TALC model.

In addition to the Boyd (2006) case study described above, many other destinations do not entirely conform to the model. For instance, the Cayman Islands in the Caribbean skipped the first stages (Weaver & Lawton, 2000) and Atlantic City in the US skipped the first two stages (Stansfield, 1978). In addition, previous studies found that different stages could coexist for a tourism destination. For example, Hovinen (1982; 2002) found that Lancaster County in Pennsylvania was characterised by the coexistence of growth, stagnation, decline and rejuvenation. This combination was referred to as maturity. Similarly, Niagara Falls (on the border of Canada and the USA), as a single tourism resource destination, ‘evolved into a permanent state of maturity in which aspects of consolidation, stagnation, decline, and rejuvenation are interwoven and constant’ (Getz, 1992, p. 752).
Other than widely accepted TLC model (Johnston, 2001), there has been no real comparative work (Pearce, 1993), prompting Johnston (2001) to ‘shore up the model’s theoretical foundation-(TLC)’ by focusing on the ontological and epistemological concepts in resort town issues surrounding the TALC model. From this perspective, Johnston revised the TALC model by incorporating it into three eras: a pre-tourism era, from before the exploration phase extending into the involvement phase; a tourism era, which could carry through to the maturity stage and may include a post-stagnation phase; and post-tourism era when new institution dominates at the local level. Johnston also replaced growth in visitor numbers with growth in number of accommodation units, as number of rooms in multi-room enterprises such as motels, hotels, and condominiums is less likely to fluctuate. Although Johnson explained the model precisely, this study has only been used in Kona, on the Hawaiian Islands.

Although the TLC model has been shown empirically to be generally applicable to hotels, resorts, villages, cities and small destinations, Toh, Khan and Koh (2001) claimed that the model does not apply to larger political entities such as countries. This is because tourist arrivals for large geographical areas simply do not decline, unless there is a large and permanent catastrophe. In this regard, the travel balance approach (TBA), which demarcates four stages of a country’s travel balance, is more appropriate in describing the country’s development stage, because it is based on a predictable accounting model that can be reasonably anticipated. In contrast to TLC, TBA development is defined by net travel export (inbound tourists) over travel import (outbound tourists). The TBA model states that rapid country development occur when tourism export exceeds tourism import. This occurs at the growth stage as the government has developed communication facilities and transportation infrastructure
(Toh, Khan, & Yap, 2003). Thus it can be concluded that ‘tourism development occurs first and foremost in the capital and other large urban centres in the vicinity of the international gateways to developing countries, the international airport’ (Opperman, 1993b, p.551). However, when a country reaches the decline stage (tourism import exceeds tourism export), the country may shift the focus to high-tech and value-added industries.

Prideaux (2000) proposed a model of Resort Development Spectrum (RDS) as existing models (Butler, 1980; Keller, 1987) failed to explain the effect of tourism development on the supply side. Therefore, the RDS model analyses the ‘relationship between the growth and operation of the economic market in the context of demand, supply and equilibrium specifically focusing on the context of the resort micro-economy and market sectors on the Gold Coast of Australia’. The results of the study suggested that supply side facilities such as roads, airports and accommodation can trigger the growth of the resort. For instance, Prideaux (2000) identified that transportation infrastructure is considered to be an essential precondition for destination development and inefficiency can lead the tourist to seek alternative destinations. Further, as the resort expands, new infrastructure facilities need to be developed in order to attract additional tourists from existing and importantly new markets (Prideaux, 2004). The roles of external political and economic factors also influence the speed and size of growth. Although RDS involves four stages of development (local, regional, national, and finally international), not all resorts will pass through phases. Some would never pass beyond the first phase, and few reach the last.
As numerous models have been based on the TLC, the Butler TLC model will be used in this study. It emphasises the importance of control and responsibility in managing the destination in the long-term and represent a reliable theoretical benchmark (Johnston, 2001; Toh, et al., 2003; Weaver, 2000). In addition, a simple model like the TLC is considered reliable for this study as it focuses on evaluating the existing tourism development plan and does not try to predict future development (Butler, 2009). Although it might be appropriate to consider chaos theory in this study (as destination is a complex system), the objective of this proposal is to study Malaysia from a resource-based perspective. As Grant (1991) stated, in contrast to the internal environment, the external environment does not provide a secure foundation for formulating long-term strategies as it is always in an unstable condition. Therefore, chaos theory is excluded.

2.10.2 Destination Life Cycle and Capacity

The relationship between destination life cycle and carrying capacity was explored in detail by Martin and Uysal (1990), who argued that ‘it is impossible to determine tourist capacity outside of the context of the position of the destination area in the life cycle. The interrelationship of the two concepts is dynamic, with the idea of change implicit in both concepts’ (1990,p:329). They believed that the interrelationship between the life cycle concept and the concept of carrying capacity was important in establishing tourism policy for a destination area because through its application, the destination area can be controlled and might never reach the decline stage.

Carrying capacity as a tourism concept is a complex and multifaceted feature (Butler 1996) as it relates to relative visitor density and relative land-use intensity (Greiner, 1997). Due to this intricacy, most researchers have conceded the search for an exact
number to represent the maximum number of visitors who should be allowed to be present or the maximum number of hotel bed to be developed at a destination (Butler, 1997). However, this should not be used to obscure the fact that there should be a limit to development.

Consequently, Butler (2009) proposed that for a tourism destination to maintain sustained growth, it has to prevent development exceeding its inherent capacity (capacity defined in terms of limits of economic, social, environmental and physical parameters). This can be extended to the country’s capabilities and competencies. The rationale is that, if capacity levels are exceeded, a decline in the quality of visitor and resident experiences will result, along with environmental and other problems, causing a decline in visitation and related tourist expenditure, as well as in funds for reinvestment in the destination. Hence, growth beyond capacity levels can generate an oversupply of tourism facilities and degradation of environmental and social-cultural resources (Buhalis, 1999).

Martin and Uysal (1990) distinguished between carrying capacity and tourism lifecycle concepts, proposing that an early formulation of tourism policy for a destination can prevent the destination from reaching the decline stage. They stated that

‘once the policy maker have decided in what stage of the lifecycle their area is positioned and what optimum carrying capacity for their area at that stage, then certain steps can be taken in order to maintain their desired position or improved upon an acceptable one’ (p. 330).
The essential need for early formulation of a policy was also noted by Richardson (1986) who claimed ‘the formulation of public policy can serve to prioritise goals associated with revitalization as well as to address potential benefits and costs associated with each of its stages. Policy further integrates the interests and concern of both public and private sector organization’. Thus, it can be concluded that the formation of a policy is essential to ensure the sustainability of the destination.

2.11 CHAPTER CONCLUSION

This chapter has investigated the main concepts and theories underpinning the study of tourism-development planning. In doing so, it first looked into the concept of the tourism product, often a destination, highlighting its intangible nature tied to tourism activities and experiences. Discussing the product of tourism in the context of services marketing theory was deemed justified given its focus on intangible experiences.

A focused review of the relevant literature revealed that the same factors that assist consumers in making decisions about the service products they choose from service providers may also be relevant to their decisions about the choice and evaluation of a tourism destination. This prompted discussion of the literature focusing on factors such as price, branding, destination image and experience with an activity or destination. It was concluded that service providers (e.g. tourism destinations and tourism operators) need to take control of their service product, a requirement related to effective strategic planning in the tourism-development context.
Drawing substantially on literature that revealed or confirmed the various aspects of tourism strategic planning, the discussion elaborated on a variety of potentially competing objectives in different contexts, from the need to achieve tourist satisfaction to the promotion of success in economics and business, while ensuring sustainable resource use and community integration. This refocused the discussion on the importance of strategic planning for sustainable development and environment protection. It was argued that a consideration of the resources and capabilities that a country destination can allocate strategically for tourism development may assist in avoiding the degradation of human and natural resources that may ensue from unplanned tourism development.

The discussion of capabilities and competencies was effectively framed by the theoretical guidance of the RBV logic applied to a tourism destination. The logic was found to be compelling when applied to a country’s tourism sector. Like businesses, countries have limited resources (capabilities and competencies). Some of these resources can be expected to be unique to a given country, paving the way for sustainable competitive advantage. Hence, it was concluded that the adoption of the RBV theory for tourism development by a country could underpin its degree of competitive ability as a tourism destination.

Since tourism destinations develop over time, attention was focused on key theories for tourism destination development, including issues related to modernisation, dependency theory, economic neo-liberalism and alternative development, which led to a discussion of the development life cycle. Particular attention was given to Butler’s sequence and development life-cycle model.
CHAPTER THREE: MALAYSIA: BACKGROUND AND THE TOURISM SECTOR

3.1 INTRODUCTION

Malaysia’s interest in the tourism sector started much later than neighbouring countries such as Singapore, Thailand and Indonesia (Mohamed, 2005b). Arguably, this belated attention may have contributed to a comparatively low recognition and awareness about Malaysia by foreign tourists relative to other countries, which benefited from a strong and distinctive image as a destination of choice (Mohamed, 2005b). Notwithstanding its late intervention in the international market, Malaysia has become the most visited country in Southeast Asia since 2009.

In order to better understand the development path to the current success experienced by Malaysia’s Tourism sector, this chapter provides background information on the country and its potential resources followed by an overview of the tourism sector.
3.2 BACKGROUND INFORMATION ON MALAYSIA

Figure 3.1: A General map of Malaysia and its neighbours (Brunei, Singapore, Thailand, Philippines, Vietnam and Indonesia)

Source: www.rnw.nl(2010)

3.2.1 Geography

Malaysia was established as Malaya (corresponding to what is now Peninsular Malaysia) on 31 August 1957, becoming the Federation of Malaysia on 9 July 1963, as the result of a process that culminated in the merging of the former British colonies of Malaya and Singapore, including the East Malaysian states of Sabah and Sarawak on the northern coast of Borneo (Ismail, Baums, & Kokuanikkal, 2003). The territory of Malaysia arrived in its present form, depicted in Figure 3.1, after Singapore withdrew from the Federation of Malaysia and became an independent nation on 9 August 1965 (Mohamed, Ahmad, & Badarulzaman, 2001).
Malaysia is located in the central part of the Southeast Asia region and is divided into two geographical areas: South eastern Asia Peninsula (the Malay Peninsula), and the East Malaysian Provinces of Sabah and Sarawak in northern Borneo, bordering Indonesia and the South China Sea (Ismail, et al., 2003). These two geographical areas are 659km (403 miles) apart, separated by the South China Sea. Thailand, in the northern part of Peninsular Malaysia, Singapore in the south and Brunei share a border with Sarawak.

Today Malaysia is distributed over three federal territories: Wilayah Persekutuan Kuala Lumpur, Putrajaya and Labuan. Kuala Lumpur, the capital, is located in the south eastern Peninsular Malaysia. It is characterised by Tourism Malaysia as a combination of modern and old tradition, displaying unique cultural heritage, distinctive architecture and art and sumptuous cuisine (Tourism Malaysia, 2011c). The famous Petronas Twin Towers are found in Kuala Lumpur, constituting a landmark for the city and for the country.

A second territory, Putrajaya was strategically developed as a federal government administrative centre, endowed with outstanding buildings and beautiful surroundings. Finally, the federal territory of Labuan Island is situated near Sabah, and is better known for its recognized status as a quality golf and dive location.

Overall, Malaysia comprises 12 states, eight of which make up Peninsular Malaysia (namely Perlis, Kedah, Perak, Selangor, Negeri Sembilan, Johor, Pahang, Terengganu and Kelantan) plus Melaka, Penang, Sabah and Sarawak.
3.2.2 Political Geography

The present system of governance in Malaysia is a constitutional democracy, with the Prime Minister as the Head of Government and an elected Yang Di Pertuan Agong (the King) who serves as the supreme Head of State (Mohamed, et al., 2001). The King is elected by the Conference of Rulers from the hereditary rulers, (Raja or Sultans), of the nine states of Peninsular Malaysia on a five-year rotational basis. The Conference of Rulers, was instituted under Article 38 of the Federal Constitution to serve as a forum for the Rulers and Governors (Yang Dipertua Negeri) to meet and deliberate (Perpustakaan Negara Malaysia, 2003). Whereas each of the other four states (Melaka, Penang, Sabah and Sarawak) is headed by a Yang di Pertua Negeri who is appointed for a term of four years by the King (The Economist Intelligence Unit, 1991).

3.2.3 Cultural Geography

Malaysia is an Islamic country with a population in 2010 of approximately 26 million people (Department of Statistic Malaysia, 2011). The population is mostly distributed over three major ethnic groups (Malay or Bumiputra, Chinese, Indian) as well as incorporating a myriad of indigenous ethnic groups in Sabah (Kadazan Dusun, Bajau and Murut) and Sarawak (Dayaks, Iban, Bidayuh and Orang Ulu) as reflected in Table 3.1.
The multi-ethnic characteristic of Malaysian society was inherited from the laissez-faire British colonial administration (Din, 1989) during their occupation of Malaya from 1786 to 1957 (Roslan, 2011). While there were already some Chinese and Indians in Malaya, it was during the British occupation that the mass migration of the Chinese and the Indians took place (Roslan, 2011).

Starting in the second half of the nineteenth century and up to the 1930s, the British encouraged large-scale Chinese and Indian immigration to Malaya, to supply manpower in the tin mining industries and rubber plantations which were mainly located along the west coast of Peninsular Malaysia (Roslan, 2011). The Chinese were brought to work in the tin mines, and the Indians in the rubber plantations, representing respectively some 31 per cent and 8 percent of the total population (Din, 1989). The Malays remained in the traditional subsistence agriculture and thus were left out of the modern sector of the economy (Roslan, 2011). As a result, in the early years of independence, each ethnic group was segregated in terms of geographical area (Roslan, 2011).

### Table 3.1: Population Estimates by Ethnic Group in Malaysia

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>Total (000)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bumiputera</td>
<td>17,177.50</td>
<td>66.2</td>
</tr>
<tr>
<td>Chinese</td>
<td>6,478.80</td>
<td>25</td>
</tr>
<tr>
<td>Indian</td>
<td>1,934.20</td>
<td>7.4</td>
</tr>
<tr>
<td>Other</td>
<td>368.30</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,954.10</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Department of Statistic Malaysia (2011)
The majority of the Malays were found in the north and eastern states of Peninsular Malaysia such as Terengganu, Kelantan, Perlis and Kedah. These states were basically agricultural states and relatively underdeveloped. In contrast, the Chinese and Indians were concentrated in the relatively more developed and prosperous western states of Peninsular Malaysia such as Negeri Sembilan, Selangor, Perak and Pulau Pinang (Roslan, 2011).

In general each of these ethnic groups embraces a distinct language, culture, religion and customs, endowing Malaysia with a rich and unique cultural environment. Some of the distinctive cultures have become part of the tourism events promoted by the Tourism Malaysia and the State Travel Board. The idea of ethnic diversity was then reflected in a ‘Malaysia: Truly Asia’ campaign that began in the Seventh Malaysia Plan and promised a unique experience of Asian cultures in a single country (Popescu & Corbos, 2001). Appendix A describes the racial, cultural, historical and landscape diversity in Malaysia-Peninsular Malaysia, Sabah and Sarawak which later become the distinguishing feature of the country.

3.2.3.1 Cultural Integration

Each of the identified ethnic groups has a unique and distinctive culture vigorously maintaining its pace with traditions and community structure. However, along the course of history, certain aspects of the culture have been integrated into the mainstream, giving place to a contemporary Malaysian culture, with a uniquely diverse heritage (iProperty, 2010). Thus, this plural society has added a wealth of cultural diversity (Sausmarez, 2007) that is reflected in the festivals, religious events, the variety
of architecture and a rich and varied cuisine and lifestyle (Khalifah & Tahir, 1997). Examples of cultural integration include the assimilation in Malay wedding ceremonies of elements from the Southern Indian Hindu tradition, where both bride and groom dress in elegant traditional costumes, sit regally on the pelamin and feed each other yellow rice with henna painted hands (iProperty, 2010). The earliest 15th and 16th century Chinese settlers, primarily in and around Malacca, who gradually adopted Malay culture and intermarried with the local Malay population produce new generations referred to as the Babas and Nyonyas. Their practices, beliefs and art are a combination of Malay and Chinese traditions (Malaysia Tourism Promotion Board New York, 2008). One more illustration is the Chinese tradition of giving Ang Pau (little red packets containing money) during festivals has been adopted by the Muslim-Malay community. The only difference being the colour of the Ang Pau, which is green with Arabic writing on it. The uniquely diverse culture lead Tourism Malaysia to position the Malaysian image as ‘Malaysia Truly Asia’ in 1999, suggesting that there was no other country as truly Asian as Malaysia (Tourism Malaysia, 2010).

3.2.3.2 Tourist Regions

Concomitant with the political and cultural geographical segmentation covered in the previous sections, Malaysia’s territory can be notionally divided into five touristic regions, each with an amalgam of distinctive natural and cultural resources that offer a difference tourism experience. By having different features, Malaysia can attract different types of tourist. The five regions are the Northern, Central, East Coast and Sabah, Sarawak and Labuan. Each region is briefly addressed below.
**Northern region**

The northern region consists of the states of Perlis, Kedah, Penang and Perak. Attractions include well-preserved islands, white sandy beaches, rainforest, heritage buildings, historical and archaeological sites, hill resorts, an excellent choice of inexpensive and regional food and varied shopping (Sawadee PCL, 2005).

**Central region**

The single most important destination within Malaysia is Kuala Lumpur. The capital, as well as being the gateway to Malaysia, is an educational, financial and cultural central, offering the abundance and variety of attractions and activities that are characteristic of a major urban central. Kuala Lumpur is also a fine example of an attractive blend of European, Moorish and Asian architecture city (Sawadee PCL, 2005).

Also within this region lies Negeri Sembilan where the Minangkabau culture which came from Sumatrans centuries ago, is still prevalent (Sawadee PCL, 2005)

**Southern region**

The two states in the southern region -Malacca and Johor- offer a variety of attractions, ranging from history and heritage to culture, food and shopping. Malacca is steeped in history as it has been under different cultural influences including Indian, Javanese, Chinese, Arab, Siamese, Portuguese, Dutch and British. These nation’s ventured into Malacca harbour in the 15th century in search of profit through trade, and in return left their own culture behind to be forged and blended. Johor with its eastern coastline facing the South China Sea is popular for its beautiful beaches, exotic coral islands and
ancient rainforests that are rich in flora and fauna. This state attracts keen scuba divers, snorkellers and nature lovers (Sawadee PCL, 2005).

**East Coast region**

Facing the South China Sea, the East Coast States of Pahang, Terengganu and Kelantan are well known for fine beaches, beautiful coral islands and excellent scuba diving and snorkelling. The region is renowned for Malay handicraft such as wood carving, silverware and songket weaving. This region, particularly Rantau Abang is one of the places in the world where large numbers of giant leatherback turtles lay their eggs, making it known as a tourist attraction both locally and internationally (Muda, 1992)

**Sabah, Sarawak and Labuan**

Sabah and Sarawak are on the island of Borneo and have a large area of rainforest and several national parks that offer spectacular flora and fauna, including Rafflesia, the world’s largest flower and are a popular eco-tourism destination. Sabah and Sarawak also offer a colourful culture and traditional experience with numerous indigenous ethnic groups -Iban, Dayaks, Kadazan, Malay, Chinese and Melanaus. Some of these ethnic peoples live in longhouse villages where the entire population of the village literally stays under one roof and are led by their elders. This unique way of life attracts tourists to come and experience staying with the locals (Muda, 1992). The tallest mountain in Southeast Asia is Mount Kinabalu in Sabah which is 4101 metre above sea level. It located in the Kinabalu National Park and is home to some 800 varieties of orchids and 500 species of birds. Other attractions include the Tunku Abdul Rahman marine park which is home to three main indigenous groups namely, Kadazan Dusun,
Murut and Bajau (Muda, 1992). The distinctive resources of all 5 regions are represented pictorially in Figure 3.2.
Figure 3. 2: Malaysia Attraction

Source: (Tourism Malaysia Library)
3.3 MALAYSIA RESOURCES AND POTENTIAL

A diversify, uniqueness, quality, quantity, market image, carrying capacity and accessibility of tourist attractions or resources are essential in drawing tourists to a destination (Weaver & Lawton, 2000). Attractions as defined by Jafari and Ritchie (1981) range from natural resources and man-made (created) resources to socio-cultural resources. The socio-cultural resources can be tangible (e.g. as man-made) or intangible (e.g. as cultural events and festivals). Malaysia’s tourism industry worked with these resources in tandem as they all impact each other. The dependency of these three resource categories will form the tourism setting to accommodate the tourists (Jafari & Ritchie, 1981). Table 3.2 provides a non-exhaustive list of the most prominent resources commonly acknowledged in relation to Malaysia.
Table 3. 2: List of the Most Prominent Resources in Malaysia

Natural Resources

<table>
<thead>
<tr>
<th>North Region</th>
<th>State</th>
<th>Site</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Perlis</td>
<td>• Kelam Cave</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Perlis State Park</td>
</tr>
<tr>
<td></td>
<td>Kedah</td>
<td>• Dayang Bunting Lake</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Langkawi island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Pulau Payar Marine Park</td>
</tr>
<tr>
<td></td>
<td>Perak</td>
<td>• Pangkor Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Belum Forest Reserve</td>
</tr>
<tr>
<td>Central Region</td>
<td>Negeri Sembilan</td>
<td>• Port Dickson</td>
</tr>
<tr>
<td>Southern Region</td>
<td>Johor</td>
<td>• Desaru Beach</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Endau Rompin National Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mount Ophir</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Kota Tinggi Waterfall</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sibu Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rawa Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Tanjung Piai National Park</td>
</tr>
<tr>
<td>East Coast Region</td>
<td>Pahang</td>
<td>• Tioman Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Fraser’s Hill</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Endau Rompin State Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Taman Negara</td>
</tr>
<tr>
<td></td>
<td>Terengganu</td>
<td>• Kenyir Lake</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Kapas Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Perhentian Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Redang Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rantau Abang</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Tanjung Jara Beach</td>
</tr>
<tr>
<td></td>
<td>Kelantan</td>
<td>• Gunung Stong State Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Beach of Whispering Breeze</td>
</tr>
<tr>
<td>Sabah, Sarawak and Labuan</td>
<td>Sabah</td>
<td>• Danum Valley Conservation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Pulau Tiga Marine Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sipadan Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mabul Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Kinabalu Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Layang-layang Island</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mt Kinabalu</td>
</tr>
<tr>
<td></td>
<td>Sarawak</td>
<td>• Bako National Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Gunung Gading National Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Gunung Mulu National Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lambir Hills National Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Niah National Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Similajur National Park</td>
</tr>
</tbody>
</table>
# Man-Made (or Engineered) Resources

## North Region

<table>
<thead>
<tr>
<th>State</th>
<th>Site</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perlis</strong></td>
<td>• Kuala Perlis</td>
</tr>
<tr>
<td></td>
<td>• Kota Kayang museum</td>
</tr>
<tr>
<td></td>
<td>• Snake and Reptile Farm</td>
</tr>
<tr>
<td><strong>Pulau Penang</strong></td>
<td>• Ford Cornwallis</td>
</tr>
<tr>
<td></td>
<td>• Goddess of Mercy Temple</td>
</tr>
<tr>
<td></td>
<td>• Penang Botanic Garden</td>
</tr>
<tr>
<td></td>
<td>• Penang Museum and Art Galey</td>
</tr>
<tr>
<td></td>
<td>• Batu Ferringi</td>
</tr>
<tr>
<td><strong>Perak</strong></td>
<td>• Taiping Lake Garden</td>
</tr>
<tr>
<td></td>
<td>• Pasir Salak Historical Temple</td>
</tr>
<tr>
<td></td>
<td>• Kellie Castle</td>
</tr>
</tbody>
</table>

## Central Region

<table>
<thead>
<tr>
<th>State</th>
<th>Site</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kuala Lumpur</strong></td>
<td>• Aqua KLCC</td>
</tr>
<tr>
<td></td>
<td>• Central Market</td>
</tr>
<tr>
<td></td>
<td>• Petronas Twin Tower</td>
</tr>
<tr>
<td></td>
<td>• KL Tower</td>
</tr>
<tr>
<td></td>
<td>• National Monument</td>
</tr>
<tr>
<td><strong>Negeri Sembilan</strong></td>
<td>• Rembau Crystal</td>
</tr>
<tr>
<td></td>
<td>• Kampung Pelegong Homestay</td>
</tr>
<tr>
<td></td>
<td>• Seri Menanti Royal Museum</td>
</tr>
</tbody>
</table>

## Southern Region

<table>
<thead>
<tr>
<th>State</th>
<th>Site</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Melaka</strong></td>
<td>• Portugese Square</td>
</tr>
<tr>
<td></td>
<td>• St.John Ford</td>
</tr>
<tr>
<td></td>
<td>• Baba Nyonya Heritage Museum</td>
</tr>
<tr>
<td></td>
<td>• A’Famosa</td>
</tr>
<tr>
<td><strong>Johor</strong></td>
<td>• Teluk Sengat crododile Farm</td>
</tr>
<tr>
<td></td>
<td>• Royal Abu Bakar Museum</td>
</tr>
<tr>
<td></td>
<td>• Old Johor Ford</td>
</tr>
</tbody>
</table>

## East Coast Region

<table>
<thead>
<tr>
<th>State</th>
<th>Site</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pahang</strong></td>
<td>• Genting Highland</td>
</tr>
<tr>
<td></td>
<td>• Cameron Highland</td>
</tr>
<tr>
<td><strong>Terengganu</strong></td>
<td>• Maziah palace</td>
</tr>
<tr>
<td></td>
<td>• Tengku tengah Mosque</td>
</tr>
<tr>
<td></td>
<td>• Pasar Payang</td>
</tr>
<tr>
<td><strong>Kelantan</strong></td>
<td>• Handicraft Village and Craft Museum</td>
</tr>
<tr>
<td></td>
<td>• Pasar Siti Khadijah</td>
</tr>
</tbody>
</table>

## Sabah, Sarawak and Labuan

<table>
<thead>
<tr>
<th>State</th>
<th>Site</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sabah</strong></td>
<td>• Sepilok Orang Utan Santuary</td>
</tr>
<tr>
<td></td>
<td>• Kundasang War Memorial</td>
</tr>
<tr>
<td><strong>Sarawak</strong></td>
<td>• Cat Museum</td>
</tr>
<tr>
<td></td>
<td>• Matang Wildlife Centre</td>
</tr>
<tr>
<td></td>
<td>• Longhouse Tours</td>
</tr>
<tr>
<td></td>
<td>• Sarawak Cultural village</td>
</tr>
<tr>
<td><strong>Labuan</strong></td>
<td>• Peace Park</td>
</tr>
<tr>
<td></td>
<td>• Water Village</td>
</tr>
</tbody>
</table>
The available resources (refer to Figure 3.2 and Table 3.2) have been identified and matched according to the tourist needs and preferences of different nationalities. Tourism Malaysia understands the importance of segmentation for a short-term and long-term marketing strategy as segmentation assists in marketing the destination effectively. The need to segment is because each group responds to marketing mix variables differently (Hanlan, Fuller, & Wilde, 2006). Dibb and Simkin (2001), believe that by grouping together tourists with similar requirements and behaviour, a country can serve this particular
segment appropriately by allowing for more efficient application of resources toward that
segment. Thus, it can focus its resources on those potential customers who fit criteria that the
country wants to attract. The segmentation strategy applied by Tourism Malaysia is
segmented according to attraction (2002), activities patterns and behaviour (benefit) (Frochot,
2005; Jang, Morrison, & Leary, 2002), motivation (Kozak, 2002) and expenditure (Mok &
Iverson, 2000). The justification for the need to understand tourist preferences (refer to Table
3.3.) assists Tourism Malaysia in offering a more ‘saleable mix’ which helps them achieve the
marketing objective.
### Table 3.3: A Match of Tourism Resources with National Preferences

<table>
<thead>
<tr>
<th>Product</th>
<th>Target Countries</th>
<th>Justification</th>
</tr>
</thead>
</table>
| Nature  | Singapore        | • 10.9 per cent of tourists from Singapore engaged in walking/hiking/trekking in 2001  
• 5th most favourable activity whilst in Malaysia  
• Geographical proximity to Malaysia  |
|         | United Kingdom   | • 36.2 per cent of tourists from UK engaged in walking/hiking/trekking in 2001  
• 5th most favourable activity whilst in Malaysia  |
|         | Australia        | • 25.1 per cent of tourists from Australia engaged in walking/hiking/trekking in 2001  
• 5th most favourable activity whilst in Malaysia  |
|         | Taiwan           | • 38.3 per cent of tourists from Taiwan engaged in walking/hiking/trekking in 2001  
• 4th most favourable activity whilst in Malaysia  |
|         | Japan            | • 22.4 per cent of tourists from Japan engaged in walking/hiking/trekking in 2001  
• 5th most favourable activity whilst in Malaysia  |
|         | Germany          | • 27.9 per cent of tourists from Germany engaged in walking/hiking/trekking in 2001  
• 5th most favourable activity whilst in Malaysia  |
|         | Sweden           | • 36.1 per cent of tourists from Sweden engaged in walking/hiking/trekking in 2001  
• 5th most favourable activity whilst in Malaysia  |
| Beaches | Singapore        | • 19.3 per cent and 4.5 per cent of tourists from Singapore engaged in visiting beaches and scuba/diving/snorkelling respectively in 2001.  
• Visiting beaches and scuba/diving/snorkelling are the 3rd and 9th most favour activities of visitor from Singapore whilst in Malaysia.  |
|         | United Kingdom   | • 55.1 per cent and 20.4 per cent of tourists from UK engaged in visiting beaches and scuba/diving/snorkelling respectively in 2001.  
• Visiting beaches and scuba/diving/snorkelling are the 3rd and 7th most favour activities of visitor from UK whilst in Malaysia.  |
|         | Taiwan           | • 71.0 per cent and 29.8 per cent of tourists from Taiwan engaged in visiting beaches and scuba/diving/snorkelling respectively in 2001.  
• Visiting beaches and scuba/diving/snorkelling are the 4th and 7th most favour activities of visitor from Taiwan whilst in Malaysia.  |
<table>
<thead>
<tr>
<th>Product</th>
<th>Target Countries</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaches</td>
<td>Germany</td>
<td>• 31.3 per cent and 10.4 per cent of tourists from Germany engaged in visiting beaches and scuba/diving/snorkelling respectively in 2001.&lt;br&gt;• Visiting beaches and scuba/diving/snorkelling are the 3rd and 6th most favourite activities of visitor from Germany whilst in Malaysia</td>
</tr>
<tr>
<td></td>
<td>USA</td>
<td>• 37.2 per cent and 14.1 per cent of tourists from USA engaged in visiting beaches and scuba/diving/snorkelling respectively in 2001.&lt;br&gt;• Visiting beaches and scuba/diving/snorkelling are the 3rd and 8th most favourite activities of visitor from USA whilst in Malaysia.</td>
</tr>
<tr>
<td></td>
<td>Denmark, Finland and Norway</td>
<td>• 52.1 per cent and 29.8 per cent of tourists from these 3 countries engaged in visiting beaches and scuba/diving/snorkelling respectively in 2001.&lt;br&gt;• Visiting beaches and scuba/diving/snorkelling are the 3rd and 7th most favourite activities of visitor from these 3 countries whilst in Malaysia.</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>• 49.3 per cent and 29.6 per cent of tourists from Sweden countries engaged in visiting beaches and scuba/diving/snorkelling respectively in 2001.&lt;br&gt;• Visiting beaches and scuba/diving/snorkelling are the 3rd and 6th most favourite activities of visitor Sweden whilst in Malaysia.</td>
</tr>
<tr>
<td>Shopping</td>
<td>Singapore</td>
<td>• 46.8 per cent of tourists from Singapore engaged in shopping in 2001&lt;br&gt;• 2nd most favoured activity whilst in Malaysia&lt;br&gt;• 3rd highest expenditure item whilst in Malaysia, with 21.7 per cent of total expenditure spend on shopping</td>
</tr>
<tr>
<td></td>
<td>Brunei</td>
<td>• 66.5 per cent of tourists from Brunei engaged in shopping in 2001&lt;br&gt;• Shopping is top expenditure item whilst in Malaysia, with 36.9 per cent of total expenditure spend on shopping</td>
</tr>
<tr>
<td></td>
<td>Taiwan</td>
<td>• 29.8 per cent of tourists from Taiwan engaged in shopping in 2001&lt;br&gt;• 3rd most favoured activity whilst in Malaysia&lt;br&gt;• 2nd highest expenditure item whilst in Malaysia, with 23.6 per cent of total expenditure spend on shopping</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>• 68.7 per cent of tourists from India engaged in shopping in 2001&lt;br&gt;• 2nd most favoured activity whilst in Malaysia&lt;br&gt;• 2nd highest expenditure item whilst in Malaysia, with 23.5 per cent of total expenditure spend on shopping</td>
</tr>
<tr>
<td>Product</td>
<td>Target Country</td>
<td>Justification</td>
</tr>
<tr>
<td>------------------</td>
<td>---------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| **Shopping**     | West Asia                             | • 80.0 per cent of tourists from West Asia engaged in shopping in 2001  
• 2nd (or first) most favoured activity whilst in Malaysia  
• 2nd highest expenditure item whilst in Malaysia, with 28.5 per cent of total expenditure spend on shopping |
|                  | Thailand, China, Indonesia and Scandinavia | • Rich individual and cheap product                                                                                                                                 |
| **Art/ Culture/ History** | Appeal to all yet the main target are: United Kingdom | • 21.2 per cent of total tourists from UK engaged in visiting museum (6th most favoured activity whilst in Malaysia) in 2001 |
|                  | Germany                               | • 20 per cent of total tourists from Germany engaged in visiting museum (7th most favoured activity whilst in Malaysia) in 2001                                      |
|                  | South Korea                           | • 25.4 per cent of total tourists from South Korea engaged in visiting museum (6th most favoured activity whilst in Malaysia) in 2001                                      |
|                  | Taiwan                                | • 45.1 per cent of total tourists from Taiwan engaged in visiting museum (5th most favoured activity) and 14.6 per cent engaged in culture events (9th most favoured activity whilst in Malaysia) in 2001 |
|                  | Denmark, Finland and Norway           | • 24.8 per cent of total tourists from Denmark, Finland and Norway engaged in visiting museum (5th most favoured activity) and 18.0 per cent engaged in culture events (7th most favoured activity whilst in Malaysia) in 2001 |
|                  | West Asia                             | • 24.8 per cent of total tourists from West Asia engaged in visiting museum (5th most favoured activity) and attending culture events (7th most favoured activity whilst in Malaysia) in 2001 |
| **Marine Park**  | Denmark, Finland and Norway            | • 17.0 per cent of tourists from these countries engaged in sailing/boating in 2001                                                              |
|                  | Taiwan, Australia and Hong Kong       | • 23.6 per cent of tourists of tourists from these countries engaged in sailing/boating in 2001                                                  |
|                  | Middle East                           | • Wealthy Countries                                                                                                                                 |
| **Events**       | All countries                         | • Tourists come to experience the diverse multi-culture festivals activities.                                                                        |

Source: Ministry of Tourism (2004)
Support Infrastructure

Malaysia realised that, in addition to its endowed resources (island, culture, beaches, history and nature) and created resources (events and shopping), amenities and infrastructure (such as hotels and transportation link) are important factors in attracting more tourists. Thus, a development allocation for facilities and infrastructure was included in every plan to ensure in the establishment, upgrading and maintenance of tourism-related facilities (Table 3.4 in Section 3.2). Among the completed projects were the upgrading of rest houses in various states, the provision of public amenities such as observation towers, pedestrian walkways, jetties and landscaping, hotel development and the restoration of historic sites (Economic Planning Unit, 2001, 2006). Murphy, Pritchard and Smith (2000), stressed that infrastructure quality and value affect the tourist experience.

Table 3.4: Development Allocation for Tourism From Sixth to Eighth Malaysia Plan

<table>
<thead>
<tr>
<th>Programme</th>
<th>6MP</th>
<th>7MP</th>
<th>8MP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preservation of national/Historical heritage</td>
<td>24.8</td>
<td>42.4</td>
<td>243.1</td>
</tr>
<tr>
<td>Accommodation</td>
<td>161.7</td>
<td>34</td>
<td>31.7</td>
</tr>
<tr>
<td>Beautification/ Cleanliness and environment</td>
<td>46.7</td>
<td>69.5</td>
<td>NA</td>
</tr>
<tr>
<td>Protection cultural product</td>
<td>67.6</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Facilities and infrastructure</td>
<td>231.8</td>
<td>276.2</td>
<td>459.4</td>
</tr>
<tr>
<td>Others</td>
<td>26.4</td>
<td>62.1</td>
<td>49.4</td>
</tr>
<tr>
<td>Total</td>
<td>559</td>
<td>484.2</td>
<td>783.6</td>
</tr>
</tbody>
</table>

Hotels

An analysis of hotel and room supply indicate an increase from 1220 hotels in 1995 to 2,367 in 2010 whilst the number of rooms supplied rose from 76,373 in 1995 to 168,497 in 2010 (refer to Table 3.5). This increase was due to the aggressive involvement of the private sector with positive encouragement from the government which, gave several incentives such as income tax exemption and income tax abatement (as mentioned in chapter 5).

The average length of stay over this 15 year period also showed an increase from 5 nights in 1995 to 7 nights in recent years. In terms of occupancy, the rate rarely rose above 60 per cent even though Malaysia did not experience any economic or political instability or SARS epidemic. This indicates that the resources were not being fully utilised as a reasonable percentage of occupancy is 80 per cent. Hence, in the Ninth Malaysia Plan, the Ministry of Tourism suggested that hoteliers improve their existing service standards (as mentioned in chapter 4) and expand their market segment (Ministry of Tourism Malaysia, 2009, p. 203).
Table 3.5: Number of hotels and rooms from 1995 to 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Hotels</th>
<th>Number of Rooms</th>
<th>Average Percentage Occupancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>1,220</td>
<td>76,373</td>
<td>65.5</td>
</tr>
<tr>
<td>1996</td>
<td>1,289</td>
<td>85,514</td>
<td>62.3</td>
</tr>
<tr>
<td>1997</td>
<td>1,365</td>
<td>98,440</td>
<td>58</td>
</tr>
<tr>
<td>1998</td>
<td>1,419</td>
<td>107,791</td>
<td>49.9</td>
</tr>
<tr>
<td>1999</td>
<td>1,404</td>
<td>109,413</td>
<td>51.7</td>
</tr>
<tr>
<td>2000</td>
<td>1,492</td>
<td>124,413</td>
<td>57.7</td>
</tr>
<tr>
<td>2001</td>
<td>1,776</td>
<td>130,757</td>
<td>58.6</td>
</tr>
<tr>
<td>2002</td>
<td>1,878</td>
<td>136,542</td>
<td>57.9</td>
</tr>
<tr>
<td>2003</td>
<td>1,989</td>
<td>144,380</td>
<td>53.3</td>
</tr>
<tr>
<td>2004</td>
<td>2,224</td>
<td>151,135</td>
<td>60.8</td>
</tr>
<tr>
<td>2005</td>
<td>2,269</td>
<td>155,356</td>
<td>63.6</td>
</tr>
<tr>
<td>2006</td>
<td>2,336</td>
<td>157,006</td>
<td>65.5</td>
</tr>
<tr>
<td>2007</td>
<td>2,360</td>
<td>160,327</td>
<td>70</td>
</tr>
<tr>
<td>2008</td>
<td>2,373</td>
<td>165,739</td>
<td>66.3</td>
</tr>
<tr>
<td>2009</td>
<td>2,373</td>
<td>168,844</td>
<td>60.9</td>
</tr>
<tr>
<td>2010</td>
<td>2,427</td>
<td>177,245</td>
<td>59.3</td>
</tr>
</tbody>
</table>


Transportation and Infrastructure

Malaysia has recognized the importance of transport in promoting all areas and states. For instance, the total road network increased by over 20 per cent from 53,984 kilometres in 1990 to 65,880 kilometres in 2000 in most regions of the country. This road infrastructure and the availability of facilities (road stops, petrol stations, signages) enable tourists to travel even to remote areas.
As for rail transport, Tourism Malaysia perceived it as a practical alternative means of travel that can effectively ease congestion, while providing access to all parts of the country. However, the lack of integration between different rail networks and other means of transport has contributed to limited usage by both international and domestic tourists in travelling around the country.

Airline is the main means of transport for international tourists arriving in Malaysia. Currently, Malaysia Airlines (MAS) offers 64 direct international flights, 18 destinations code shared and 32 domestic destinations. Air Asia covers selected domestic and international destinations in the ASEAN countries, including Japan, India and China. The two airlines serve different markets, with MAS concentrating on comfort and reliability in return for higher prices while Air Asia aims the low cost – end of the market. In order to stimulate tourist demand, both airlines have adopted a strategy of increasing flight frequencies in the main markets (Asia, Middle East, Africa, Australia, Europe and New Zealand) and opening new routes to build new markets (Ministry of Tourism Malaysia, 2009).

3.4 AN OVERVIEW OF MALAYSIA TOURISM AND THE NATIONAL ECONOMY

Prior to its independence in 1957 and for a few decades afterwards, the Malaysian economy was heavily dependent on the exploration of primary commodities such as tin, rubber, palm oil and petroleum products. Tourism was considered secondary, an economic diversification within the development process (Wells, 1982). The planning
and implementation of tourism activities was first officially given to the Department of Tourism under the Ministry of Commerce and Industry in 1959 (TDC, 1970). This official recognition of the tourism industry as part of a national economic strategy can be considered as an initial step by Malaysia in promoting the country both locally and internationally.

As explained by (Mohd Salleh, Siong-Hook, Ramachandran, Shuib, & Mohd Nor, 2008), although tourism industry has become a national priority for the government, it was not regarded at that time as an essential contributor to economic development, a role identified with manufacturing and commodities. For example, in 1970 the government provided a stimulus targeting the development of manufacturing industry in an effort to diversify the economy. Commodities and manufacturing were highly export-oriented and their performance was directly influenced by changes in the economic climate (Mohd Salleh, et al., 2008). It was the severe economic recession that hit most of the Asian region in the mid 1980s that badly hurt the Malaysian economy, forcing the government to consider alternatives to broaden the country’s economic base. Tourism was then identified as a potential industry that could encourage and stimulate the national socio-economic development, especially as a source of foreign exchange earnings (refer to Table 3.6) and employment opportunities. For instance, employment numbers in the hotel industry were expanded by almost 32 per cent from 61,596 in 1995 to 91,156 in 2010 (Economic Planning Unit, 1996, 2006). Employment in travel agencies, tour operators and airlines increased from 17,060 in 1990 to 44,604 in 1995. The tourism sector also contributed to regional growth and encouraged the development of supporting sectors and the reduction of excessive rural-urban migration.
Table 3.6: Malaysia's Top Foreign Exchange Earners by Items 1985-2005 (RM Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>12,153</td>
<td>46,654</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Petroleum</td>
<td>8,698</td>
<td>10,109</td>
<td>NA</td>
<td>11,880</td>
<td>8,970</td>
</tr>
<tr>
<td>Palm oil</td>
<td>3,951</td>
<td>4,312</td>
<td>9,660</td>
<td>10,129</td>
<td>19,351</td>
</tr>
<tr>
<td>Rubber</td>
<td>2,872</td>
<td>3,128</td>
<td>4,180</td>
<td>2,631</td>
<td>5,787</td>
</tr>
<tr>
<td>Sawn Logs</td>
<td>2,748</td>
<td>4,200</td>
<td>2,326</td>
<td>2,515</td>
<td>2,464</td>
</tr>
<tr>
<td>LNG</td>
<td>2,300</td>
<td>NA</td>
<td>3,097</td>
<td>9,702</td>
<td>20,790</td>
</tr>
<tr>
<td>Tin</td>
<td>1,648</td>
<td>800</td>
<td>525</td>
<td>462</td>
<td>935</td>
</tr>
<tr>
<td>Sawn Timber</td>
<td>973</td>
<td>NA</td>
<td>4,122</td>
<td>3,118</td>
<td>3,471</td>
</tr>
<tr>
<td>Tourism (i)</td>
<td>1,543</td>
<td>4,473</td>
<td>9,175</td>
<td>17,335</td>
<td>31,954</td>
</tr>
<tr>
<td>Ranking among major exports</td>
<td>8</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>


In terms of Gross National Product (GNP), Table 3.6 shows that in comparison to other major industries, tourism was ranked second after manufacturing and contributed approximately 34 per cent of the total GNP of Malaysia in 2005.

**General Trends**

The number of tourist arrivals to Malaysia has shown an impressive growth increasing from 4.5 million in 1990 to 24.6 million in 2010 (refer to Table 3.) due to the reformulation of marketing strategies introduced in 1990 (as explained in chapter 4). The source of foreign tourists by country of residence showed that ASEAN countries remained dominant with 64 percent in 2000 (Tourism Malaysia, 2001) and 75 per cent in 2009 (Tourism Malaysia, 2009a). The upward trend of arrivals from this particular region instead of from the top spending countries in Europe and North America indicates that the strategies implemented by Tourism Malaysia in the Eighth Malaysia
Plan were still unachievable. This might be due to the economic and political crises that occurred within this period discouraging tourists from those countries from visiting Malaysia.

Within the ASEAN region, Singapore account for the highest number of tourist arrivals, 12.7 million in 2009 (Tourism Malaysia, 2009a). China, however, is the second most important market with its share of the market increasing from 425,246 in 2000 to 1,019,756 in 2009. Japan came in the last place with only 1.7 per cent of total tourist arrivals (refer to Table 3.8). It can be concluded that three reasons for the increase of tourists from China were (1) numerous tactical campaigns organized by Tourism Malaysia to promote new, affordable and attractive packages; (2) increased air accessibility; and (3) participation in tourism and travel events in China. The number of tourists from Europe and Australia also indicated an increase from 45 per cent in 2000 and 56 per cent in 2009 (Tourism Malaysia, 2001, 2009a). Overall, the main reason for the increase in tourist arrivals was the continuous promotion conducted by Tourism Malaysia.

In terms of its contribution to tourism receipts, figures published by Tourism Malaysia showed a decrease between 1998 and 1999 due to economic instability. However, the receipts bounced back in 1999 (refer to Table 3.7). In 2010, the per diem spending in comparison to 1990 was 92 per cent higher with accommodation remaining the highest components comprising 33.1 per cent of the total expenditure, followed by shopping at 24 per cent and beverages at 17.4 per cent. The average length of stay increased by 2.2 nights from 4.5 in 1990 to 6.7 in 2009 (as shown in Table 3.7).
<table>
<thead>
<tr>
<th>Year</th>
<th>Tourist Arrivals (Million)</th>
<th>Tourist Receipts (RM Billion)</th>
<th>Average Length of Stay (Nights)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
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Source: Tourism Malaysia (Tourism Malaysia Corporate, 2012)
### Table 3.8: Tourist Arrivals from Ten Major Markets, 2000-2009

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<td>Taiwan</td>
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<td>137,419</td>
<td>190,083</td>
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<td>China</td>
<td>425,246</td>
<td>453,246</td>
<td>557,647</td>
<td>350,597</td>
<td>550,241</td>
<td>352,089</td>
<td>439,294</td>
<td>789,783</td>
<td>949,854</td>
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<td>Japan</td>
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<td>131,071</td>
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<td>—</td>
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Threat and Potential Impacts on Tourism Industry

Malaysia has experienced a series of unfortunately event along the plans such as the global financial and economic crises, political instability and terrorism, which they contributed to a fall in international tourist arrivals and receipt (Tourism Malaysia, 1996a). However, with the help of strategic and tactical concept, an effective crises plan can be developed to resolve the crises situation (Tanuma, 2011). For instance, a major Asian financial and economic, political, and haze crises that occurred from 1996 to 1998, cause a drop of tourist arrivals from 7.1 million in 1996 to 5.5 million in 1998 with MYR 10.3 and MYR 8.58 billion respectively (Tourism Malaysia Corporate, 2012). Thus, in order to reduce the impact of the crises to the tourism industry, several crises strategies were considered such as a development of medium-priced hotel and the introduction of a three-prolonged strategy that targeted on the domestic tourism, neighbouring countries and markets that are not affected by the Asian economic crises (Tourism Malaysia, 1999b). The strategies were considered successful and have resulted to an increase in growth of international tourist arrivals by 7.9 million in 1999 (Tourism Malaysia Corporate, 2012).

Other example for threat that gave a negative effect on tourist arrival and expenditure are the spread of epidemic disease (such as SARS and dengue) and terrorism sees a fall of international tourist arrivals to 10.5 million in 2003 from 12.7million in 2001 (refer Table 3.7). Occupancy rates in Malaysian hotels were also decline to 53.3 % in 2003 from 58.6% in 2001 (refer Table 3.5). In response to the crises, Malaysia has intensified
its promotional campaign by concentrating on regional markets, aggressively promoting domestic tourism and promoting the country as free from the terrorism.

To summarize, even though several tourism crises occurred over the period of time affected the inbound pattern to Malaysia, yet with the right implementation of marketing strategies, Malaysia has successful achieve its objective which is to increase the tourist arrival and receipt (refer to Table 3.7) This confirmed the any crises can gave an effect on the tourist arrival and receipt. For instance, a decrease in tourist arrivals resulted to a decrease of total receipt from MYR 24 billion in 2001 to MYR 21 billion in 2003 (Tourism Malaysia Corporate, 2012).

**Seasonality**

The monthly arrivals pattern for 2003 to 2009 (Eighth Malaysia Plan to Ninth Malaysia Plan) (Figure 3.3) reveals a fluctuating trend of international tourists arrivals in Malaysia. The figure indicated that tourist arrivals for the lowest and the highest month were 459,374 and 2.1 million in April 2003 and June 2009 respectively.

Two factors responsible for the decrease in tourist arrivals in 2003 were terrorism and health scares. However, with the right promotional campaign and market strategies, Tourism Malaysia regained the confidence of international tourists, and by 2004, tourist arrivals had increased by 12.5 per cent in comparison to 2003.

Variations in international tourist arrivals can be shown throughout the 8 years. For instance, in 2006, the arrivals were 1.5 million in March, 1.4 million in April, 1.39
million in May and 1.36 million in June, regaining the tourist inbounds in July with 1.45 million. The fluctuation of international tourist arrivals might be due to factors such as school holidays, tourism packages and product offers (Tourism Malaysia, 2008b).
Figure 3.3: Seasonality Trend in Malaysia

SEASONALITY TRENDS IN MALAYSIA (2003-2009)

Source: (Tourism Malaysia, 2013)
3.5 CHAPTER SUMMARY

Malaysia is blessed with a variety of resources that can be exploited to increase the growth of international tourism demand. As the tourism industry ranks second after manufacturing in GDP, it is important for the government and private sectors to be actively involved in promotion and infrastructure development. It is also essential for Tourism Malaysia to recognize the country’s strength and resources (e.g. endowed, created and supported) before promoting a tourism product to the tourist to avoid similarities with other competing countries. The identification of resources and match it according to tourist need and preferences will allow Malaysia to serve this particular tourists efficiently (refer Table 3.3).

Different stage of tourism destination development appeal to different groups of travellers which will determines the destination characteristic and success. By understand the tourist motivation, Malaysia can effectively manage the resources by allocate and match them with tourist need and preferences. Understanding the tourist motivation also help Malaysia to make an appropriate strategy to achieve its short-term and long-term objective. Further discussion regarding how Malaysia utilise its resources (refer Table 3.2) in order to achieve it objectives will be explain in Chapter 4.
CHAPTER FOUR: Malaysia Development Plans and Tourism

4.1 INTRODUCTION

This thesis examines how Malaysian tourism developed from 1965 to the present. The purpose is to understand how Malaysia arrived at the successful level of development and position it holds today from the lens of RBV and Butler’s development theory.

Following the discussion in Chapter 2 of the major theoretical issues in the relevant literature underpinning tourism development, chapter 3 presented background information on Malaysia, its geography, demographics and industrial make-up, hence providing the context for understanding the development of tourism in Malaysia. The discussion proceeds in this chapter by focusing on an examination of the official plans put in place to guide the development process over the period of interest.

Because tourism development can be expected to contribute to (and depends on) other areas of socio-economic development such as the population skills base, communications and regional and urban infrastructure, analysis of the different plans is carried out in this chapter to identify the focal marketing themes in each plan, while ensuring the contextualisation of the analysis. For this reason and to enable subsequent analysis across the plans, the discussion of each plan is structured around four major areas or themes of analysis adapted from Hall’s (1994). As Hall’s policy involves explaining the guidelines for the tourism development destination area/country, thus it seem well-suited to explain the plan comprehensively. Moreover, the government plays
the role in formulating the policy which also involve tourism strategy and resource management. The theme involved:

- Institutional setting (organizational structure and roles played by decision makers in the tourism sector) and planning process (the transition between plans);
- Tourism policy (objectives and demands for action arising from inside and outside the political system);
- Tourism decisions (referring to marketing strategy directions and related activities that were put in place – both directed to the international and domestic sectors, and involving infrastructure development - to meet the set objectives) and output (the outcome for the marketing sector from the referred marketing activities); and,
- Tourism impact (intended or unintended consequences for Malaysia resulting from the outcomes).

Each plan is described separately in the first part of this chapter, accounting for each area of analysis, as well as for other aspects that, albeit missing from the literature, may play a role in Malaysia’s tourism development. This is followed by an examination of how each plan relates to the next, in order to achieve integration of the issues over time. Finally, marketing effects identified from the analysis are examined separately over the planning period.
4.2 THE FIRST MALAYSIA PLAN (1965-1970)

The importance of the tourism sector was recognised in the late 1950s for its potential as a source of foreign exchange earnings and for the role the sector could play in the diversification of Malaysia’s economy. This led to the establishment of a Department of Tourism under the Ministry of Commerce and Industry in 1959. As identified by Wong (cited in Din, 1989), the three main objectives of the Department of Tourism were:

1. to promote tourism as a means for creating jobs - as unemployment was then a matter of major concern
2. to promote a good national image abroad to encourage more foreigners to visit and spend in Malaysia; and,
3. to contribute to improving Malaysia’s balance of payments.

4.2.1 Institutional Setting and Planning Process

With respect to tourism, the institutional setting over the period of reference (1965-1970) was characterised by the intent to stimulate close cooperation between the private and public sectors in order to ensure tourism activity objectives would be achieved.

The private sector comprised twelve stakeholders (businesses and individuals) selected by the travel trade from nine states that participated in the provision of goods and services for the travelling industry. These private stakeholders included the Federation of Malaysian Tourist Association (FOMTA), the Automobile Association of Malaya,
the Malayan Youth Hostel Association, Y.W.C.A, Y.M.C.A, The Friends of Templer Park Society, the Batu Cave Protection Association, the Malayan Nature Society, the Malaysians Historic Society, the Chinese Hotel Association of Penang, the Malaysian Hotel and Restaurant Association of Malaya, the Tourist Guide Associations of Penang and Kuala Lumpur and the Selangor Tour Operators Association.

As explained within the plan (TDC, 1970, p. 23) FOMTA was considered the central forum for all private stakeholders comprising nine tourist association representatives from nine states. The aim of FOMTA was to provide the Government with advice, assistance and liaison regarding tourism sector matters. FOMTA was also the coordinating body for the private associations and their representative voice with Government. In addition, its function was to encourage the formation of local tourist associations and to assist them in achieving their objectives (TDC, 1970).

The public sector included the governments of ten states, seven of which established a State Tourism Advisory Committee, consisting of elected State Assemblymen to advise them on the development and improvement of tourism facilities within their respective states. The other three states of Pahang, Penang and Johor, retained their existing State Tourism Bureaus and appointed their own state officers (TDC, 1970).

The development of tourist facilities and services in the 1970s was mostly carried out by public and private stakeholders, drawing on a tourism budget allocation by the Department of Tourism (Federal Government). For example, in 1970 an allocation of RM 40, 000 was made to eight private Tourist Associations and Organizations (namely the Automobile Association of Malaya, the Penang Tourist Guides Association, the
Penang Tourist Association, the Pejabat Daerah Langkawi; the Johore Bahru Tourist Association; the Snake Temple Penang; Malaysia PATA and FOMTA), to built tourism facilities and amenities (TDC, 1970). In addition, incentives such as tax credits and accelerated depreciation were made available to private investors to stimulate development of tourist facilities catering for foreign tourists, including the building or renovation of hotels and services improvement to an international standard. Since the Pacific Area Travel Association (PATA) conference would be held in Malaysia in 1972, the Government granted pioneer status to those who built a hotel in Kuala Lumpur and/or Penang.

4.2.2 Tourism Policy: Objectives and Demands

As a new destination, compared to Bali in Indonesia or Phuket in Thailand, Malaysia realized the need to establish a strong and clear image as an alternative tourist destination for potential foreign tourists, in order to positively influence their intentions to visit the country (Mohamed, 2005). Overcoming this need was made difficult by existing unplanned and basic infrastructure and facilities (Ministry of Tourism, 2004) as well as by constant and often incongruent alterations in the tourism image promoted abroad. For example, Malaysia was portrayed as ‘A Tropical Paradise’ in the early 70’s but the image shifted to a ‘Clean Destination’ for no apparent reason (Mohamed, 2005b, p. 4); Therefore, the objective was to establish a strong and attractive image for the country as an alternative tourist destination for potential tourists, both domestically and internationally, as a must do step for Malaysia’s development objectives were to be achieved. This effectively draws on recommendations in the expert literature that there is a positive correlation between destination image and visitation intention (Goodrich, 1978; 1975; Milman & Pizam, 1995).
4.2.3 Tourism Decisions and Output

This section describes the First Malaysia Plan in terms of strategic marketing direction, domestic and international marketing activities and tourism infrastructure development issues.

4.2.3.1 Marketing Strategy Directions and Activities

It is important to note that the First Malaysia Plan acknowledges the need for the Department of Tourism to adopt a differentiated promotion approach by catering separately to domestic and international consumers and to travel trade personnel (travel agents, journalists, travel writers, etc). The tactic of distinguishing between consumers and trade personnel was suggested by the PATA Pacific Visitor Survey to ensure the success of a marketing programme aimed at attracting potential tourists to Malaysia (TDC, 1970).

Marketing activities accounted for in this plan extended to both domestic and international levels. This demonstrates a clear understanding of the potential differences in these markets and of the need to use tailored strategies to create the necessary appeals, ensuring relevancy and a favourable positioning of the value offer (Cravens & Piercy 2006, p. 13). For instance, compared to the domestic promotions that were directly catered by the Department of Tourism, cooperation with public relation and publicity agencies of the target markets (such as USA, Europe, Australia and Japan) was needed to understand and meet market preferences (TDC, 1970), by developing value propositions grounded on the relevant attributes. Focusing on these four markets was
justified by tourist arrival statistics, which showed the highest arrivals compared to other markets (TDC, 1970). For instance, in 1970, there were 12,875 tourists from the USA; 7,496 from the United Kingdom; 6,632 from Japan and 5,154 from Australia. Only 1,513 came from Canada and 42,707 from all other countries. In order to understand how Malaysia developed its tourism sector, it is important to realise the need to effectively develop distinct marketing programs for distinct types of stakeholders (domestic travellers, international visitors and travel professionals) had been recognised already in the First Malaysia Plan.

**International marketing activities**

Regarding international marketing activities, the plan focused on the implementation of multinational-like strategies, involving the establishment of international offices, and on the apportioning of benefits from strategic alliances and cooperation in the context of the Association of Southeast Asian Nations (ASEAN).

ASEAN was established in 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (a.k.a the Bangkok Declaration) by the Founding Fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. The membership has since extended to Brunei Darussalam, Cambodia, Laos, Myanmar, Philippines and Vietnam (Walton, 1993). With the possible exception of Brunei, for which economy tourism is seen as relatively unimportant, ASEAN countries have paid increasing attention to developing the international tourist industry as a means of promoting economic growth and development within their economies (Walton, 1993).
The Department of Tourism realised the importance of using different marketing strategies and tactics for generating favourable appeals to tourists themselves versus other travel industry personnel. The marketing strategies directed to the former comprised advertising, publicity, promotion communications and servicing information, while the latter were targeted using merchandising, direct mail and public relations.

In order to ensure that the marketing objective was achieved, the Department of Tourism made the following appointments at 1970:

- 12 Malaysian Trade Commissioners were appointed to act as Travel Councillors abroad\(^1\) in the beginning of 1970;

- Four professional public relations and publicity agencies were appointed to undertake tourist promotion, publicity and solicitation programs in chosen markets, such as Australia, the European region, Japan and the USA. Marketing to Southeast Asia, the Middle East and Africa was promoted directly by the Department of Tourism.

- 14 Malaysia Singapore Airline (MSA) offices were appointed in 1970 as Tourist Information Offices, based in the same markets.

The purpose of these agencies was to support the Department of Tourism by disseminating general information folders, posters, calendars, sales aids and destination folders.

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\(^1\) These were the precursors of the Malaysia External Trade Development Corporation (MATRADE), established in March 1993, for assisting Malaysian companies to succeed in the international market (http://www.matrade.gov.my/cms/content.jsp?id=com.tms.cms.section.Section_63778bc0-7f000010-290f290f-deb5623 accessed 22 August 2010).
As part of their promotional activities, the Department also appointed Dudley’s Travel 8 Inc to produce a film entitled ‘An Invitation To Malaysia’, portraying a selection of Malaysia’s attractions (holiday resorts, people’s way of life, customs and cultures). This film was produced in four languages; English, French, German and Japanese. Other promotions carried out by the Department of Tourism include a slide local presentation entitled ‘Holiday in Malaysia’ which described Malaysia’s attractions of potential interest to local and International tourists. Lastly, the Department also participated in fairs and exhibitions, prepared and placed travel articles in the local media, assisted travel writers and editors under the hospitality programme and undertook public relation activities.

Apart from focusing on its own marketing activities, the First Malaysia Plan also revealed that Malaysia was an active member of the Permanent Committee on Tourism of ASEAN and participated in its promotional activities, in international cooperation with fellow member countries. These promotional activities included publishing a monthly newsletter entitled ‘ASEAN Panorama’ and organising and delivering travel trade seminars in major target markets (such as Japan, Australia, Europe and North America) as part of the ‘Visit ASEAN Year 1971’ campaign. The purpose of this campaign was to familiarise travel agents and travel writers with what the ASEAN member countries had to offer as tourism destinations.

**Domestic Marketing Activities**

The marketing strategies that were deployed by the Department of Tourism to target domestic tourists were operationalised by establishing local offices and by engaging in advertising activities. Two information centres were established in Kuala Lumpur to
accommodate domestic and international tourists’ enquires. Since the government could not afford to develop information centres in each state due to budget limitations, the solution was to promote cooperation with state tourist associations, taking advantage of their existing information centres (TDC, 1970).

In relation to domestic advertising activities, the Department of Tourism used newspapers to encourage both local and Singaporean nationals to travel within Malaysia. Although Singapore separated from Malaysia in August 1969, the plan showed that the method of advertising and the type of newspapers (Malay Mail, Straits Times, Nanyang Siang Pau, Sin Chew Jit Poh and Utusan Malaysia) used to target the Singaporean market were similar to those used to target domestic tourists.

Billboard advertising was also used as part of the domestic marketing plan. The first billboard displayed a Malaysian scene and was exhibited during the Consumer Trade Fair in April 1970, communicating a ‘National Beautification Campaign’ theme. The campaign tried to ‘encourage Malaysians to beautify their homes, shops, houses and offices by cultivating social habits, artistic taste and by inculcating civic pride in their city and in their country’ (TDC, 1970, p. 20). The scene used on the billboard was repeated in other advertising media, such as in local cinema, newspapers and on television. After the Trade Fair, the billboard was moved to a permanent site in the National Zoo (TDC, 1970).

4.2.3.2 Tourism Infrastructure.

As discussed in the plan, a major objective was the promotion of investment in tourism infrastructure and capabilities, such as tourism facilities and amenities. To promote
activities suitable to this end, in 1968 the government had introduced an Investment
Incentive Act. Under the Act, incentives such as investment tax credits, pioneer status
and annual abatement rebates were granted to encourage tourism hotel development,
including the construction of new hotels and upgrading of existing hotel facilities to
meet international standards.

Besides the construction of luxury hotels to accommodate international tourists’
demand, hostel facilities were also developed by agencies such as the Young Men's
Christian Association (YMCA), the Young Woman Christian Association (YWCA),
and the Malaysian Association of Youth Club (MAYC). As a result, 4,652 hotel rooms
were constructed in 1970 in Peninsular Malaysia; this meant an increase from the 1972

During this early period, infrastructure development took place in every state, although
only four states were actively financed by the government, namely Kuala Lumpur,
Penang, Ipoh and the Cameron Highlands in Pahang. The development of a hotel and
transportation infrastructure was also concentrated in these four states, with an emphasis
on the urban areas of Penang and Kuala Lumpur. This was because these two cities
were the main entry points of international tourists by air or sea (Subang Airport,
Penang Airport, Penang Port and Port Swettenham) and the location for the PATA
conference that would be held in Malaysia in 1972. Special attention was also given to
the Cameron Highlands, with the former Prime Minister, Tengku Abdul Rahman,
proposing that this mountain resort be forwarded as one of Malaysia’s major tourist
attractions, consisting of a modern hotel and of the first legalized casino complex.
Although the development of the mountain resort was privately financed, the Federal
government contributed by providing substantial investment in roads, water and electricity supply and an experimental station (Reed, 1979).

An effective transportation infrastructure was deemed essential to the development of the tourism industry as it provided accessibilities to new development areas and facilitated regional integration of all regions. Although the focus in this period was on the four main states (Kuala Lumpur, Penang, Malacca and Ipoh), the transportation infrastructure of the other states and rural was not totally neglected (Economic Planning Unit, 1971, p. 192). The government recognized the vital role of transport and communication development in developing new areas, enhancing internal security, improving regional integration and facilitating better public administration (Economic Planning Unit, 1971, p. 181). Accordingly, the government invested MYR 513.7 million on transport expenditure including air, road, water and rail (Economic Planning Unit, 1971, p. 183).

An increase in the number of foreign visitors (around 68 percent of foreign visitors arrived in Malaysia by plane, with the main entry points being Penang Airport and Kuala Lumpur International Airport) and domestic tourists motivated the government to expand the Penang Airport, and to construct an aircraft hangar at the Kuala Lumpur International Airport, as well as undertaking improvements in radio and navigational aids at major airports in Malaysia (Economic Planning Unit, 1966, p. 182). The government also proclaimed an ‘Open Sky’ policy, giving liberal landing rights to scheduled airlines as well as encouraging charter flights into the country (Economic Planning Unit, 1971, p. 167). By 1970, 15 international airlines were operating under this policy (TDC, 1970).
The major improvement in roads infrastructure, such as Route 1\(^2\), and in rail transportations, there was also an increase in the number of tourists from Singapore and Thailand entering the country by car and rail (Economic Planning Unit, 1971).

Although transportation was considered essential for forwarding tourism development, expenditure on its development was inferior to that of the 1961-1965 period (Economic Planning Unit, 1966) due to financial constraints. Another reason why the available expenditure and logistic (concentration in entry point) was deemed adequate was that those who visited Malaysia at the time (especially those from the USA and the United Kingdom), did so for holidays and for business dealings, usually related to the sourcing of raw materials such as rubber and spices (Okposin, Hamid, & Boon, 1999). As the main gates to Malaysia were Kuala Lumpur and Penang airports and seaports, it was considered appropriate to invest more in transportation improvement in these areas.

Besides focusing on hotel and transportation development, Malaysia also completed several tourist facilities and amenities such as the Half-Way Tea House, Cameron Highlands Resort, Tourism Information Centres in Penang and Sunday Markets in Kuala Lumpur. Five other infrastructure projects, the Kuala Terengganu Motel, a Tourist Information Centre in Port Swettenham, the Bukit Nenas Tourist Complex, Templer Park and Batu Caves were in progress and were expected to be completed in the Second Malaysia Plan. Tourist and travel organisations took responsibility for developing tourist facilities and amenities, with the government assisting financially by allocating RM 40,000 to these organisations (TDC, 1970).

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\(^2\) There are three Federal Highways in Malaysia; Route 1 with a length of 550 miles, run through the main traffic corridors along the West Coast from Johore Bahru to the Thai border; Route 11, which covers a distance of 197 miles, connects Port Swettenham on the West Coast with Kuantan on the East Coast; and Route 111 extends 237 miles north of Kuantan along the East Coast to Kota Bahru.
4.2.4 Tourism Impact

Malaysia considered itself successful in achieving its aim even though only a few areas gained any benefit from the tourism sector. Din (1982) explains that development occurred mostly in the West coast of Peninsular Malaysia, reflecting an imbalance in the development pattern across regions. Although the East coast region and the state of Sabah and Sarawak are endowed with rich cultural and natural attractions, these regions failed to capture the tourist dollar due to inadequate facilities and development, as well as inadequate development coordination and planning (Din, 1982). Allegedly, this is why the Department of Tourism was abolished and replaced with the Tourism Development Corporation of Malaysia in August 1972, with the aim of coordinating, developing and promoting tourism in Malaysia (Din, 1982).

4.2.5 Conclusion

An important feature of this period is the realisation by Malaysia that different stakeholders (such as foreign visitors, local populations and travel industry professionals) merited tailored marketing approaches. However most of the marketing effort centred on the creation of a distinctive country image abroad, in order to attract prospective travellers to visit Malaysia. Cooperation between the Tourism Department and the public and private sectors was seen as essential for developing the necessary infrastructure (hotels, transportation and other communications facilities) and for effective promotion of Malaysia as a new destination, particularly targeting foreign tourists. Due to budgetary limitations, most of the investment in infrastructure development focused on the Western urban areas of Kuala Lumpur, Penang, Ipoh and Pahang, with much less attention being given to the East Coast, Sabah and Sarawak.
Most of the marketing programme was shaped for foreign tourists, by focusing on specific Malaysia’s attractions, such as holiday resorts, the people’s way of life, their customs and culture. Different communications methods such as advertising (print, radio and television), publicity and public relations were used in promoting Malaysia to foreign tourists. Little attention was given to domestic tourism, promoted only with print advertising and billboard communications. Hotel accommodation development focused almost exclusively on meeting the needs of higher level foreign tourists.

In terms of creating employment and eliminating poverty, the period was considered partially successful. By 1970, the per capita income had increased to MYR 1,080 from MYR 917 in 1965. This was partly attributed to the expansion in the hotel infrastructure fostered by the increase of foreign tourist from 23,225 in 1965 to 76,384 in 1970. This was what arguably led to a rise in employment by 8000 in the 1970s, compared with 2700 in 1965 (Economic Planning Unit, 1971). The increased in both income and employment encouraged the Malaysian government to put more effort into promoting the tourism industry by enhancing the marketing strategy and tourism infrastructure in the next plan.
4.3 THE SECOND MALAYSIA PLAN (1971-1975)

Under the Second Malaysia Plan, the Department of Tourism continued to develop Malaysia’s image abroad by developing tourism facilities (hotels, places of interest and transportation infrastructure and accessibilities) and implementing enhanced marketing strategies relative to those of the First Malaysia Plan. With the 1972 PATA conference as the main event in this period, most of the infrastructure developed up to the end of 1971 benefited the West Coast region, aiming at an international level standard. Concentrating on a West Coast region arguably contributed to imbalanced regional development in Malaysia. Thus during the period of the Second Malaysia Plan and with the success of PATA, there are signs that the country endeavoured to expand development into other regions, namely the East Coast, Sabah and Sarawak, seen as endowed with distinctive attractions. This met with the Department of Tourism objective to disperse the impact of tourism to all regions. The discussion proceeds below by addressing issues in the Second Malaysia Plan following the same approach as for the First Malaysia Plan, with emphasis on marketing strategy and infrastructure development issues.

4.3.1 Institutional Setting and Planning Process

The Tourist Development Corporation of Malaysia (TDC) was formed in 1972 to replace the former Department of Tourism (TDC, 1973a). Recognising the regional imbalance in development of previous years, the establishment of the TDC sought to ‘integrate the development of tourism on a national level so that the Malaysian tourist industry will reflect the national character and image of Malaysia’ (TDC, 1972, p. 28). Arguably seeking to improve the coordination of its planning, this integrated
development was expected to ‘avoid duplication of efforts and depletion of resources’ in a manner that ensured avoidance of ‘duplication of efforts and depletion of resources’ (TDC, 1972, p. 28). Also in 1972, the Tourism Development Corporation Act was passed by Parliament and the TDC became an autonomous organisation (TDC, 1973a). Compared to the Department of Tourism, which focused on marketing, the TDC had a broader function, embracing responsibilities in marketing and research, in the development of physical tourism infrastructure and in enforcing legislation pertaining to the tourist industry (TDC, 1973a, p. 1).

One important aspect to note is that the TDC was guided by clear objectives, some of which could be assessed by measurable outcomes namely:

1. To increase foreign visitor arrivals;
2. To increase the average length of stay with a view to increase revenue from tourism;
3. To stimulate the growth of domestic tourism; and
4. To increase Malaysia’s share of the convention market.
In order to ensure appropriate and effective implementation, the Ministry of Trade and Industry appointed an Advisory Council and Board of Management. The Advisory Council consisted of both public and private sector representatives (TDC, 1972). Its function was to advise the Minister on matters pertaining to overall tourism and the appropriate and effective implementation of the Tourist Development Corporation Act 1972 (TDC, 1972). This Act covered aspects such as:

- Co-ordinating the activities in respect of the tourist industry conducted by governmental or non-governmental bodies;
- Making recommendations to the government on measures and policies to be adopted to facilitate the growth of the tourist industry, and where approved by government, to implement and assist in the implementation of the same;
- Generally promoting national and international tourism to Malaysia, as well as participating in the physical development of the tourism industry in Malaysia.

(TDC, 1973a, p. 5)

The Board of Management was responsible for implementing the function and general administration of the affairs and business of the TDC (TDC, 1973b). However, the TDC was restructured in 1975, with the creation of a single Board of Management and the appointment of new members, replacing the former two-tier structure (Advisory Council and a Board of Management). A Deputy Chairman was appointed, who acted as a Director General to lead the organisation (TDC, 1975).
The PATA conference held in 1972 was a successful event, prompting the TDC to recognise the importance of having a proper and efficient marketing plan (TDC, 1972). It was considered that the structure of the plan should be carefully guided by an effective approach, to ensure continued demand for hotel accommodation was corresponded by the development and diversification of tourist facilities and amenities in Malaysia. Thus, in 1974, the TDC appointed a Hawaii-based company to prepare a ‘Tourist Development Plan’, which was completed and approved by the government in May 1975 (TDC, 1975). Reflecting the core ideas of the TDC, the Tourist Development Plan identified two objectives:

- To ensure that tourism facilities are adequate and to coordinate developments carried out separately by private stakeholders, statutory bodies and the TDC or in joint ventures
- To coordinate state tourism activities to ensure their alignment to central government policies and to ensure that the benefits of tourism activities are dispersed throughout the country.

This Tourist Development Plan then led to the formation of a Regional Coordinating Committee (RCC) which brought together the various state governments and the State Economic Development Corporations, with TDC becoming the secretariat. The RCC was responsible for coordinating the tourism development activities carried out in the various states, for advising state governments on matters concerning policies related to tourism development and for ensuring that tourism facilities were supplied in an economic manner, either solely by the government or in joint ventures with the private sector (TDC, 1975). By the year end, representatives of Kedah, Penang, Perlis, Perak,
Kelantan and Terengganu had become the official Coordinating Committee, while seven other regions expressed their agreement to follow the principles established by the Coordinating Committee (TDC, 1975).

4.3.2 Tourism Policy: Objective and Demand

With respect to its objective for tourism over the 1974-1975 period, bridging the objectives of the First and Second Malaysia Plans, the main focus of government was ‘to combine and harness, to coordinate resources and assets of the country and convert them into one single product which can be sold competitively in the world market for the purpose of maximising the benefits of tourism for the social and economic development of the nation’ (TDC, 1973a, p. 3)

In order to accomplish this objective, in 1974, the TDC set the following targets (1974, p. 5):

- To promote Malaysia to international and regional visitors overseas;
- To increase the movement of Malaysians on holidays within the country so as to accelerate the growth of domestic tourism;
- To maintain representational functions and duties on the international level as well as a regional level on matters relating to tourism;
- To project Malaysia as a Conventions Centre in the region;
- To monitor, plan and determine present and future requirements of overseas and domestic tourists, and in accordance therewith, to recommend desirable land uses within development areas;
• To gather, interpret and disseminate tourism data and information to the users of
tourism statistics;
• To regulate, control and guide the growth of the tourism industry to the best
interest of the country;
• To ensure the tourist industry in Malaysia developed in accordance with the
government’s New Economy Policy (NEP).

The increase in foreign tourist arrivals from 725,883 in 1972 to 869,559 in 1973 gave
the local community the opportunity to be involved either directly or indirectly with
tourism. Tourism had lessened unemployment among the local populations and thus
accomplished part of the NEP objective which was to eradicate poverty among
Malaysian.

However, this increase in local employment only applied to the West Peninsular area,
since most of the infrastructure development had been concentrated here. In order to
spread the benefit of tourism to the whole community an improvement in infrastructures
(transportation system and hotel) throughout the whole country was needed and thus a
‘1974 target’ was introduced.

4.3.3. Tourism Decisions and Output

4.3.3.1 Marketing Strategy Directions and Activities

As a newcomer to the tourism industry, compared to Indonesia and Thailand, Malaysia
was still a relatively unknown tourist destination (Mohamed, 2005b). One way to make
the country known, as already acknowledged by the First Malaysia Plan was to create a
distinctive image by extensively promoting major attractions to potential tourists from Europe, Japan, Australia and the USA. In addition, Malaysia had to develop new products and plan their introduction to strengthen the country’s ability to attract visitors in line with the objective of inducing tourists to increase their expenditure and stay for longer (TDC, 1977).

The task of making Malaysia known internationally was recognised as a long term proposition. A set of selective approaches were identified in the First Malaysia Plan that accounted for the choice of target market, media and for time factors, to achieve affective and efficient targeting (maximising outcomes at a minimum cost (TDC, 1973a). This led to finer market segmentation strategies. While the First Malaysia Plan distinguished between tourism consumers, the focus was on visitors and travel professionals. Focus now was on the need to devise tailored strategies for different types of visitors and to give more attention to domestic tourism. Accordingly, domestic and international markets were assigned different advertising and promotional campaign objectives.

**International Marketing Activities**

The TDC recognised the importance of the differences between domestic and international tourists, hence acknowledging two separate markets most of the marketing activities. The advertising effort had focused on international tourists, especially those from Europe, Australia, Japan, the Middle East and the Southeast Asia countries. These markets contributed the most to Malaysia’s development – MYR 27.68 million in 1970 figures for the West Malaysia region alone (TDC, 1975). This explains why funding for
international marketing activities ascended to MYR 893,980 compared to MYR 60,000 for domestic publicity (TDC, 1973a).

In order to tap into the international market, a marketing communications promotion programme including advertising, sales aids, travel film publicity, newsletters and public relations events were put in place (TDC, 1974). Other marketing activities included the opening of overseas offices, joint ventures with the Singapore Tourist Promotion Board, the National Hotel, Restaurants and Travel Agents Association (Din, 1982) and a promotion campaign put in place by MAS, the Malaysia Airline System (Economic Planning Unit, 1981).

Malaysia also intensified its marketing activities on selected international markets by setting up seven international promotion offices in Singapore, Tokyo, Bangkok, San Francisco, Frankfurt, London and Sydney (TDC, 1974). These promotion offices replaced the former Malaysian Trade Commissioners offices overseas, acting as Travel Councillors on behalf of the Department of Tourism, a strategy that followed the establishment of the TDC in 1972. Their role included establishing and maintaining good relationships with local travel trade and travel professionals, as well as disseminating literature and information about Malaysia.

The international marketing strategy under this Malaysia plan also extended to activities involving publicity and public relations, advertising, the development of a hospitality programme and involvement in strategic alliances and other forms of international cooperation.
In terms of publicity and public relations, the TDC continued to employ four public relations and publicity agencies to undertake its public relations services and marketing programmes in four major selected markets areas. This demonstrates continued understanding of the need to benefit from local market knowledge, as well as an attempt to benefit from logistics efficiencies. The activities covered by the agencies included ensuring good liaison with the local media, by distributing press releases, feature articles and films. The agencies were also required to establish a good rapport with travel agencies and tour operators, involving them with the Malaysia tour program, in order for Malaysia to be included in their tourism product portfolio as a preferred destination (TDC, 1974, 1975). Since 54.7 percent of the total tourist arrivals in 1975 originated in the Southeast Asia region, the TDC included this region in the list of major market areas, joining Australia, the European region, Japan and the United States (TDC, 1975).

Shifting attention to advertising activities, the programme organised by the TDC was formulated taking Malaysia’s major markets into account. In the process of assessing essential advertising attributes for different markets, it became clear that the USA, Europe (especially UK and West Germany), Australia, and Japan were the more travel conscious and affluent markets (TDC, 1973a). Therefore, these markets were given precedence and greater attention.
The targeting of different market stakeholders is demonstrated by thematic analysis of print advertising, clearly distributed over three themes (TDC 1974, p. 8):

- General Series – featuring overall aspects of Malaysia - exclusively directed to travel trade and travel professionals;
- Thematic Series – featuring festivals, people, hill resorts, beaches and jungles – seeking greater relevance to those more interested in these attractions; and,
- Destination series – featuring Kuala Lumpur, Malacca, Penang, the East Coast, Sabah and Sarawak

Among these three print advertising campaigns, the TDC allocated 60 per cent of the overall advertising to the trade publications and the remaining 40 per cent to consumer publication.

Notwithstanding, the strategies to be implemented within the TDC advertising plan may have been reconsidered as a result of the 1974 recession, in itself a demonstration of effective targeted marketing and monitoring strategies. Hence, the TDC changed their advertising strategy relative to the previous year, shifting some of the planned investment on consumer magazines to trade publications with a coupon attached to each print advertisement. Trade publications accounted for 60 per cent of the 242 print advertisements, and the TDC claimed that it received numerous coupon responses, indicating the success of the print advertising strategy in promoting Malaysia to these markets.
Reinforcing the targeting of the travel trade and travel professionals, the TDC implemented a hospitality programme, extending invitations to international travel writers, journalists, tour operators, travel agents and film crews for a guest tour of Malaysia. The objective of this guest tour was to provide to selected stakeholders, who were perceived as gatekeepers to international tourists, first-hand knowledge and experience of Malaysia’s culture and attractions. While the results specific to this programme are difficult to assess, there were indicators that attested to its success. For example, Malaysia was the subject of publications in magazines and TV broadcasts in Japan and Belgium (TDC, 1974, p. 10).

An extension of the hospitality programme was also applied to the consumer market, in the form of a stopover programme sponsored by the TDC and by MAS, in an attempt to create a marketing stimulus for people flying between Sydney and London to visit Malaysia. To reach these travellers, a stopover programme (London - Kuala Lumpur - Sydney and return) was introduced, prompting travellers on this route to stopover in Kuala Lumpur for 4 to 5 days (TDC, 1975). Agencies such as MAS and tour agents extensively publicised the programme within their respective markets. While the programme attracted around 400 tourists in its first year, questions were raised about its effectiveness, including problems with communication. It was suggested that greater success could be achieved by using posters distributed among the tour agents and consumer (TDC, 1975) in Australia, New Zealand and the United Kingdom (TDC, 1977).

The TDC’s marketing activities during the Second Malaysia plan also involved sales missions, with the first taking place in 1975. The TDC promoted a visit to Japan, led by
the Deputy Chairman and involving other representatives from the public and private sectors. The objective was to meet with Japanese counterparts and learning about their views regarding any problems faced by Japanese travel operators and tour agents in promoting Malaysia to the Japanese consumers. The members of the mission also gained intelligence about the needs and preferences of the Japanese market (TDC, 1975). It is interesting to note that the choice of Japan for this mission was based on the large number of arrivals of Japanese tourists in Malaysia. While this is not clear from the Malaysia plan, the approach might have been to enact a penetration approach to the Japanese market.

Overall, the international marketing activities enacted during the period of the Second Malaysia Plan were responsible for a marked increase in foreign tourist arrivals (from 1.2 million in 1972 to 1.4 million in 1975), as well as increases in foreign exchange earnings from MYR 265 million in 1972 to MYR 390 million in 1975, an increase of 14 per cent per annum (Economic Planning Unit, 1976).

One final aspect of international marketing activities worth noting refers to the TDC’s effort to engage with organisations (such as the International Union of Official Travel Organizations (IUOTO), the Pacific Area Travel Association (PATA), the Association of South-East Asian Nations (ASEAN) and the South-East Asia Promotion Centre for Trade, Investment and Tourism to jointly foster development of the tourism industry (TDC, 1974). These organisations shared the goal of enhancing that development through the establishment of training programmes and seminars. In addition, an allocation of US $250,000 was allocated by the ASEAN Permanent Committee to
promote the ASEAN countries in potential markets such as Japan, Australia, Europe and the USA (TDC, 1974).

One aspect to note in this context refers to the complementarily between the TDC’s focus on promoting Malaysia and the promotion of Malaysia as part of the ASEAN region. At the 9th meeting of the ASEAN Permanent Committee on tourism, the participating communities made numerous recommendations, one of which was to utilise the ASEAN national tourist offices overseas as ASEAN tourist information offices (TDC, 1974). This was a first effort in promoting the ASEAN region as one destination (The Star, 1976). Due to the economic status, tourism structure and identical target market and tourism products, the regional cooperation was not wholly successful at that time (Hussey, 1991).

**Meeting, Incentives, Conventions and Exhibition (MICE)**

The success of hosting the 21st PATA Annual Conference and Workshop in 1972 has become the starting point for promoting Malaysia as a convention centre (TDC, 1973a). In the initial stage, the TDC acted as an assistant to the local agencies hosting international and regional conferences by arranging tours (before and after the convention), setting up information counters during conventions and organising a ‘ladies and social programme’ (TDC, 1975).

The increase in the number of conventions, supported by the rapid development of hotels with convention facilities boosted Malaysia’s ability to compete for a market share of the convention business.
Domestic marketing activities

With regards to domestic marketing activities, the focus during Second Malaysia Plan was on a continuation of print advertising strategies, coupled with a strong impetus for promoting holidaying in Malaysia as interesting and cheaper for locals, than choosing international destinations. The push by the TDC to increase the number of domestic travellers might have been justified, at least to some extent, by fluctuations in international tourist demand, due to the fuel crises and recession that affected international tourist arrivals in 1974 (TDC, 1974).

As in the previous planning period, the domestic marketing strategy emphasized print advertising, resulting in 44 black and white advertisements being placed in the major local newspapers, all on the same theme – ‘It’s all Happening’ or ‘Segala-galanya meriah’ (TDC, 1973a). The theme was selected to show domestic tourists that a Malaysian holiday could be just as interesting, and certainly much cheaper than an overseas holiday. Advertisements appeared in all states in two months (July and November) prior to the school holiday period, encouraging parents to take their families on a domestic vacation (TDC, 1974). A cheaper air flight between Kota Kinabalu, Sabah and Peninsular Malaysia was also introduced as an incentive (TDC, 1973a).

The push for domestic holidaying was augmented with participation by the TDC in domestic exhibitions designed to increase local awareness of the country’s varied and undiscovered attractions (TDC, 1975), as well as to increase Bumiputra participation and opportunities in the tourist industry, as prescribed by the New Economic Policy (TDC, 1974).
4.3.3.2 Tourism Infrastructure

With the establishment of the TDC, projects initiated under the Department of Tourism were handed over to it. The takeover meant that the TDC had more responsibility in planning and implementing the actual development of facilities, as well as in liaising, cooperating and coordinating with the public and private sectors and state agencies on tourism planning and development (TDC, 1974).

In order to encourage hotel development, the government continued to offer incentives to build new hotels and upgrade existing hotel facilities to international standards. The terms of this Investment Incentive Act 1968 were available to hoteliers according to the location of the approved hotels (Wells, 1982). For instance, hoteliers in the East Coast states of Terengganu, Pahang and Kelantan could obtain an abatement of income tax of 25 per cent of chargeable income for a period of 12 years; in contrast, in popular areas such as Kuala Lumpur and Penang, income tax abatement was limited to a maximum of 15 per cent (Wells, 1982). The high income abatement for the East Coast states was to encourage the private sector to build hotels, either alone or jointly with the TDC and various State Economic Development Corporations (SEDC) (Khalifah & Tahir, 1997). The other objective was to develop these states which until then lacked coordination and planning (Din, 1982). This Act resulted in the expansion of the hotel industry (Economic Planning Unit, 1981).

Besides focusing on the hotel infrastructure, other tourism infrastructure projects were considered, jointly as well as separately by the private and public sectors, such as a hotel in Terengganu (Rantau Abang and Tanjung Jara Chalet/Hotel), facilities such as cafeterias, a handicraft centre and children’s playground in Bukit Nanas Complex,
tourist information centres in Port Swettenham and Kuala Lumpur, and further development of the Batu Caves and Tioman Island in Pahang (Economic Planning Unit, 1971).

One final aspect of tourism infrastructure development to consider was its impact on employment. Tourism is a service sector that provides direct and indirect employment. In Peninsular Malaysia, within the hotel industry, employment almost tripled from 5,200 placements in 1970 to 13,870 placements in 1974. In other related industries, such as travel and transportation, it is estimated that a total of 28,000 jobs were generated in 1974.

Shifting attention to the transportation and communications infrastructure, the Second Malaysia Plan focused on developing tourist sites and facilities within each state, along with improvements in air travel and highways for the convenience of domestic and international tourists. The development of national airports to cater for short and medium range aircraft was expanded to other states including Miri, Tawau, Sibu, Bintulu, Lahad Datu, Kota Bharu and Ipoh, Malacca, Kuantan, Kuala Terengganu and Alor Star. These states had their airline infrastructure upgraded and some states extended their traffic to night time operations, in response to tourist demand (Economic Planning Unit, 1971). This paved the way for an increase from 816,000 passengers in 1970 to 3,532,000 in 1980 for Peninsular Malaysia alone. In Sabah, passenger traffic increased from 554,800 to 1,682,000 and in Sarawak from 351,000 to 1,293,700 (Economic Planning Unit, 1976).
Besides the development of air travel, the government also invested on the construction and improvement of roads in various parts of the country. The requirement to generate development in new areas as well as to provide sufficient roads prompted the government to construct approximately 22,670 km of road in Peninsular Malaysia, 4020 km in Sabah and 2720 km in Sarawak (Economic Planning Unit, 1976). Other investment on major road construction projects by the federal government included the East-West highway, linking Kelantan to Penang; the Asian Highway, linking Southeast Thailand to the North-western parts of West Malaysia; the Kuantan-Segamat Highway; and the Kuala Lumpur/Seremban Expressway. The strategic selection of these works were expected to accelerate the economic and demographic development of the areas along the highways (Economic Planning Unit, 1971, p. 190).

The rail network also saw long-term programmes of replacement, rehabilitation and modernisation put in place during this period, which contributed to an increase in passengers from 102,825 in 1972 to 114,379 in 1973 (TDC, 1973a).

4.3.4 Tourism Impact

The TDC clearly achieved positive outcomes in increasing tourism capacity through building, infrastructure development, accessibility, diffusion of marketing strategies to more areas, as well as gains in foreign exchange, and in direct and indirect employment.

Notwithstanding, the TDC actually faced formidable obstacles, posed by the federal and state governments. As noted by Wells (1982), the tourism sector was not clearly defined in the constitution and this led to contradictory interpretations being made by government agencies and state governments. For instance, the development of
accommodation facilities was not always well coordinated with the provision of public utility and infrastructural developments. While the legislation empowered the TDC to coordinate the development of buildings and facilities, arguably the TDC did not always possess the ‘tools’ necessary for implementation and enforcement.

One possible reason is that the interpretation of the laws needed to assess applications for the establishment of hotels and related tourism facilities rested with different government agencies, local authorities and state governments, upholding conflicting interpretations. In addition, the bureaucratic process in approving tourism development initiatives was also lengthy and somewhat cumbersome. For example, the application for hotel projects needed approval by the federal government for the granting of pioneer status and tax holidays, after which it had to be submitted to the state planning authorities for building approval, and a license issued by the local authority (Wells, 1982).

4.3.5 Conclusion

Although the TDC was restructured during the Second Malaysia Plan, the low priority given by the government to the tourism industry, reflected in limited funding and insufficient manpower, constrained the effective performance of the TDC’s catalytic roles (TDC, 1972; Yasak, 1996). Difficulties were heightened by legal and overly bureaucratic processes.

Even though the TDC fell short in budgets and manpower, with appropriate resources planning, it invested efficiently and appropriately for all its major markets. Aggressive international marketing activities and the development of hotel and other facilities
increased foreign tourist arrival from 725,883 in 1972 to 1.18 million in 1975 (TDC, 1976). The increase interest from foreign tourists in Malaysia contributed to employment opportunities among the local people. For instance in Peninsular Malaysia, within the hotel industry alone, employment increase more than doubled between 1970 and 1974. In other related industries or businesses, such as travel and tour agencies and transportation, a total of 28,000 jobs have been created by 1974 (Economic Planning Unit, 1976, p. 429).

It is apparent from this discussion that the TDC put in place many domestic and international marketing activities with an emphasis on the former when world tourism became deflated. This demonstrates a deepening understanding of the benefits and requirements of target marketing, with effective differentiation of the various stakeholders in the tourism industry. Development of the tourism infrastructure remained focused on urban development although some investment, mostly in the improvement of roads, occurred in rural areas.
4.4 THIRD MALAYSIA PLAN (1976-1980)

The Third Malaysia Plan can be considered one of continuity in terms of tourism industry development. Combined with aggressive marketing activities targeting domestic and international markets, attention was given to the development of tourist sites, hotel facilities and the transportation infrastructure within each state. The improvement in road and air transportation, hotels and the development of tourist attractions was expected to spread the impact of tourism across all areas of Malaysia, as opposed to focusing on the West Coast.

4.4.1 Institutional Setting and Planning Process

Without significant changes to the set of stakeholders and the planning process, the major goals for this planning period were to continue to reduce the regional imbalance in tourism development, with integrated planning involving effective stakeholder coordination, reflected in a clear marketing plan that respected the objectives and metrics established for the second plan. Seeking a workable balance between tourism demand and tourism development, these objectives were identified as:

1. To increase foreign visitor arrivals;
2. To increase the average length of stay with a view to increase revenue from tourism;
3. To stimulate the growth of domestic tourism; and
4. To increase Malaysia’s share of the convention market.
4.4.2 Tourism Policy: Objectives and Demand.

The federal government sought to continue developing the tourism industry by focussing on the strategic development of tourist sites and facilities within each state, along highways and in the northern and southern areas of West Malaysia. While the plan does not provide a clear rationale for this tripartite focus, reflection suggests the adoption by Malaysia of a relatively targeted, insightful and integrated approach to the development of tourism, as early as the Second Malaysia Plan and Third Malaysia Plans, as elaborated upon below.

The development of sites with tourism interest, supported by appropriate facilities and communicated using appropriate promotional activities, were able to create an impetus for larger numbers of visitors, both domestic and international, as well as to stimulate these visitors to stay longer, since visitors would have more to see and do, at the same time taking advantage of good support facilities. More tourist attractions could also be expected to appeal to different groups and attract visitors with different interests.

Instigating the development of tourist attractions and facilities along highways could boost regional centres, reducing travel time and cost for all stakeholders to the extent that highways were built in the various states, this type of tourism development could contribute effectively to reduce development imbalances.

Suggestions for a concerted and thoughtful approach to Malaysia’s tourism development were also supported by the plan to develop air travel in Sabah and Sarawak (Economic Planning Unit, 1981, p. 331), combined with the adaptation of
airport facilities to accommodate night traffic, as noted in the discussion of the Second Malaysia Plan.

4.4.3. Tourism Decisions and Output

4.4.3.1 Marketing Strategy Directions and Activities

The marketing objective of the TDC was to promote Malaysia in the international tourism market and to increase travel by Malaysians within the country by creating an awareness of the facilities and attractions available to them. In this respect, the TDC collaborated with Malaysia Airlines (MAS) and the private sector to ensure the effectiveness of the promotional effort. Since the funds available for this purpose were limited, the TDC felt the need to adopt a selective approach to its targets, to ensure funds were allocated to markets that could generate an optimum result (TDC, 1977).

As shown in Table 4.1, ASEAN countries contributed to more than 50 percent of foreign tourist arrivals, followed by Europe, Japan, Australia/New Zealand, the USA and others. By identifying the largest volume of tourist arrivals and the per capita tourist expenditure (refer Table 4.2), the TDC with MAS and private sector could allocate appropriate promotional funds toward the optimal market.
### Table 4.1: Foreign Tourist Arrivals to Peninsular Malaysia by Major Market Area (1974-1980)

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<td><strong>ASEAN</strong></td>
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<td>Indonesia</td>
<td>24,766</td>
<td>45,539</td>
<td>56,879</td>
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<td>Philippine</td>
<td>3,191</td>
<td>6,759</td>
<td>18,258</td>
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<td>Singapore</td>
<td>100,466</td>
<td>259,020</td>
<td>312,937</td>
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<td>Thailand</td>
<td>84,832</td>
<td>395,449</td>
<td>456,294</td>
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<td><strong>Asia and Pacific</strong></td>
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<tr>
<td>Hong Kong</td>
<td>27,782</td>
<td>16,322</td>
<td>30,439</td>
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<td>India</td>
<td>11,546</td>
<td>38,977</td>
<td>71,563</td>
</tr>
<tr>
<td>Japan</td>
<td>35,475</td>
<td>111,012</td>
<td>113,486</td>
</tr>
<tr>
<td>Taiwan</td>
<td>4,249</td>
<td>9,894</td>
<td>24,140</td>
</tr>
<tr>
<td>China</td>
<td>NA</td>
<td>1,496</td>
<td>4,321</td>
</tr>
<tr>
<td>Australia/New Zealand</td>
<td>89,826</td>
<td>128,555</td>
<td>110,518</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK/Ireland</td>
<td>27,784</td>
<td>83,500</td>
<td>90,540</td>
</tr>
<tr>
<td>Western Europe</td>
<td>22,955</td>
<td>62,099</td>
<td>99,662</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>NA</td>
<td>3,743</td>
<td>6,670</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.A</td>
<td>31,932</td>
<td>76,055</td>
<td>69,682</td>
</tr>
<tr>
<td>Canada</td>
<td>NA</td>
<td>16,379</td>
<td>18,334</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>73,201</td>
<td>31,273</td>
<td>46,192</td>
</tr>
</tbody>
</table>

Source: TDC (1979b, p. 74, 1980b, p. 43)

### Table 4.2: Single Day Expenditure of Foreign Tourist 1977/1980

<table>
<thead>
<tr>
<th>Country</th>
<th>1977</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>328</td>
<td>370</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>493</td>
<td>602</td>
</tr>
<tr>
<td>Japan</td>
<td>423</td>
<td>593</td>
</tr>
<tr>
<td>Continental Europe</td>
<td>552</td>
<td>747</td>
</tr>
<tr>
<td>United kingdom/Ireland</td>
<td>422</td>
<td>552</td>
</tr>
<tr>
<td>Australia &amp; New Zealand</td>
<td>436</td>
<td>635</td>
</tr>
<tr>
<td>U.S.A</td>
<td>430</td>
<td>489</td>
</tr>
</tbody>
</table>

Source: TDC (1979b, p. 16, 1980b)
International marketing activities

The TDC’s marketing objective of promoting Malaysia in the international tourism market continued to be supported by the activities of international offices, sales aids (such as brochures and handbooks), and participation in exhibitions and trade fairs. Tourism sales missions also continued to be seen favourably, generating opportunities for the informants to establish contact and to negotiate contracts with the major tour wholesalers in the cities visited and the conventions that they involved with (TDC, 1976, 1977, 1980a). Finally, actions were put in place to facilitate travel to Malaysia; for example, Malaysia Airlines expanded its services to Jeddah, Frankfurt, Rome, Amsterdam, Osaka, Seoul, Colombo and Perth (Economic Planning Unit, 1976, p. 364).

Expanding its network of international offices located in various countries, the TDC announced the opening of eight overseas offices in Hong Kong late in 1977. Arguably, Hong Kong was selected as a good location for this investment because of its importance as a transit point for visitors to Malaysia, and because of the growing number of overseas trips taken by Hong Kong residents to Malaysia (TDC, 1977) since 1976 (TDC, 1980a).

In addition to the promotional and support activities developed by the international offices, the TDC complemented its advertising and promotion campaigns aiming to generate greater awareness of Malaysia as a tourist destination, by retaining the services of four professional public relations agencies in the USA, United Kingdom, Japan and in the ASEAN region (TDC, 1980a).
Consistent with the promotional activities aimed at the travel trade stakeholders, Malaysia’s hospitality programme involved a total of 239 tourism agents, 40 travel writers and journalists, and 8 film and television teams, as a means to create greater awareness of the country’s capabilities and competencies in the tourism area and to expose them to some of the natural resources it had to offer. Apart from enabling these programme guests to experience Malaysia first hand, the programme expanded on the outcomes generated in the Second Malaysia Plan, with numerous exposures through the mass media in the markets of interest. For example, Malaysia was featured overseas in television programmes such as the BBC’s ‘World about Us’ series, and ‘The Children of the World’ and ‘The Third Eyes’ broadcasts by Japanese networks. In addition, four new films on Malaysia were produced sponsored by various airlines, tourist agents and hoteliers (TDC, 1977).

In terms of advertising activity focusing on international markets, the thrust of the TDC’s advertising abroad was directed toward the major markets of Japan, the United Kingdom and Australia. However, 1977 marks the first time the TDC’s advertising campaign was extended to countries such as Germany, France and Sweden, although it is not clear whether the advertising messages were in any way customised to those countries needs. (TDC, 1977, p. 16). The distribution of the promotional effort in terms of segment selection for these targeted countries was similar to that of the previous plan for international targeting:- 60 per cent trade and 40 per cent consumer advertising (TDC, 1976, p. 16), with consumer advertising being used to support the trade campaign aimed at the trade sector in the same market (TDC, 1977).
Incidence of the advertising effort changed radically in 1978, with the TDC allocating the larger share of its marketing budget (80 per cent) toward consumer advertising, reversing the previous distribution, although the intent behind such a radical move did not signal a change in direction for the TDC. Rather, the aim was to strengthen support to the trade sector, particularly tour operators, by generating interest and awareness about packaged tours to Malaysia in the consumer segment (TDC, 1978). This might be interpreted as a two pronged strategy, to the benefit of the professional sector in the target country, as well as in Malaysia.

Because the diversity of Malaysia’s natural attractions constituted its main selling point as a holiday destination, Malaysia retained the ‘Malaysia- it’s all here’ thematic focus in its advertising begun in 1976. However, there was some concern that the regional diversity of the attractions such as nature, culture, warm and friendly people made it vital to find a new concept of portraying the country. The expansion of the meaning of this theme was part of the strategy to become more competitive since there was always another new or established destination to compete with (TDC, 1978, p. 14). The TDC also wanted to commercialise other states with nature and island resources, (such as the East Coast of Malaysia and Sabah and Sarawak). Thus, in 1978, the TDC adopted the concept of Malaysia as four holiday regions, namely: Kuala Lumpur/Malacca, Penang/Langkawi, the East Coast and Sabah and Sarawak, each with its unique attractions (TDC, 1978, 1980a).

The international marketing activities included in the Third Malaysia Plan also continued those in the previous plan, in terms of sales missions and the TDC/MAS stopover holiday programme. Sales missions conducted in the previous plan were
assessed as a very effective promotional tool. After the first sales mission to Japan, the TDC and MAS jointly sponsored sales missions to Australia and New Zealand (TDC, 1977) and to the United States, Canada and again Japan (TDC, 1978). These missions proved successful in giving the international travel trade a better understanding of the various tourism attractions and facilities available within Malaysia.

The stopover programme promotion from London to Kuala Lumpur to Sydney and return put in place by the TDC and by MAS during the previous planning period was continued in the Third Malaysia Plan and, by 1977 was expanded to include New Zealand (TDC, 1977). However, the success of the programme was negatively impacted in 1979, by a dispute between Singapore and Australia over the new International Civil Aviation Policy (ICAP). This led to a decrease in Australian and New Zealand arrivals in Malaysia of 15.6 per cent (TDC, 1979a, 1980b). The dispute threatened to restrict the ability of airlines from the ASEAN countries to pick up passengers mid-route.

The ICAP dispute was viewed in the ASEAN region in the broader context of developed countries changing the rules to the disadvantage of developing countries (Kurus, 1993). For instance, if the ICAP policy were granted, the stopover programme would have to be discontinued since it involved a transit in Kuala Lumpur. The dispute was settled in the same year, after several rounds of negotiations between ASEAN and Australia. Nevertheless the ‘stopover programme’ was discontinued in 1980.
Meeting, Incentives, Conventions and Exhibitions (MICE)

The promotion of conventions continued to be part of TDC strategy to attract foreign tourists to come to Malaysia. But instead of being involved directly with the delegates (as in the Second Malaysia Plan), the role of the TDC changed to acting as an advisor for the conference organisers in planning social programme (TDC, 1976) and providing leaflets and other supporting materials. Since Malaysia was still new in this area, an ‘International Meeting, Incentives and Exhibitions Programme’ was created targeted at organisers to familiarise informants with the facilities available in Malaysia (TDC, 1979a). The TDC also advertised in European convention publications to ensure the country’s image as a convention centre would be recognized (TDC, 1978). As a result, around 236 conferences were organised in Malaysia within this five years period.

Domestic marketing activities

Shifting attention to domestic marketing activities covered by the Third Malaysia plan (1976-1980), domestic tourism incentives continued to play an important role in stabilising the industry from the vagaries of an unsettled world economy (TDC, 1977). In order to stimulate more Malaysians to travel within the country, an advertising campaign was launched in 1976 under the theme of ‘Makan Angin’ (holiday), which highlighted various alternative destinations in Malaysia (TDC, 1976, 1977). This was followed by a distinct campaign in 1978, enticing Malaysians to ‘Come on Out and Enjoy Your Country by Air, Rail and Road’. The new campaign theme combined the cooperative effort of TDC, MAS and Malaysia Railway. The campaign specifically sought: (1) to promote the various festivals and events in Malaysia as tourism destinations; (2) to inform domestic tourists that all local destinations identified could
be easily accessed by air, rail or road; and (3), to encourage Malaysian tourists to use public transport (TDC, 1978).

To further stimulate domestic travel, various campaigns were included in TDC marketing activities in 1979. For example, the TDC and MAS jointly sponsored a special MAS Golden Holiday programme offering 13 package tours. The TDC also had a joint campaign with Malaysia Railway to persuade more Malaysians to use the convenient and inexpensive train service for vacation travel, at the same time, publicizing the various services offered by the railway (TDC, 1978). By the end of the Third Malaysia Plan, the ‘Come on Out and Enjoy Your Country by Air, Rail and Road’ campaign was replaced by ‘Our Malaysia’.

4.4.3.2 Tourism Infrastructure

In order to provide a stimulus to the private sectors involved in the tourist industry, the government continued to induce special provisions of the Investment Incentive Act, 1968 relating to the hotel industry, including the granting of pioneer status, locational incentives and abatement of income tax for the establishment of new hotels and expansion and modernisation of existing hotels (Economic Planning Unit, 1981). During this plan, there was an increase in the number of hotels from 766 with 21,746 hotel rooms in 1976 to 835 hotels with 27,559 hotel rooms in 1980, of which 10,024 rooms met international standards (Economic Planning Unit, 1981). These included projects in Sabah and Sarawak, regions that gained their first international hotels in 1976 (TDC, 1976).
The attention given to international standards was not only to meet the expectations of international visitors but probably also reflected changing patterns in domestic tourism, although strong supporting evidence for the latter is lacking, as explained below.

Statistics for domestic tourism indicated that most locals preferred to holiday in Penang (22 percent), Pahang (16.9 percent), Negri Sembilan (15.2 percent) and Kuala Lumpur and Selangor (13.5 percent) (TDC, 1979b, p. 34). Most of their expenditure was allocated to transportation and food and beverages consumption rather than to accommodation (TDC, 1979b, p. 36). As much as 76.7 percent of Malaysian tourists stayed with friends and relatives (TDC, 1977, p. 10), 6.0 per cent preferred camping and only 14.1 percent stayed in hotels, motels or rest houses (TDC, 1977).

The alleged changing patterns argument was based on the tenet that Malaysians started to consider staying in hotels after 1978, as they became more affluent (TDC, 1979b). However, their average length of stay in hotels in 1980 was 1.6 nights, a very small increase on the 1976 figure of 1.5 nights (TDC, 1980b, p. 34). It was nevertheless an increase perhaps indicating a trend toward increased preference for hotel accommodation.

Tourist projects undertaken by public sector agencies (such as the TDC) supplemented the activities of the private sector. By following the Tourism Master Plan guideline for proper planning and development and the policy of Integrated Development of Tourism Facilities, five hotels and improved accessibilities had been completed, benefiting from an allocation of MYR 2.05 million (TDC, 1978). This policy was adopted by the TDC in order to avoid the negative effects of uncontrolled tourism development and to fully
utilise the limited resources available (TDC, 1978). Under the policy, the role of the TDC included developing areas unable to attract private investment. This approach was in line with the New Economic Policy of bringing about development in less developed areas as well as spreading the benefits of tourism on a wider spectrum (TDC, 1977).

The first project completed under the TDC was the Rantau Abang Visitor Centre, located in Rantau Abang in Dungun, Terengganu. Consisting of 10 chalets, a marine museum and a restaurant, this family oriented resort was developed with the aim of providing accommodation primarily for domestic and budget conscious tourists (TDC, 1980a). The second property of the TDC, the Motel Desa, was also located in Terengganu and opened for business in June 1980 after a complete renovation and upgrade (TDC, 1980a). In addition, the TDC also owned the 100-room Tanjung Jara Beach Hotel, the 300-room Club Mediterranean Holiday Village in Citsating, Pahang (TDC, 1980a) and the 100-room Langkawi Country Club in order to make it suitable for domestic and foreign tourist markets (Economic Planning Unit, 1981).

As reported by the Government of Malaysia (1981), other tourist projects undertaken by TDC during the period included the Bukit Nenas project and the Baru Caves Funicular Railway in the Federal Territory, as well as duty free shops in Kuala Lumpur and Penang (Economic Planning Unit, 1981). The Johore Tenggara Development Authority (KEJORA) developed five tourist projects in Desaru, Johor. Finally, the Urban Development Authority (UDA) and State Economic Development Corporations (SEDC) participated in the development of 36 wholly-owned and joint-venture hotels, offering 5201 rooms.
Focusing on accessibility, one of the government objectives was to develop tourist sites and facilities within each of the states of Malaysia. Before this could be implemented, the State Government needed to improve and extend the condition of regional state and rural roads (Economic Planning Unit, 1976, p. 355) making the areas accessible for development (Economic Planning Unit, 1971, p. 192). Thus, a total of US $205.9 million including a grant of US 107 million was provided by the Federal Government for this purpose (Economic Planning Unit, 1976, p. 355). From this grant, 75% was directed toward improving rural roads in the less developed states (such as Kedah, Perlis, Kelantan, Terengganu and Pahang). This was an important objective because, in addition to allowing the necessary access for tourism related development, it would allow for improved security, raising productivity and income and providing an improved marketing and distribution outlet for rural produce (Economic Planning Unit, 1976, p. 355).

During the period covered by this Third Malaysia Plan, three road projects started in the Second Malaysia Plan were completed, namely the Kuantan-Segamat road, the East West highway joining Jeli in Kelantan and Grik, in Perak, and the Kuala Lumpur-Seremban highway (Economic Planning Unit, 1976). Four other road projects (Jerangau to Kuantan, Kuala Lumpur to Karak highway, Bukit Kayu Hitam to Jitra and the Penang bridge were at various stages of completion (Economic Planning Unit, 1981, p. 318). The routes of these road projects are shown in Figure 4.1.
It was perhaps the positive perceived outcomes of the ‘Come on Out and Enjoy Your Country by Air, Rail and Road’ campaign (identified in the previous section and indicated by an increase in passenger revenue) that encouraged the Malaysia Railway to improve the quality of its passenger services. It effectively replaced 40 percent of the Railway’s passenger coaches with 34 air-conditioned luxury-class passenger coaches, together with 53 non air-conditioned coaches in economy class. With the introduction of these coaches, the Malaysia Railway was able to provide two types of passenger services, economy and luxury (Economic Planning Unit, 1976, p. 359), to meet the specific needs of distinct consumer segments. (The rail route is showed in Figure 4.1).
4.4.4 Tourism Impact

The marketing activities identified in the Third Malaysia contributed to an increase in international arrivals and in domestic tourism activity. In terms of international arrivals, 1980 figures reflect a 1.37 percent increase over 1979, corresponding to an increase in average expenditure per tourist from MYR 243 in 1979, to MYR 299 in 1980 and explained by a 25 percent increase in tourism receipts (TDC, 1980b, p. 2). Since arrivals from Singapore accounted for almost 2 out of every 3 tourists (TDC, 1980b, p. 2), the importance of the Singapore market to Peninsular Malaysia is well illustrated. Figures for Singapore visitors to Sabah and Sarawak are unavailable during this period.

Consistent with increased tourist arrivals and greater demand for tourism services, the marketing programmes deployed during the period of this plan led to an increase in the hotel occupancy rate. This is in spite of the negative effects, in 1979, due to unfavourable events such as the introduction of cheap air-fares between Australia and the United Kingdom, the MAS industrial crises and the worldwide grounding of DC-10 aeroplanes. Arguably, the TDC’s aggressive domestic and international marketing activities were justified because the overall hotel occupancy rate still reached 62.2 percent for that year, an increase of 2.9 percent on 1978 figures (TDC, 1979a). Notwithstanding, the TDC recognised a negative impact on the international standard hotel occupancy rate, but this was more than compensated for by the increase in occupancy rates for budget hotels and the marketing focus on domestic regional markets (TDC, 1979b).
Finally, the assessment of the impact of tourism must acknowledge that the bureaucratic complexities and poor integration of planning and regulatory entities that led to sub-optimal tourism development during the Second Malaysia Plan still applied during the Third Malaysia Plan. As explained by Din (1982), the overlap of jurisdictions across regional development agencies, state economic development corporations, and other relevant government bodies were factors of instability. The TDC, for example, had little influence in state affairs, although much of its marketing and development strategies were focused on regional promotion. This resulted, for example, in inadequate fiscal inducements. The appreciable contributions to individual projects in backwards areas, mostly failed to attract investments from the private sector, and the TDC’s small budget (0.1 per cent of the total public development expenditure, a large portion of which was for promotional expenses) did not allow the provision of the required funds for individual projects at state level.

In addition to bureaucratic complexities and poor integration of planning and regulatory entities, Din (1982) identified problems in the implementation of the Tourist Development Plan (1975). The plan was based on poor projections of demand and failed to make specific recommendations with respect to funding and work schedules, which resulted in large discrepancies between actual and expected visitor arrivals.

4.4.5 Conclusion

The discussion of the Third Malaysia Plan substantiates its characterisation as one of continuity in several areas:−. First, in terms of the strategic marketing activities targeting international as well as domestic markets. Secondly, in terms of the development directions focused on balancing articulation of tourism demand expansion with the
availability of tourism infrastructure and attractions; third, in spreading the impact of
tourism to the whole country, by accounting for regional differences; and finally, in
terms of the inefficiencies and difficulties arising from inadequate regulatory systems
and from overly bureaucratic processes.

While the TDC’s four structural objectives also remained the same, this planning period
can be argued to have achieved positive outcomes, attracting a large number of foreign
arrivals and increasing their spending from MYR 618.9m in 1980 (TDC, 1980b). The
average length of stay also increased marginally from 4.7 nights in 1979 to 4.8 nights in
1980. Thus it can be concluded that with the right allocation of funds to promotion/
marketing activities and efficient spending, the TDC was able to achieve its objectives.
4.5. FOURTH MALAYSIA PLAN (1981-1985)

The government gave more priority to the tourism industry during the Fourth Malaysia Plan, recognizing its potential in redressing the adverse balance of payments. Well-planned marketing activities were performed in order to achieve the marketing objective.

4.5.1 Institutional Setting and Planning Process

The priority given by the government to the tourism industry was continued in the Fourth Malaysia Plan by following the four marketing objectives:

1. To increase foreign visitor arrivals;
2. To increase the average length of stay with a view to increase revenue from tourism;
3. To stimulate the growth of domestic tourism; and
4. To increase Malaysia’s share of the convention market.

With the gradual increase of foreign tourist arrivals in Malaysia, the TDC established a Cabinet Committee in 1985 consisting of a number of public sector agencies, to oversee appropriate development. This Cabinet Committee was responsible for investigating the problems faced by the industry, formulating guidelines and directions for development, and improving co-ordination between agencies (Economic Planning Unit, 1986).
4.5.2 Tourism Policy: Objectives and Demands.

The lingering effect of the world economic recession of 1983 forced the government to consider tourism alongside manufacturing industry to redress the adverse balance of payments. The TDC, with the participation of the private sector, addressed its promotional activities and infrastructure to achieving this end.

4.5.3 Tourism Decisions and Output

4.5.3.1 Marketing Strategy Directions and Activities

International Marketing Activities

The early 1980’s world economic recession (Moy, 1985) contributed to a decrease in arrivals from the European long haul market (especially France, Portugal, West Germany, Finland and Switzerland) and from medium-haul markets such as Australia and Hong Kong (TDC, 1983, p. 7). In order to mitigate the impact of the economic recession on international tourist arrivals to Malaysia, the TDC, MAS, the Ministry of Culture, Youth and Sport and the private sector jointly continued to implement promotional activities targeting countries in the ASEAN and European regions as well as Japan and Australia given their position in the top ten source markets for Malaysia (TDC, 1983, p. 26). Of a promotional budget of MYR 58.4 million, 17.7 percent was allocated to the ASEAN market, 29.0 percent to Europe, 23.0 percent to Japan (Economic Planning Unit, 1986) and the remainder for other markets. The marketing budget was distributed according to the marketing activities, most of
which (from sales missions to public relations and hospitality programm) were a continuation from the previous plan:

- A sales mission and a Malaysia Week festival targeting Australian tourists in an effort to project Malaysia as an attractive destination (TDC, 1983)

- The TDC participated in the World Travel Market in London (TDC, 1984)

- A sales seminar conducted for the European travel trade to raise the level of awareness of Malaysia. Participation included 28 travel agents/tour promoters/travel writers and journalists from England, West Germany, France and the Netherlands (TDC, 1983).

- Sponsoring a visit by a foreign travel writer and journalists so that they could publish articles on Malaysia in overseas newspapers, holiday magazines and other journals (TDC, 1983).

- A joint activity between the TDC and overseas tour operators to encourage these tour operators to market more packaged tours in Malaysia (TDC, 1983).

- TDC has retained the services of 4 public relations agencies in Malaysia, USA, the United Kingdom and Japan which responsible for providing support to the TDC’s initiatives and to ensure maintenance of a good liaison and rapport with the media. (TDC, 1983, p. 30, 1984).

- The ‘Vacational Malaysia’ theme that was use from 1982 until 1985 for international markets focused especially on short and medium-haul markets in an attempt to disguise the decline of the long haul market caused by the unfavourable worldwide economic situation.
Continuing to support the work of the public relations agencies and travel trades, the TDC distributed 5,410 black and white photographs and 5491 colour transparencies. It also produced a monthly guidebook, ‘Kuala Lumpur/Penang This Month’ containing information on places of interest, transportation services, accommodation, shopping, dining and events guides distributed to tourists visiting Kuala Lumpur and Pulau Pinang (TDC, 1983, p. 30, 1984). Other publications, such as TravelNews, featuring events and news in English and Japanese relating to tourism in Malaysia, were distributed to various travel agents and tour wholesalers/ operators, both locally and overseas. Both publications were part of TDC’s strategy to familiarize them with Malaysia attractions and facilities.

Additional to the TDC’s promotional efforts, the MAS also participated in promoting Malaysia as a holiday destination by spending USD 15.9 million on advertising and promotion (Economic Planning Unit, 1986). The investment made by MAS recognized the interdependent relationship between air transportation and the tourism industry. MAS also undertook joint-promotion with the TDC (Economic Planning Unit, 1986) such as sales missions to Australia, and representation of the World Travel Market (WTW) in London and the Food and Festival in Singapore (TDC, 1984). Most of these events targeted both trade and travel personnel and consumers.

Meeting, Incentive, Conventions and Exhibitions (MICE)

After the Third Malaysia Plan, the number of conventions held in Malaysia increased steadily from 98 in 1983 to 107 in 1984. The role of the TDC in upgrading the image of Malaysia as a convention destination was mostly the same as in the previous plan which was (1) providing technical assistance to various local organisers; (2) advertising in
selected printed overseas media regarding the convention infrastructure; and (3) participating in the ASEAN Tourism Forum (ATF) to promote the convention centre. Also within this plan (1983), Malaysia was once again named as the venue for a PATA conference, the 35th to be held in 1986 (RM5).

**Domestic marketing activities**

From the First Malaysia Plan to the Third Malaysia Plan, promotional activities by the TDC were largely directed toward the foreign rather than the domestic market. This lack of attention to domestic tourist had resulted in an increase in the number of Malaysian travelling abroad (Economic Planning Unit, 1986) especially to Singapore and Thailand. The increase of travelling abroad by the local accounting for expenditure of MYR 1,525 million in 1984 compared to MYR 807 million in 1980.

In line to promote domestic tourism, the TDC participated in various exhibitions to create a greater awareness among Malaysians of their own country’s attractions and events of potential interest, encouraging them to holiday in Malaysia. The exhibitions included the Expo International '83, the Wedding Delight Exhibition '83, the Sarawak Fair '83, the Reliance world Fair 1984 and the Holiday World Fair 1984. Other domestic marketing activities that were promoted within this period included participation in the Annual Drum Festival, the launching of the Handicraft Bazaar, the Kite and Gasing Festivals, the Merbuk Singing competition, the Malaysia Folk Hit Music, the TDC/Metro Jaya Lego promotion and the sport festival in Tanjung Bidara.
Recognizing the local residents’ preference for vacations abroad, from 1982 to 1984, the TDC used the theme Malaysia-Ku to foster national pride and encourage Malaysians to holiday locally. Around MYR 239,000 was spent in 1983 on this theme using print and television advertising (TDC, 1983) and the marketing budget was increased in 1984 by MYR 929,014 (TDC, 1984, p. 25). The theme was also used in the photography competition (Malaysia-Ku colour) to create awareness among Malaysians of their own country’s attractions both natural and man-made.

4.5.3.2 Tourist Infrastructure

The decline in the major long haul market that contributed to a decrease in hotel occupancy level and economic recession did not decelerate the development of hotel rooms. This can be showed by increases in the number of hotel rooms from 27,500 in 1980 to 40,400 in 1985 with a total investment of MYR 2,913 million (Economic Planning Unit, 1986, p. 399). Of all the new rooms constructed by the public and private sectors, 96 percent were built to international standards, with higher room rates than those of the budget hotels (Economic Planning Unit, 1986). The allocation of investments and incentives for hotel development was seen to favour the international standard hotels and as a result, it was seen to be neglecting domestic and budget-conscious foreign tourists (Economic Planning Unit, 1986, p. 402).

Although some Malaysians were starting to consider staying in hotels for holidays, most maintained the culture of staying with friend and relative. For this reason, Hong (cited in Din 1982), believed that high number of international standard hotels did not disadvantage the locals. As for the budget-conscious tourists, fewer
developments of medium-standard hotels led to a low level of interest in visiting Malaysia (Economic Planning Unit, 1986).

Recognising the vital role of the tourism industry, the government reduced electricity tariff rates for hotels to enable them to charge lower room-rates (Economic Planning Unit, 1986, p. 402) and thus to cater for budget conscious tourists. The government also launched a New Investment Fund in 1985 that totalled MYR 1,000 million to finance productive investments in three priority sectors including tourism (Economic Planning Unit, 1986, p. 402).

Shifting attention to transportation and communications infrastructure, Malaysia recognized that transportation was an essential attribute to encourage tourists to visit Malaysia. For instance, air transportation increased tourist arrivals from 7.2 million in 1980 to 10.9 million in 1985 (Economic Planning Unit, 1986) following a major expansion and modernisation of the two main airports. The Subang International Airport remained the main gateway for domestic and international arrivals. The terminal was renovated and facilities such as nose loaders, flight information systems, baggage handling systems and computerised navigational aids were upgraded to handle 2600 passengers during peak hours (TDC, 1983). This was almost comparable to the modern airports serving neighbouring countries such as Singapore, Thailand and Hong Kong (Economic Planning Unit, 1986). The other airport to be upgraded was Kuching Airport, in Sarawak, which was capable of catering for only 700 passengers during peak hours. New facilities, such as a nose loader, navigational aids and longer runways were invested (TDC, 1983) in a continuous effort to promote Sarawak to tourists. In 1985,
another new cargo complex was completed, capable of catering for the anticipated increased demand until 2000.

Improvements and upgraded facilities were also provided at several regional airports in Alor Setar, Kota Bharu, Kuala Terengganu, Kuantan, Langkawi, Miri and Sandakan (Economic Planning Unit, 1986). The upgraded facilities successfully showed an increase in tourist arrivals from 3,109,106 in 1985 to 10 221,582 in 2000 (TDC, 2009).

Although Malaysia invested in improving its airports accessibility, the main Subang International Airport still lagged behind in establishing itself as a major traffic centre for geographical and historical reasons. This resulted in a less air traffic between Malaysia and overseas countries compared with the larger concentration of international air traffic at the three neighbouring centres of Singapore, Bangkok and Hong Kong (Economic Planning Unit, 1986, p. 401). In addition to the limited capacity and fewer direct flights from overseas, it restricted foreign arrival in travelling to distinctive domestic holiday destinations.

Another developments in the tourist infrastructure was the upgrade and increase of the road network reducing travel time and improving safety standards (TDC, 1983). The road network covered the federal, state and municipal areas by 1985, it comprised 42,330 km, an increase from 28,870 km in 1980 (Economic Planning Unit, 1986, p. 429). This increase in the road network improved the balance in the distribution of wealth from tourism.
4.5.4 Tourism Impact

The marketing strategies of the Fourth Malaysia Plan helped the tourism industry to grow 30 percent higher than the targeted of 6.6 per cent, corresponding to the total of 2.25 million tourist arrivals in 1980 and increasing to 3.22 million in 1985 (Economic Planning Unit, 1986). The ASEAN region provided the main source of tourist arrivals to Malaysia in 1985, accounting for 78.7 percent of total tourist arrivals (Economic Planning Unit, 1986). In 1985 the government eased the entry regulations for travellers from the ASEAN region; as a result, Singapore had the highest percentage of tourist arrivals in Malaysia, with 86 per cent, followed by Thailand with 11.9 per cent. Japan contributed an increase in tourist arrivals of 9.4 percent per annum (Economic Planning Unit, 1986, p. 400). The Japanese tourists emerged as having the highest propensity to spend, recording a per capita expenditure of MYR 1,267 in 1985, followed by tourists from Australia and New Zealand with MYR 1,199, and United Kingdom with MYR 1,135 (Economic Planning Unit, 1986, p. 397).

Regarding domestic tourism, expenditure was similar to the previous plan. Most travelling Malaysian expenditures were allocated to transportation, food and beverages consumption and shopping, rather than to accommodation.

Shifting attention to length of stay and hotel occupancy rates, the lingering effects of the world economic recession in 1983 did not significantly affect tourist arrivals in Malaysia since the ASEAN market was making up for the declining of tourists from the long-haul European market and from medium-haul markets (Australia
and New Zealand). However, there was a very marginal decline in the length of stay from 4.7 nights in 1983 (TDC, 1983) to 4.5 nights in 1985 (TDC, 1986a). When Malaysian’s are concerned, the average length of stay in hotels also declined marginally, from 1.7 to 1.6 nights between 1981 and 1985 (TDC, 1985, p. 31).

Similar to length of stay, the occupancy rate in hotel accommodation shows a falling trend from 64.4 per cent in 1980 to only 55.0 per cent in 1985. This may be justified because the lack of significant growth in foreign tourist arrivals occurred at a time when Malaysia was increasing hotel room capacity, as discussed in the context of the previous plan, and due to poor accessibility and service (Economic Planning Unit, 1986; TDC, 1983). In order to reduce excess-capacity, the government allowed lower electricity tariff rates in 1985, which enabled hotels to charge lower room rates.

Despite the effort made by the TDC and MAS to promote Malaysia as a tourist destination, Malaysia was still relatively unknown. The reason for this lack of awareness was poor publicity through the mass media resulting in a lack of knowledge (particularly among the local residents), about the tourist resources and facilities available in Malaysia. The low participation from the private sector also contributed to this condition. Because of the limited efforts by the federal government and private sector, several state governments actively promoted the country as a holiday destination, with emphasis on their own state (Economic Planning Unit, 1986).
4.5.5 Conclusion

The period of the Fourth Malaysia plan was affected by the global recession of the early 1980s which, resulted in a reduction of the long-haul and medium-haul arrival markets. Relatively poor results from the marketing activities implemented to target foreign travellers resulted in a negative impact in occupancy rate and length of stay, prompting the government to take measures leading to room prices reductions, in a bid to attract domestic customers. Perusal of the plan also suggests a negative effect in the country’s balance of payments, cause by a drop in foreign currency earnings (due to a decrease in foreign arrivals), allegedly combined with foreign exchange outflow from local residents travelling abroad (Government of Malaysia, 1986). Notwithstanding, there were important positive outcomes afforded to Malaysia by the tourism sector. One major area involves increased room capacity and improved transport and communications infrastructure, enabling accommodation of increased future demand. Other important areas include increased job creation, a more skilled workforce through hospitality training and greater domestic awareness of Malaysia as a holiday destination for Malaysians, through marketing activities focused on promoting Malaysia’s resources, both natural and man-made.

Relative to the specific objectives of the TDC as identified in the First Malaysia Plan, foreign visitor arrivals did not increase during the Fourth Malaysia Plan, with similar negative outcomes in terms of average length of stay and revenue earnings from tourism. The outcome in terms of domestic tourism growth is inconclusive and the intent to increase Malaysia’s share of the convention market has again been subject to any specific programme. Given that this plan refers to a time of global crises, a
comparative approach to performance by competitor countries could lend some clarity to assessing how well the Malaysia’s tourism sector actually performed. Such analysis is beyond the scope of this thesis.
4.6 FIFTH MALAYSIA PLAN (1986-1990)

Malaysia has a wide variety of tourism resources available to support the development of a tourism industry. These resources need to be developed selectively, taking into consideration the interests and preferences of potential tourists. With the Fifth Malaysia Plan, the TDC became more focused on its short and medium- term marketing strategies and identified different sections of the international market.

4.6.1 Institutional Setting and Planning Process

During the Fifth Malaysia Plan, on 20 May 1987, the TDC was placed under a new ministry (the Ministry of Arts, Culture and Tourism (MOCAT). Funded by the government, MOCAT was a quasi-autonomous organisation, with a board of directors drawn from both private and public sectors (Sausmarez, 2007). Its primary role was to formulate Malaysia’s tourism policies, but it was also responsible for policy implementation, coordination and overall tourism administration (Tan, McCahon, & Miller, 2002), including a regulatory role in the industry that extended to the provision of basic infrastructure facilities (Daud, 2002). Policies were implemented through State Economic Development Corporations, which were also responsible for state industrial policy (Sausmarez, 2007) although the TDC’s role remained as stated in the Tourist Development Corporation Act 1972.

The formation of MOCAT occurred at a time when commodity prices were at one of their lowest points and Malaysia had just gone through a serious recession (Chon, et al., 1997).
4.6.2 Tourism Policy: Objectives and Demands

The federal government policy objective for tourism in the Fifth Malaysia Plan was to increase employment and regional development using tourism as a tool for regional integration and unity, and reducing the deficit in the services account of the balance of payments.

4.6.3 Policy Decisions and Output

4.6.3.1 Marketing Strategy Directions and Activities

For the Fifth Malaysia Plan, the TDC deliberately became more focused in its marketing by formulating short and medium term marketing strategies. The strategies were identified by Tourism Malaysia (1990, p. 11) as follows:

- Concentration on resources through market segmentation
- Strengthening linkages with major tour wholesalers and operators both domestically and internationally
- Sustained media saturation
- Appropriate image building activities
- Establishing linkages with airlines and charter operators
- Cooperation in bilateral and multi-lateral organisations including ASEAN and PATA,
- Participation in selected fairs and exhibitions
- Creating a presence in various markets through an equitable marketing mix
- Creating a rapport with travel trade writers, journalists and film producers.
These marketing strategies were created to achieve TDC’s objective to increase international tourist arrivals and spending, to increase Malaysia’s share of the convention market and finally to stimulate growth in domestic tourism (TDC, 1987).

The TDC divided the international market into primary and secondary markets based on the following criteria:

- Above average awareness of Malaysia;
- Citizens with the desire to travel and a positive travel attitude and preference;
- High purchasing power due to strong currency;
- Good airline accessibility (airline capacity, flight frequency and airfare) between two countries;
- Government policies on travel restrictions.

Table 4.3 shows the results of this division.
Table 4.3: The Classification of Source Countries According to Market Categories for the Fifth Malaysia Plan.

<table>
<thead>
<tr>
<th>Primary</th>
<th>Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>France</td>
</tr>
<tr>
<td>Singapore</td>
<td>Italy</td>
</tr>
<tr>
<td>Japan</td>
<td>West Asia</td>
</tr>
<tr>
<td>Australia</td>
<td>India</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Canada</td>
</tr>
<tr>
<td>West Germany</td>
<td>Austria</td>
</tr>
<tr>
<td>USA</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Thailand</td>
<td>Benelux</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Scandinavia</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Switzerland</td>
</tr>
<tr>
<td>South Korea</td>
<td>Brunei</td>
</tr>
</tbody>
</table>

(Tourism Malaysia, 1990, p. 12)

Since the budget allocation for the tourism industry was limited, this classification of the market was necessary in order to decide how much exposure and frequency of the marketing mix (international offices, promotion, advertising and public relations) was to be given to each country.

**International Marketing Activities**

**International Offices**

The TDC expanded its operations into four new markets (Perth, Paris, Taipei and Vancouver) with two sales representatives in each, thereby increasing the total of its overseas offices to twelve (TDC, 1989a). The selection of these overseas markets resulted from the increasing number of tourists from these countries into Malaysia. The existence of these centres would assist the TDC in disseminating travel related
information (TDC, 1989a) as well as maintaining good relationships with overseas markets that would later enhance the Malaysian image (TDC, 1990).

Publicity and PR

Hospitality Programme

In 1987, the TDC launched a ‘hospitality bank’ to which all sectors of the Malaysian travel industry namely, the TDC, State Tourism Authorities, MAS, hotels, tour operators and car rental agencies contributed their services to host more than 500 travel writers and TV crews (TDC, 1987). This collaboration was to complement marketing and promotional activities to gain marketing objectives.

Advertising

The ‘Only Malaysia’ campaign introduced in the previous plan in late 1985 (Fourth Malaysia Plan) and maintained in the Fifth Malaysia Plan until 1987, clearly illustrated the existing attractions that only Malaysia could offer. The selection of the ‘Only Malaysia’ theme was based on the following factors:

**Only Malaysia** shares common borders with all ASEAN countries, namely Brunei, Indonesia, the Philippines, Singapore and Thailand.

**Only Malaysia** lies at the heart of Asia with Malays, Chinese, Indians and others races together forming a thriving multi-racial community.
Only Malaysia presents such a wide spectrum of cultures, scenic wonders, cuisines, entertainment and endless tropical beaches that more than two-thirds of first-time visitors are prompted to revisit.

Only Malaysia offers tourists a true picture of the real Asia at a glance.

(TDC, 1987)

The ‘Only Malaysia’ theme was used in primary and secondary markets with the former markets such as Japan, Australia, Thailand, Hong Kong/Taiwan and United Kingdom receiving a combination of television and print advertising (TDC, 1987). Secondary markets such as Germany and USA had either television or print advertising. The constraint of advertising budgets in the secondary market was due to high entry costs for all the marketing and promotion activities and fewer arrivals from this market (TDC, 1987).

In 1990, the TDC switched its marketing concept from promoting the whole country’s attractions to focusing on one ‘event’ (Tourism Malaysia, 1995b). For this campaign the TDC continued to use the 1988 advertising theme ‘Fascinating Malaysia’ for both domestic and international/regional markets (TDC, 1989a, 1990). This campaign highlighted Malaysia as a country endowed in tradition, art, food, shopping, culture and other touristic attractions (Tourism Malaysia, 1993, p. 16). Around MYR 20 million was spent on advertising campaigns with MYR 2 million allocated to enhancing the domestic tourism market and a total of MYR 18 million allocated to international tourism in 1990 (TDC, 1990, p. 23). This is MYR 15.6 million less than the figure for the previous year, which was MYR 35.6 million. In the previous year, MYR 2.1 million
was invested in domestic tourism and MYR 33.5 million was allocated for international tourism (TDC, 1989a, p. 17).

The reduction in the advertising budget was probably in response to the economic recession that occurred in 1990 (Tourism Malaysia, 1990, p. 3). Although the advertising campaign budget for 1990 was reduced, the total arrivals and expenditure by tourists was 54 per cent greater than in the previous year (TDC, 1990) and greatly exceeded the expectations of the TDC. The increase may have been due to the ‘Visit Malaysia Year 1990’ with Singapore advertising Malaysia as part of its package holidays (Aznam, 1990) and a focused advertising campaign by the TDC (Tourism Malaysia, 1995b). Besides tailoring the promotion specifically to a certain market (Tourism Malaysia, 1990), the active role and contribution from all sectors of the tourism industry, government departments and agencies, organisers of events as well as the general Malaysian public also contributed to the increase in tourists and the success of ‘Visit Malaysia’ (Tourism Malaysia, 1992b). Promotional activities included a computerised Tourism Information Hotline, run by volunteers from the Kelab Cinta Malaysia (Love Malaysia Club) that provided free information on hotels, transportation and places of interest. In addition a special police unit was formed to patrol tourist sites and give on the spot assistance to foreign tourists (Aznam, 1990). This cooperation of all agencies and the Malaysian public was considered a step forward in the success of the short and medium-term strategies.
Promotion

In promoting Malaysia to foreign markets, the TDC continued to cooperate with other government departments, MAS, foreign airline companies, tour operators, hoteliers and private sector organisations (TDC, 1989a). This cooperation between all stakeholders was essential to ensure the attractiveness of the package offered compared to those of neighbouring countries. With each agency offering support, the TDC could assist overseas tour operators in planning and marketing tour packages to Malaysia. The TDC also granted financial assistance for printing and advertising purposes (TDC, 1989a).

Meeting, Incentives, Conventions and Exhibition (MICE)

The 35th PATA Annual Conference held in April 1986 was a major success for Malaysia as the total number of delegates exceeded the early projection of 2,000, at 2528 (TDC, 1986b). The success of this conference was due to several factors such as:

- Large investment on promotion by the TDC to encourage attendance at the PATA Conference.

- Mobilisation of all available resources to make a lasting impression of Malaysia on the delegates.

Malaysia benefited much from the success of PATA as it enhanced awareness and international media publicity.

The effort to increase the number of international and regional conventions was continued. Malaysia saw the economic benefits of its role as a convention centre. For
instance, the per diem expenditure of conference delegates was USD 426.00 per person compared to the USD 108.00 for tourists (TDC, 1987, p. 11). In 1989, the TDC embarked on an advertising campaign focused exclusively on its convention facilities and opportunities in markets such as the United Kingdom, the USA, Australia and Germany. The convention planner and organiser were supplemented with pamphlets on convention facilities and a video entitled ‘Convening in Malaysia’.

Other roles such as the provision of tour brochures to assist in planning pre and post conference tours, and assistance in matters pertaining to entry formalities for informants were similar to the previous plan. As a result of this continuous effort, in 1989, a total of 339 conventions were held in Malaysia with 98,700 delegates (TDC, 1989a); these figures increased to 407 conventions with 118,498 delegates in 1990 (TDC, 1990).

**Domestic marketing activities**

With the assistance of government and local tour agencies, the TDC carried out various promotional activities to further intensify awareness of Malaysian destinations among domestic tourists. One of these promotional activities was a twin advertising campaign of which the first was the ‘Great Value Holiday’ campaign heavily oriented toward price and destination awareness (TDC, 1987). These campaigns shared a similar theme ‘This is where I really want to be’ focused on boosting pride in the country, a declaration that Malaysia was the best place for everyone to take their holiday (TDC, 1987).
The TDC also organised the Malaysia Fest held in Kuala Lumpur (TDC, 1989a). This annual event was launched in 1987. By 1990 it was considered as part of the TDC’s objective to introduce Malaysian traditional cultural and local cuisine to both domestic and foreign visitors (TDC, 1989a). However, the seasonal holiday trend of domestic tourists meant that the development of domestic tourism was considered to be only partially tapped (Economic Planning Unit, 1991).

4.6.3.2 Tourism Infrastructure

The Government recognised that the development of tourism required more than just hotel developments. In 1986, the Investment Act of 1969 was revised to provide incentives and tax allowances to encourage the private sector, which had previously concentrated only on hotels, to construct both accommodation and non-accommodation categories (such as safari parks, zoos, recreation centres and children’s playgrounds) (Economic Planning Unit, 1986, p. 404). Within the Investment Act, one of the several incentives that was granted was a reduction in service tax by 5 per cent to 10 per cent on hotels and restaurants in order to lower the tourists’ expenses (Economic Planning Unit, 1986, p. 405). Others focused on catering for budget conscious travellers; before the revision of the Investment Act in 1986, the incentives gave priority to developing international standard hotels which led to an abundance of hotel supply and a shortage of medium-standard accommodation to cater to the budget-conscious travellers (Economic Planning Unit, 1986). For this reason, two types of economy-priced accommodations were developed; lodging houses and rest houses (Economic Planning Unit, 1986). A minimum standard of facilities with the architecture, design and décor incorporating the Malaysian character was to be met by the eligible investors (Economic Planning Unit, 1986). Among other incentives revised under the Fifth Malaysia Plan
were Pioneer Status (tax reduction given to a hotel within the five year period) and Investment Tax Credit which was able to offer up to 100 per cent on capital expenditure (Economic Planning Unit, 1986, p. 405). ‘The incentives are only available to companies corporate under the Companies Act, 1965 and registered with TDC’ (Economic Planning Unit, 1986, p. 405).

As a result, the number of hotel rooms increased from 35,720 in 1985 to 45,032 in 1990 with the occupancy rate registering a increased trend from 50 per cent in 1985 to 73 per cent in 1990 (Economic Planning Unit, 1991). The increase in the occupancy rate was also due to the ‘Tahun Melawat Malaysia’ Year 1990 campaign promoted by Malaysia Tourism (Economic Planning Unit, 1991).

In addition to developing and expanding the number of hotel rooms, the government established programmes that focused on destinations such as Kuala Lumpur, Pulau Pinang, Kota Kinabalu and Kuching. The concentration on these urban areas especially Kuala Lumpur and Pulau Pinang was because they accounted for some 69 per cent of total tourist arrivals (Economic Planning Unit, 1986, p. 406). A pollution control project was also implemented in this period particularly for the Pulau Pinang beaches (Economic Planning Unit, 1986).

In terms of Malaysia’s attractions, the TDC has upgraded and promoted historical and cultural sites, handicrafts and national park with better access and accommodation.

Malaysia recognized the importance of accessibility in increasing tourism and upgrading and improving services became a continuous aim of government. MAS, for

The effort to increase the number of international tourist arrivals was aggressively undertaken by encouraging charter flights from foreign countries. The ongoing project of upgrading existing facilities (Economic Planning Unit, 1991) with the reciprocal open skies policy attracted charter flights from Canada, Japan, Germany and Yugoslavia increasing access from these countries (Economic Planning Unit, 1991). Singapore International Airlines (SIA) and its subsidiary ‘Tradewind’ was one of the airlines given approval to increase flight frequency to Pulau Langkawi, Pulau Tioman, Kota Kinabalu and Kuching as accessibility to these remote areas was still difficult (Economic Planning Unit, 1991).

In terms of domestic travel and accessibility, MAS upgraded and increased its frequency and capacity of flights to primary tourist destinations in Peninsular Malaysia as well as Sabah and Sarawak. To complement the network of MAS, in 1988, Pelangi Air extended its services to several tourist destinations such as Pulau Tioman, Melaka, Kuala Tahan, Kuala Terengganu, Kertih, Pulau Pinang and Kuantan.

The continuous effort to expand and upgrade services attracted 10.3 million passengers in 1985 increasing to 17.3 million in 1990. The number of international passengers nearly doubled, from 3.6 million in 1985 to 6 million in 1990 (Economic Planning Unit, 1991).
In terms of transportation, in line with Visit Malaysia Year 1990, Malayan Railway launched a Legendary Langkawi Tour and Kenong Rimba Park Adventure Tour programmes for international tourists. In order to encourage the inflow of tourists from Singapore and Thailand which provided the largest numbers from ASEAN countries, Malaysia eased regulations at these entry points (Economic Planning Unit, 1991).

4.6.4 Tourism Impact

The marketing strategies implied in the Fifth Malaysia Plan had to several outcomes for Malaysia tourism development such as:

**Foreign Exchange Earnings**

The foreign exchange earnings from tourism increased significantly within this period, contributing to the improvement in the services account of the balance of payments. Gross receipts from foreign tourism grew by 24.5 per cent per annum during the period, from MYR 1,500 million in 1985 to MYR 4,500 million in 1990. The increase of foreign receipts reflected the positive effects of tourism on the balance of payments, although it was offset by the large outflow from outbound travel by Malaysians increasing from MYR 2,800 million in 1985 to MYR 4,000 million in 1990 (Economic Planning Unit, 1991, p. 234). This encouraged the TDC to implement its two-pronged strategy of increasing foreign tourist inflow, while at the same time promoting domestic tourism to reduce foreign outflow in the future.
Regional Imbalance

Oppermann’s (1992b) study of the spatial structure of tourism in Peninsular Malaysia found differences between the various tourist regions. The government appeared to concentrate more on the West Coast of Peninsular Malaysia than on the East Coast in terms of tourism infrastructure (international standard hotels, shopping facilities and cultural diversity). The unresponsive approach from the private sector to construct more infrastructure in the East Coast of Peninsular Malaysia also contributed to the regional imbalance (Chon, et al., 1997). Thus, international tourists tended to flock to West Coast areas such as Kuala Lumpur, Penang and Malacca that could offer wider variety of tourism resources than the East Coast areas. This imbalance of the tourism infrastructure led to an income disparity between the regions (Oppermann, 1992b) and opposed the main objective stated in the Tourism Master Plan.

Destination Image

Previously, the marketing campaign’s was to make potential tourists aware of the whole country’s attractions. However, from 1990, the TDC recognized the importance of focusing on one image alone, as the previous projected image of diversity actually contributed to a vague identity of Malaysia (Tourism Malaysia, 1995b). As this shift in emphasis was still in its initial phase, Malaysia still seemed to have an issue with its vague image at this time (Tourism Malaysia, 1995b).
Inconsistent Advertising Claim

Aznam (1990) noticed inconsistent advertising claims (especially from the private sector) of what Malaysia could offer and the effect on foreign tourists perception of Malaysia. This was supported by Musa (cited in Wong (1990) who stated that the product promoted by Malaysia to international tourists was not properly set up as the product on sale before the necessary laws, management plans, facilities and manpower had been put in place. Musa (2000) also argued that Malaysia had a tendency to promote an image and product that the country was largely unable to deliver once the tourists arrived. A false image would result in tourists’ dissatisfaction with their experience of Malaysia.

Accessibility

The improvement and upgrade of the international airports with the open skies policy did not attract all the non-Asian carriers to Malaysia. Aznam (1990) found that most non-Asian carriers still preferred to fly to Singapore rather than Kuala Lumpur or to Malaysia’s three other international entry points (Penang, Kota Kinabalu and Kuching) (Aznam, 1990), as Singapore was known as the top international gateway in the region (Li, 1998). Even when the non-Asian carriers had access to Malaysian skies, they tended not to use it as Singapore Airlines already flew from Singapore to Kuala Lumpur 14 times a day. Only ASEAN carriers used the Malaysia air access rigorously as the demand for direct flights from ASEAN capitals to Kuala Lumpur was rising. Even the direct flights were insufficient, according to Aznam, there were only 11 direct flights a week from Jakarta and 23 from Bangkok. The dependency of non-Asian flights on Singapore as their hub and Singapore Airlines as their shuttle to Malaysia could affect
Malaysia’s aim to become known in other countries. The insufficient number of direct flights from ASEAN countries to Kuala Lumpur also contributed to the moderate number of tourist arrivals in Malaysia.

4.6.5 Conclusion

The relocation of the TDC from the Ministry of Trade and Industry to MOCAT was the starting point for better planning and implementation of marketing strategies. In comparison with the previous plan, the fifth marketing strategy was more organized and better planned, as the marketing strategies were divided into short and medium term. As a result, by the end of this plan, the TDC has successfully achieved all its four objectives.

Although the TDC claimed to have achieved a 30 percent increase in foreign tourist arrivals over the previous plan, the increase was actually more moderate. Thus the TDC was advised to improve certain aspects of its marketing strategies such as air travel, advertising consistency, image, regional balances and skilled human resources.

The TDC’s efforts to create a distinctive Malaysian image among foreign tourists were only partly successful as they still projected a confusing image. Instead of promoting Malaysia’s main strength, the TDC appeared to focus on a variety of destinations or attractions presenting a confused picture to foreign tourists regarding the image and identity of Malaysia. Thus in the Sixth Malaysia Plan, the government selected image as one of the objectives of its tourism policy.

4.7.1 Institutional Setting and Planning Process

In order to strengthen the tourism industry, on 1st May 1992, the TDC was dissolved and replaced by the Malaysian Tourism Promotional Board (MTPB) which was also known as Tourism Malaysia and was placed under MOCAT (Tourism Malaysia, 1992a). The functions of Tourism Malaysia were different from the TDC, which had been established by the Tourist Development Act 197; the remit of Tourism Malaysia was determined by the Malaysia Tourism Promotion Board Act 1992 (Tourism Malaysia, 1992a) which gave it autonomy for promotion, marketing and financial planning at both the domestic and international levels (Anonymous, 1997; Tan, et al., 2002). In addition to promotion, marketing and financial planning, the MTPB was involved in developing and coordinating tourism facilities and amenities, and was accountable for encouraging wholesale and retail travel agents in all important foreign tourist-generating markets in promoting and selling tour packages to Malaysia (Tan, et al., 2002). Therefore, MOCAT could act as a unifying force that coordinated activities undertaken by the various organisations and agencies (both public and private) that
participated in stimulating the demand for Malaysia as a travel destination (Tan, et al., 2002 10).

With the enforcement of the Malaysia Tourism Promotion Board Act 1992, the Domestic Tourism Division was formed to replace the Enforcement and Facilitation Division (Tourism Malaysia, 1992a). Through this division, Tourism Malaysia intensified its efforts to develop the country’s domestic tourism industry by instilling interest in Malaysians to travel within the country in order to reduce currency outflow (Tourism Malaysia, 1992a).

**4.7.2 Tourism Policy: Objectives and Demands**

Much constructive criticism was made of the first Tourism Master Plan (1971-1990), which was prepared mainly under the advice of foreign consultants in the absence of local tourism expertise at that time (Khalifah & Tahir, 1997). Therefore, the formulation of the second Tourism Master Plan which covered the period 1991 to 2000 was intended to provide broader planning, development and marketing. In addition to the Tourism Master Plan, in 1992 the Ministry of Tourism published the National Tourism Policy that built upon natural and cultural themes. This policy aimed to strengthen Malaysia’s image and identity, extensively marketing and promoting activities to attract domestic and foreign tourism, hand in hand with environmental protection and preservation of natural resources. As the result of this policy, Tourism Malaysia expected to increase international tourist arrivals and spending, to increase Malaysia share of the convention market and finally to stimulate the growth of domestic tourism.
4.7.3. Tourism Decisions and Output

The mass tourism strategy that was adopted in the first five plans resulted in a confused image of Malaysia among potential tourists. In order to overcome this problem, more focused marketing strategies were introduced; Destination Marketing Strategy (1991-1994) and Destination Marketing Strategy (1995-1997).

4.7.3.1 Marketing Strategy Directions and Activities


A shift in marketing strategy from selling Malaysia as a whole to a specific product campaign was implemented in 1990 to overcome the vague image problem and to respond to market changes (Tourism Malaysia, 1995b). Nevertheless the issue of a vague image remained unsolved. A study conducted by Mohamed (2006) showed that the tourism image of Malaysia was compared to those of its ASEAN neighbours, namely Singapore, Thailand and Indonesia among 120 Japanese travel agencies. He concluded that Malaysia’s conflicting images, the promotion of an ever-changing image and a different image promoted at the state and federal levels contributed to the dilution of Malaysia’s international tourism image abroad. The problem with this strategy was that no single distinct product could reflect the true image of Malaysia (Tourism Malaysia, 1997b). As Runyon (1977, p. 21) pointed out ‘…the degree to which the brand is accepted or rejected is governed by the strength and nature of the brand image’ (p. 21).
The issues of mass tourism also contributed to the concept of the product itself which emphasised quantity rather than quality and failed to consider customer preferences, resulting in serious competition from other destinations (Ministry of Tourism, 2004) and attempt to manipulate the market by price reduction. As stated by the Ministry of Tourism (2004), ‘To overcome such competition, many of the service providers have adopted the strategy of lowering their prices thus resulting in a diminishing profit margin. With less profit, even less is used to repair and maintain the resorts and attractions which are the mainstay of the whole tourist package being offered for sale’ (p. 21). For this reason, instead of retaining the mass tourism strategy, Malaysia realised the need to build its image by focusing on a product-based marketing strategy in order to influence targeted perceptions, choices and behaviour. By doing so, Malaysia could start to offer high-quality niche products as opposed to ‘one size fits all’ packages and high spending tourists (Ministry of Tourism, 2004).

As mentioned above although Malaysia was beginning to focus its campaign, the image was still vague. Tourism Malaysia therefore readdressed its marketing campaign in 1995 (Tourism Malaysia, 1995b).

**Destination marketing strategy (1995)**

The 1995 marketing campaign was part of a three-year destination marketing strategy (1995-1997). Eight destinations were introduced, each with its own Unique Selling Point (USP) or potential niche products (attractions) intended to meet the needs of the identified market (Tourism Malaysia, 1995b). By recognising the USP of the destination, Tourism Malaysia could direct its marketing campaign more accurately.
The match between destination and USP is illustrated in Table 4.4.

### Table 4.4: Unique Selling Points for Eight Destinations

<table>
<thead>
<tr>
<th>Destination</th>
<th>Unique Selling Point (USP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuala Lumpur</td>
<td>Shopping</td>
</tr>
<tr>
<td>Penang</td>
<td>Food</td>
</tr>
<tr>
<td>Langkawi</td>
<td>Island Resort</td>
</tr>
<tr>
<td>Pangkor</td>
<td>Beach Resort</td>
</tr>
<tr>
<td>Malaka</td>
<td>History</td>
</tr>
<tr>
<td>Taman Negara</td>
<td>Adventure</td>
</tr>
<tr>
<td>Kota Kinabalu</td>
<td>Nature</td>
</tr>
<tr>
<td>Sarawak</td>
<td>Culture</td>
</tr>
</tbody>
</table>

Source: Tourism Malaysia (1995b, p. 3)

Other than the specific USPs of the eight destinations, Tourism Malaysia also identified other saleable attractions that could be packaged and promoted to potential tourists as shown in Table 4.5.

### Table 4.5: Destination Package Attraction

<table>
<thead>
<tr>
<th>Destination</th>
<th>Saleable Attraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penang</td>
<td>Sea, Sun and Sand, Cultural and City tour</td>
</tr>
<tr>
<td></td>
<td>Sea, Sun and Sand, Shopping, Legends, Snorkelling, Local Lifestyle</td>
</tr>
<tr>
<td>Langkawi</td>
<td>Culture, City and Local Lifestyle</td>
</tr>
<tr>
<td>Melaka</td>
<td>City Attractions, Events and Culture</td>
</tr>
<tr>
<td>Kuala Lumpur</td>
<td>Nature Attractions, Events and Culture</td>
</tr>
<tr>
<td>Kota Kinabalu</td>
<td>Sea, Sun and Sand, History, Local Lifestyle</td>
</tr>
<tr>
<td>Pangkor</td>
<td>Nature Adventure, Culture and Scenery</td>
</tr>
<tr>
<td>Sarawak</td>
<td>Nature Adventure and Scenery</td>
</tr>
<tr>
<td>Taman Negara</td>
<td></td>
</tr>
</tbody>
</table>

Source: Tourism Malaysia (1995b, p. 4)
The Market Selection

The limitation in funds and resources, led Tourism Malaysia to be selective in its marketing activities. It identified and segmented its markets according to five main criteria which: the economy of the country, accessibility, the strength of its currency, responsiveness toward Malaysian marketing activities and whether there was a travel restriction policy or regulation (TDC, 1987; TDC, 1989b; Tourism Malaysia, 1990). The results are shown in Table 4.6.
### Table 4.6: Market Criteria for the Market Category

<table>
<thead>
<tr>
<th>Market Category</th>
<th>Market Criteria</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engine</td>
<td>• Extremely high level of awareness of Malaysia&lt;br&gt;• Historically has been the main and consistent tourist generator&lt;br&gt;• High rate of repeat tourist&lt;br&gt;• Convenient and inexpensive to travel with high travel desire&lt;br&gt;• Increased purchasing power due to strength of currency and high level of economic growth&lt;br&gt;• Extremely good accessibility for Foreign Independent Traveller (FIT) and Group Independent Traveller (GIT)</td>
<td>• Singapore&lt;br&gt;• Domestic travellers</td>
</tr>
<tr>
<td>Primary</td>
<td>• Above average or high level of awareness of Malaysia&lt;br&gt;• High propensity and right attitudes to travel amongst the population&lt;br&gt;• Strength of currency and good economic growth performance&lt;br&gt;• Good trade linkage and trade network with a good number of Malaysian packages distribution outlets</td>
<td>Developed Market: Thailand, Japan, Taiwan, Australia, United Kingdom and Hong Kong&lt;br&gt;Developing market: Germany, Korea, Indonesia, USA and France</td>
</tr>
<tr>
<td>Secondary</td>
<td>• Lower than average awareness of Malaysia&lt;br&gt;• Strong currency but low desire to travel to Malaysia due to travel attitudes and preferences&lt;br&gt;• Limited airline accessibility and low level trade linkage&lt;br&gt;• High cost promotional and advertising activities&lt;br&gt;• Small population base or too dispersed.</td>
<td>• Italy&lt;br&gt;• Canada&lt;br&gt;• Benelux&lt;br&gt;• New Zealand&lt;br&gt;• Austria&lt;br&gt;• Middle East.</td>
</tr>
<tr>
<td>New</td>
<td>• High potential for economic growth&lt;br&gt;• Large population base&lt;br&gt;• Increasing standard of living with growing number of middle and upper-class categories</td>
<td>• India&lt;br&gt;• China&lt;br&gt;• Russia</td>
</tr>
</tbody>
</table>

Source: Tourism Malaysia (1995b, p. 7)

Tourism Malaysia realized that each market category required a different strategic approach in order to maximise the impact of the marketing effort. Therefore, a marketing strategy was developed to cater for each of the market categories. Tourism Malaysia also focused on a specific market approach, matching selected market
preferences (reflected in the consumer profile) with three of the eight destinations mentioned before (Tourism Malaysia, 1995b). The strategy of matching the specific market with destinations was similar to the findings of Tahir (1994) that concluded that tourists from different regions will have differ travel motivations. The strategy of matching the specific market with the destination is illustrated in Table 4.7.

Table 4.7: Destination Attractions for Selected Market

<table>
<thead>
<tr>
<th>Market</th>
<th>Profile</th>
<th>Destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>City tours, beach resorts, shopping and soft adventure</td>
<td>Pangkor, Melaka, Taman Negara</td>
</tr>
<tr>
<td>Hong Kong, Taiwan, Korea</td>
<td>City tours, culture, shopping (duty free), beach resort, soft adventure</td>
<td>Sabah, Langkawi, Melaka</td>
</tr>
<tr>
<td>Japan</td>
<td>Culture, shopping, bargains, clean beach resort</td>
<td>Kuala Lumpur, Langkawi, Penang</td>
</tr>
<tr>
<td>Europe</td>
<td>Adventure (German), Beach resort</td>
<td>Langkawi, Sabah, Sarawak</td>
</tr>
<tr>
<td>America</td>
<td>City tours, culture, soft adventure, business</td>
<td>Taman Negara, Sarawak, Kuala Lumpur</td>
</tr>
<tr>
<td>Oceania</td>
<td>Culture, shopping, soft adventure</td>
<td>Taman Negara, Penang, Kota Kinabalu</td>
</tr>
<tr>
<td>Middle East</td>
<td>Culture, shopping, tours, beaches</td>
<td>Kuala Lumpur, Pulau Pangkor</td>
</tr>
</tbody>
</table>

Source: Tourism Malaysia (1995b, p. 15)

4.7.3.1.1 Marketing Activities

Prior to 1990, the marketing campaign was to create general awareness of Malaysia with its various attractions. Themes such as ‘Only Malaysia’, Beautiful Malaysia’, ‘Magical Malaysia’ etc clearly indicated the marketing objective to promote the whole country’s attraction (Tourism Malaysia, 1995b). These marketing campaigns successfully attracted 41.1 million international tourists with MYR 17,800.6 billion tourism receipts from 1974 to 1989.
Following the success of Visit Thailand Year 1987 Malaysia implemented its inaugural ‘Visit Malaysia Year 1990’ campaign (Chon, et al., 1997, p. 82). This campaign was the starting point for switching from a broad attraction approach to a more event-focused one, in order to increase tourist interest and propensity to travel to Malaysia. This approach was then developed as shown in Table 4.9 (Tourism Malaysia, 1995b).

Table 4.8: Malaysia Theme Campaign from 1990 to 1994

<table>
<thead>
<tr>
<th>Year</th>
<th>Theme</th>
<th>Slogan</th>
<th>Focus Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>Visit Malaysia 1990</td>
<td>Fascinating Malaysia</td>
<td>Events/Festivals</td>
</tr>
<tr>
<td></td>
<td>Slogan</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fascinating Malaysia</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Focus Subject</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Events/Festivals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991/1992</td>
<td>Slogan</td>
<td>Fascinating Malaysia</td>
<td>Nature/ Nature Based Activities</td>
</tr>
<tr>
<td></td>
<td>Focus Subject</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nature/ Nature Based Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992/1993</td>
<td>Slogan</td>
<td>Fascinating Malaysia</td>
<td>Nature/ Nature Based Activities</td>
</tr>
<tr>
<td></td>
<td>Focus Subject</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nature/ Nature Based Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(For the trade, focus was on Visit Malaysia Year 1994)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993/1994</td>
<td>Theme</td>
<td>Visit Malaysia 1994</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Slogan</td>
<td>Fascinating Malaysia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Focus Subject</td>
<td>Events and Festivals</td>
<td></td>
</tr>
</tbody>
</table>

Source: Tourism Malaysia (1995b, p. 2)

Tourism Malaysia saw the potential of venturing into the nature and environment concept known as ‘Eco-tourism’ as the selling point for Malaysia in 1991 as there was increasing worldwide demand at this time. The nature theme was also being further expanded to encompass conservation, environment and heritage. (Tourism Malaysia, 1991, p. 7). Other tourist appeals such as culture, food, shopping, sport and recreation would still be recognized, together with the existing focus subject.
However in 1991, Malaysia’s tourist arrival were estimated at 5.8 million, a decrease of 21.5 per cent from the previous year (Malaysia Tourism Promotion Board, 1991). The decrease was due to the outbreak of the Gulf War, which led to a higher fuel prices and increased cost of air travel. This epidemic caused the overall international tourist arrivals to decrease especially from the USA, Australia and Japan as their governments and media gave some adverse publicity toward Malaysia (Tourism Malaysia, 1991). For instance; the US State Department issued a Travel Advisory Notice to all potential travellers to avoid visiting Malaysia. This was as a result of a bomb alert at the America Airlines office. The Australian media published news regarding Malaysia’s intention to send 300,000 troops to fight alongside Iraq; and finally, the Japanese media emphasised Malaysia as a Muslim country (Tourism Malaysia, 1991, p. 2).

Cavlek (2002) noticed that all disasters can impede the flow of tourists not only to the afflicted destination, but that crises such as war, terrorism, or political instability had a further psychological negative effect on potential tourists who were planning vacations. This applies not only during the crises, but also in the period following it. Therefore, in Malaysia’s case, in order to counteract the impact of the Gulf War on Malaysia’s tourism industry, the TDC shifted its strategy from generating tourist interest to informing or reassuring travel intermediaries and consumers about the safety and security situation in Malaysia. The TDC also utilized its public relations and publicity strategy to rectify the adverse reporting on Malaysia (Tourism Malaysia, 1991, p. 2).

Overall the marketing strategy implemented in 1991 and 1992 was a continuation of the 1990 strategy (Tourism Malaysia, 1992b, p. 4). The only adjustment was the advertising strategy toward the major market (Tourism Malaysia, 1992b, p. 2) The continuity of the
marketing strategy even in the crises situation meant that Tourism Malaysia did not radically amend its marketing plan (Tourism Malaysia, 1992b, p. 4), showing that the government and private sector did not put any extra effort in the promotional campaign to gain back the market (Malaysia Tourism Promotion Board, 1991).

Malaysia declared 1994 as another Visit Malaysia Year (VMY) The promotional programme planned for this VMY was a continuation of the 1992 marketing strategies with a focus on quality and value-for-money (Tourism Malaysia, 1993, p. 15). The selection of these quality and value-for-money strategies were due to the recession that made the market shrink increasing the competition from both old and new destinations (Tourism Malaysia, 1994, p. 2) The image of Malaysia was also expanded from beach, island, nature and adventure jungle land (before 1994) to a year round festival and event oriented, peaceful destination (a strategy to soften the negative affect of the Gulf War) and friendly people with a unique culture to attract the niche market (Tourism Malaysia, 1994, p. 8). This strategy was also to ensure Malaysia’s position at the top of tourist destinations (Tourism Malaysia, 1993, p. 16).

In tandem with Visit Malaysia 1994, Tourism Malaysia designed an advertising campaign for both intermediaries (trade) and consumers. A trade awareness campaign (push strategy) supported the domestic and international intermediaries in selling VMY 94 packages to their consumers, highlighting the various packages offered by Tourism Malaysia (Tourism Malaysia, 1993, p. 16). This trade campaign lasted for only 5 months (August-December 1992) as by January 1993, the advertising campaign for consumers (tourists and potential tourists) took place informing them of the events being organised for 1994 (Tourism Malaysia, 1993, p. 16). Tourism Malaysia
emphasised consumers rather than the trade because the former were becoming more independent in their holiday decision making relying less on travel agents recommendations (Tourism Malaysia, 1994, p. 2). The vigorous promotion of the Visit Malaysia campaign resulted in increasing the flow of tourist arrivals by 10.7 per cent over 1993’s (6,503,860) with a total of MYR 8.3 billion a 63.8 per cent growth in 1994 (Malaysia Tourism Promotion Board, 1994).

Tourism Malaysia’s campaign (1990 to 1994) adequately fulfilled the marketing objective particularly in arrivals and revenue growth despite the war in 1991. ‘However, the issue of vague image projection still remains unsolved’ (Tourism Malaysia, 1995b, p. 2).

Based on the feedback from various sectors including the Malaysian and overseas trade practitioners and Tourism Malaysia’s branches, Tourism Malaysia decided that the 1995 marketing campaign should be ‘conducted on the basis of the strength of the destination product’ (Tourism Malaysia, 1995b). This marketing campaign continued to use the previous ‘Malaysia Fascinating Destination’ campaign slogan and introduced eight destinations (Tourism Malaysia, 1995b).

INTERNATIONAL MARKETING ACTIVITIES

International Offices

In line with the new target markets, six new overseas offices were established, Johannesburg, Seoul, Stockholm, Osaka, Milan and New York. With this addition, there were 18 Tourism Malaysia overseas offices to assist with promotional activities such as
dissemination of information, participating in exhibitions, organizing seminars and workshops and introducing travel packages to Malaysia (Tourism Malaysia, 1995a).

**Publicity and PR**

**Hospitality Programme**

Tourism Malaysia would continue with the Hospitality Bank Programme initiated in 1987 and this complemented the promotion and advertising to gain maximum exposure of Malaysia (Tourism Malaysia, 1995b).

**Advertising**

The 1995 creative advertising approach was based on the eight destinations promotional concept, reflecting the Unit USP of each identified destination and advertising in print, and electronic and outdoor media (Tourism Malaysia, 1995b).

**Print advertising**

For the international market, nine creative advertising approaches were used in magazines and newspapers with each of the eight destinations USPs being the subject. Of these nine creative advertisements, eight were developed for the consumer, and one for trade (Tourism Malaysia, 1995b). The advertisement for trade combined all eight destinations USPs into one with the tagline ‘As much as possible for as little as possible (If that sounds like your client, send him to us)’. The aim of this creative advertising was to project Malaysia as a whole with the orientation toward the price and consumer demand (Tourism Malaysia, 1995b).
Electronic Advertising

Television and radio advertising took place only in Japan and the United Kingdom, probably because of the existing high level of awareness toward Malaysia as a destination. Since both markets had difference preferences, the Japanese TV ads featured Langkawi and Kuala Lumpur, whilst for the UK the focus was on Sarawak. Both were 30 second commercials (Tourism Malaysia, 1995b).

Radio commercials were produced only for the UK market, featuring all eight destinations but promoted under three subject groups as follows:

- **Cities:** (Kuala Lumpur, Malacca, Penang)
- **Adventure:** (Sarawak, Taman Negara, Kinabalu)
- **Beach Resort:** (Langkawi, Pangkor)

Outdoor Advertising

Three billboard advertisements were produced for the USA market focusing on Taman Negara, Sarawak and Kuala Lumpur, the destinations identified for the US market.

Mobile advertisements were used in Singapore on 8 SBS bus bodies featuring the destinations, on each side of the bus.

The outdoor advertisements appeared in 3 different periods targeting different market:-

- March to April - to capture the summer holiday tourists.
- August to September - to capture the winter holiday tourists.
• Two to three months before the travel -to capture the short and medium-haul market.

Promotion

By acknowledging the profile of each market, Malaysia designed its image to meet market preferences. Such efforts could be shown in the organization of the annual ‘Shopping Carnival’ with full participation and cooperation from the outlets. In order to ensure the success of the carnival, Tourism Malaysia introduced and implemented the ‘Tourism Malaysia Recognized Establishment Scheme’ which reduced the import duties on consumer products in all participating shops so that they could provide competitive prices and quality services to achieve Malaysia’s objective of becoming one of the main attractive shopping destinations (Tourism Malaysia, 1992a). The scheme contributed to an increase in tourist expenditure on shopping from MYR 751.5 million in 1990 to MYR 2,463 million in 1995 (Economic Planning Unit, 1996). In addition, other special events such as the Flora Fest, Malaysia Fest the Langkawi International Maritime and Aerospace (LIMA) Exhibition and the International Interteam Golf of Malaysia were promoted (Economic Planning Unit, 1996). The contribution of the private sector in building a number of theme parks in the Klang Valley, Genting Highlands and Langkawi also diversified the products (Economic Planning Unit, 1996). These intensive promotion activities undertaken contributed to the 50 per cent increase in tourist arrivals, more than was achieved by the Fifth Malaysia Plan.
Meeting, Incentives, Convention and Exhibitions (MICE)

The benefit from international conference encouraged Tourism Malaysia to continue to promote MICE in this plan. Convention delegates were estimated to spend at least five times more than the normal tourist (Tourism Malaysia, 1995b, p. 27). For this reason, a more focused objective for MICE was introduced in 1995, to promote longer stays and to concentrate on four specific markets: Europe, Japan, USA and Asia. These markets had been involved with Tourism Malaysia’s convention activities in the past and had ready contacts.

In order for Tourism Malaysia to achieve its international conference objectives, several marketing activities were applied such as participating in Malaysian trade visits, advertising in a lifestyle and business magazine in the selected markets, attendance at international promotions, production of promotional materials, frequent updates on conference development and activities, trade servicing and sales calls and bidding (Tourism Malaysia, 1995b).

Domestic marketing activities

Hall (1997) noticed that domestic tourism was considered equally important as the international tourism in Visit Malaysia 1994. In promoting Malaysia as a destination to the domestic market, Tourism Malaysia spent around MYR 2 million on print, electronic and billboards advertising. The advertisements used four approaches reflecting the eight destinations with their relevant USPs. These advertisements were used on 120 billboards in strategic sites across the nation, particularly along the North-South Highway (Tourism Malaysia, 1995b).
The themes of these creative advertising approaches were described in Bahasa Melayu, believed to lure more domestic holidays:

- ‘Keseronokan Percutian di Pulau-Pulau Indah’ (joys of vacationing in beautiful islands)
- ‘Kuala Lumpur, Pusat Bandar Membeli-belah’ (Kuala Lumpur, a shopping paradise)
- ‘Melaka Menarik Pelancong Sejak Berkurun’ (Historical state of Melaka)
- ‘Tak Putus Keseronokan Bila Percutian Terancang’ (Unending fun of a planned vacation)

Source: Tourism Malaysia (1995b)

The first three themes highlighted the attractions of specific destination’s, whilst the fourth suggested that domestic tourists needed to plan their holiday carefully in order to get the most out of it.

4.7.3.2 Tourism Infrastructure

Promotion activities alone would not assure the success of the tourism industry, so the government approved a MYR 8,801 million budget during the Sixth Malaysia Plan period, a more than three-fold increase from the MYR 2,602 million allocated during the Fifth Malaysia Plan for hotel and tourism-related projects (Economic Planning Unit, 1996). The government also established a special fund involving around MYR 200 million given to those eligible in constructing small and medium-sized tourism related projects, such as improvement to tourist facilities, construction and renovation of hotels and motels (Economic Planning Unit, 1991). By the end of 1995, about MYR 206.1
million had been utilized to finance 182 tourism-related ventures, MYR 6.1 million more than expected.

Malaysia recognised that the insufficient number of medium priced hotels for domestic and international budget-conscious tourists could jeopardise its aim to achieve higher tourist arrivals. Therefore, the government allocated the sum of MYR 100 million in 1994 (Ministry of Tourism, 2004) to construct homegrown chain hotels with a Malaysian identity, managed by the Rangkaian Hotel Seri Malaysia Sdn. Bhd. A total of 15 medium-priced hotels, rated three stars and below, with a total room capacity of 1450 were located in various states; Johor, Kedah, Negeri Sembilan, Pahang, Perak, Pulau Pinang, Selangor and Terengganu. The government also introduced a new type of medium–priced accommodation known as the homestay programme in Johor, Kedah, Kelantan, Pahang, Perak, Pulau Pinang and Selangor that enabled tourists to stay with local families (Economic Planning Unit, 1996) and enabling them to experience the uniqueness of Malaysian culture³ (Bank Negara Malaysia, 2008, p. 157). This homestay programme allowed small operators from rural communities to participate in the expanding tourism industry (Bank Negara Malaysia, 2008; Economic Planning Unit, 1996, p. 157). The ministries responsible for planning and implementing the homestay programme were the Ministry of Tourism, the Ministry of Rural and Development and the Ministry of Agriculture.

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³ The homestay programme in Malaysia was not new to the tourism industry as it began in the early 1970. The homestay locations were normally near tourist destinations and the product offered was usually only accommodation, although some homestay operators extended their service as tourist guides. Although the programme made a positive contribution to tourism, it did not extend to contributing to foreign exchange earnings (Ibrahim & Razzaq)(Ibrahim and Razzaq from KPMG)
Accessibility, a vital factor in the development of tourism, was further improved and upgraded. Air links were enhanced by MAS through an increase in its services to 92 destinations spanning six continents, compared to 46 destinations in the previous plan (Economic Planning Unit, 1996). During the sixth plan, 18 air agreements were signed with countries including Hungary, Laos, Mexico, South Africa, Spain and Venezuela, bringing the total number to 68. Flight frequencies and seat capacities, from 14 countries were increased. MAS also introduced flights to new destinations such as Buenos Aires, Johannesburg, Madrid, Mexico City, Munich, Osaka, Rome and Vancouver, increasing the number of long-haul tourists to Malaysia. In addition, direct and regular international charter flights were encouraged to designated tourist destinations such as Johor Bahru, Kuantan, and Langkawi. New landing strips were built at Pulau Pangkor in Perak and Taman Negara Mulu in Sarawak to facilitate easy access to these popular holiday resorts. Facilities at various airports, particularly the Kuala Lumpur International Airport at Subang, Johor Bahru, Langkawi, Pulau Pinang and Sibu were further upgraded, enabling easy access to these locations (Economic Planning Unit, 1996).

The tourism industry was given a further boost with improvements in land and sea transportation. The 847 km North-South Expressway linking Bukit Kayu Hitam in Kedah near the Malaysian-Thai border to Johor Bahru improved land accessibility and reduced travel time substantially 25 to 30 per cent per kilometre to tourist destinations along the West Coast of Peninsular Malaysia (Economic Planning Unit, 1996). The availability of related facilities along the Expressway, such as service areas, information centres and visa points, further promoted domestic tourism and increased inbound tourist arrivals from Singapore and Thailand to the Peninsular area especially between
the cities. Rail travel, as an alternative mode of transportation for tourists, was made more convenient through improvement in the schedules and quality of the service. In 1995, a total of 213,657 tourists reached the country by rail. The Eastern and Oriental Express, a luxury train service linking Singapore, Kuala Lumpur and Bangkok, introduced an innovative tourist experience for travellers in search of leisurely and comfortable overland tours. The ferry services between Tanjung Belungkar, Johor and Changi, Singapore provided a new entry for tourists, while the upgrading of ferry services between Kuala Kedah, Kuala Perlis and Langkawi further promoted Langkawi as a tourist destination (Economic Planning Unit, 1996).

4.7.4 Tourism Impact

The impact of marketing strategies implemented in the Sixth Malaysia Plan were as follows:

Tourist Arrivals and Expenditure

Although several strategies were implemented in 1995, the performance of the industry increased only moderately compared to the previous year due to rapid changes in travel patterns in several of Malaysia’s markets (Tourism Malaysia, 1997b). The industry recorded total tourist receipts of MYR 31.2 billion, more than two fold increase over the Fifth Malaysia Plan (Economic Planning Unit, 1996) with total tourist arrivals of 7,468,749 international tourists, a growth of 3.8 per cent. This achievement was however below the target of 7,936,000, with a shortfall of 467,251 or -5.9 per cent (Tourism Malaysia, 1997b). The average per capita expenditure in 1995 however increased by 6.5 per cent to MYR 1,228.4 as compared to MYR 1,153 in 1994, the average per diem expenditure increased by 6.2 per cent to a total of MYR 252.9 in
1995, from MYR 240.0 in 1994 (Tourism Malaysia, 1997b). This might be due to an increase in the average length of stay from 4.5 to 4.8 nights (Economic Planning Unit, 1996). The increase in tourist expenditure fulfilled one of Tourism Malaysia’s objectives.

**Domestic tourism**

The development of medium-priced hotels, and attractions with promotions to cater for domestic tourists were seen to have little impact as Malaysians still preferred to have overseas holiday. According to Sadi and Bartels (1997), this preference was for several reason 1) lack of suitable accommodations at affordable prices within the country 2) lack of adequate infrastructure for many attractions and 3) lack of pride in local attractions. In 1995, around USD 2.3 billion was spent overseas; by comparison, foreign tourists spent USD 3.5 billion in Malaysia. This contributed to Malaysia’s current account deficit, which was 6.2 per cent of GNP in 1994 and 9 per cent in 1995.

**Unbalanced regional development**

The regional development in West Coast and East Coast Peninsula Malaysia continued to be unbalanced, since the private sector preferred to invest in the West Cost region. Although there was a collaboration between the private sector, the TDC and various States Economic Development Corporation (SEDC) in building hotels in the 1980s, few development projects were carried out by the private sector in later year (Khalifah & Tahir, 1997). The lack of development on the East Coast resulted in tourist arrivals in this area in 1994 being as low as 1 million, compared to the West Coast’s estimated total of 8.6 million hotel guests.
Other regional imbalances continued to exist between urban and rural areas, although the government encouraged rural development to balance incomes with those in urban areas. The image of the rural sector at this time was backward and lagging, and needing to be transformed into something unique, attractive and of high value. Thus the Ministry of Rural Development Malaysia suggested diversification and development of rural products in natural resources industry and eco-tourism, agro-tourism and aqua-tourism (Hassan, Badarulzaman, & Ali, 2006, p. 233).

### 4.7.5 Conclusion

In comparison to Singapore and Thailand, Malaysia’s image was still vague despite well-planned destination marketing activities (1991-1995). This hazy image might have been because of Tourism Malaysia’s promotion of Malaysia as a destination with diversify attractions such as city, island, beach, culture and shopping so that it could cater for the preferences of all its target markets. This indicates that the implementation of a marketing strategy with a strong, clear image was partially unattainable. As for achieving the marketing objective of increasing tourist arrivals and receipts arrivals in the Sixth Malaysia Plan increased by 3.8 per cent double that of the previous plan.

The development of medium priced hotels and aggressive advertising and promotional activities for domestic tourists also seems to have had little impact on Malaysian holiday destinations, as local people still preferred to have overseas holidays. The increase of outbound tourism contributed to an increase in the current account deficit in 1995.
4.8 SEVENTH MALAYSIA PLAN (1996-2000)

The marketing strategy implemented in the Sixth Malaysia Plan indicated that the TDC had become more organized in planning and implementation, as shown by the destination products and services that were created to meet tourist preferences with a focus on quality and value. The concept of quality and value were expected to become part of Malaysia’s new image and to separate the country from its competitors.

For the Seventh Malaysia Plan, the Tourism Malaysia proceeds to implement an adjusted version of the marketing strategy developed for the Sixth Malaysia Plan. The focus of this strategy was on enhancing the image of Malaysia globally.

4.8.1 Institutional Setting and Planning Process

There were no changes to take into account regarding the institutional setting and planning process.
4.8.2 Tourism Policy: Objectives and Demand

Under the new tourism policy strategy (RM7), Malaysia continued with some adjustment, the previous strategy, as well as introducing a new strategy to enhance the image of the country as a highly diversified and competitive tourist destination. The strategy included:

- To diversify into new products and services to cater for the varying demands and interests of international and domestic tourists;
- To ensure more effective promotion and marketing for both the foreign and local market
- To encourage private sector investment and participation in innovative tourism products as well as special projects and events
- To increase the involvement of the local population, especially small entrepreneurs, in the development of distinct and localized tourism products and services
- To provide and facilitate access into and within the country
- To focus on formal as well as on-the-job skills training in order to meet the rising demand for manpower.

This policy followed the four marketing objectives that were adapted from the previous plan.
Malaysia’s awareness of the need for sustainability also lead to the National Eco-tourism Plan, prepared by a leading environmental NGO, the Worldwide Fund for Nature Malaysia (WWF Malaysia). This plan contained strategies and guidelines for the development and management of eco-tourism in Malaysia, based on the principle of sustainability. Of the five sections of the plan, (Section 1- Issues, strategies and action planning, Section 2- Site listing, Section 3- Development guidelines, Section 4- Status of eco-tourism, Section 5- Malaysia’s position in the Asia Pacific Region), Section 3 was considered to be the most comprehensive and specific, while yet being seen as a blueprint rather than a strategic policy document.

4.8.3 Tourism Decisions and Output

4.8.3.1 Marketing Strategy Directions and Activities


Destination Marketing Strategy (1996 to 1997)

As discussed under the previous plan, Malaysia developed a three-year marketing strategy starting from 1995 (Sixth Malaysia Plan) until 1997 (Seventh Malaysia Plan). The strategy was designed to promote and guide the growth of the tourism industry so that the image of Malaysia could be enhanced in major market areas (Tourism Malaysia, 1997b). This strategy was designed to meet market changes (Tourism Malaysia, 1997c, p. 2). The positive result of promoting the eight destinations in 1995 and 1996 encouraged the TDC to expand to new destinations, namely Johor Bahru, Kenyir,
Danum Valley and Tasik Bera in 1997. The selection of these four new destinations aimed to meet the diverse needs of tourists, particularly of those coming from mature markets. In the same year, Tourism Malaysia decided that the new destinations would focus on recreation and nature-based tourism in order to be in line with the national policy that placed eco-tourism high on its tourism agenda (Tourism Malaysia, 1998c, p. 6). Tourism Malaysia realised that the increasing environmental trend among its potential market could affect the selection of holiday destinations (Tourism Malaysia, 1994) and this new categorisation of the four destinations with their USP shown in Table 5.9:

<table>
<thead>
<tr>
<th>Destination</th>
<th>Unique Selling Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johor Bahru</td>
<td>Recreational activities including shopping, dinning,</td>
</tr>
<tr>
<td></td>
<td>entertainment and sport</td>
</tr>
<tr>
<td>Tasik Bera</td>
<td>Wetland-based eco-tourism</td>
</tr>
<tr>
<td>Kenyir</td>
<td>Recreations and adventure</td>
</tr>
<tr>
<td>Danum Valley</td>
<td>Forest ecology-based eco-tourism</td>
</tr>
</tbody>
</table>

Tourism Malaysia (Tourism Malaysia, 1997c, p. 14)

Redefining Market Categorization

Market segmentation and prioritisation formed a very important strategy in tourism marketing as Malaysia had a very limited financial resource. In the previous marketing plan (RM 6), four categories of markets were ranked in order of priority: engine, primary group, secondary and potential group. However, the market was refined in 1997, taking on a product-based marketing approach (Tourism Malaysia, 1997b).
While the same market categories would be maintained, the placement of markets (country) under those categories would be redefined, with some countries being upgraded to primary markets and others downgraded to secondary markets. The top market category would be redefined to reflect priority within primary, secondary and potential markets.

Tourism Malaysia took six factors into consideration in determining market categorisation; the outcome is shown in Table 4.10

1. Markets’ past performance in terms of arrivals to Malaysia
2. Market size in terms of population and economy
3. Accessibility in terms of distance, travel time, airline frequencies and capacity
4. Overseas travel propensity
5. Market characteristics in terms of travel preferences
6. Potential for Malaysia


<table>
<thead>
<tr>
<th>Primary Market</th>
<th>Secondary Market</th>
<th>Potential Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>U.S.A</td>
<td>India</td>
</tr>
<tr>
<td>Thailand</td>
<td>South Korea</td>
<td>Russia &amp; CIS</td>
</tr>
<tr>
<td>Japan</td>
<td>Germany</td>
<td>South America</td>
</tr>
<tr>
<td>China</td>
<td>Sweden</td>
<td>West Asia</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>France</td>
<td>Indo-China</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Canada</td>
<td>Philippines</td>
</tr>
<tr>
<td>Brunei</td>
<td>South Africa</td>
<td>Eastern Europe</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Italy</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>Benelux</td>
<td></td>
</tr>
</tbody>
</table>

Source: Tourism Malaysia (1997b, p. 16)
In order to maximise the impact of Malaysia’s limited marketing budget, each category was further classified into a ‘focus market’ from its primary market. The ‘focus market’ showed historical evidence of being the main generator of arrivals, consistent arrival growth and good revenue return (Tourism Malaysia, 1996b). Compared to 1996, the 1997 ‘focus market’ was more concentrated and was classified under two categories (focus within primary and focus within potential markets). The classification of the ‘focus markets’ in 1997 is shown in Table 4.11.

Table 4.11: The Classification of Focus Group for 1997

<table>
<thead>
<tr>
<th>Focus within Primary Markets</th>
<th>Focus within Potential Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>India</td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
</tr>
<tr>
<td>Brunei</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td></td>
</tr>
</tbody>
</table>

Source: Tourism Malaysia (1997b, p. 16)

The classification of the market was expected to increase tourist arrivals and maximise the impact of the limited budget within a year of economic crises. The success of this approach, however, required a regular update and expansion of the market database (Tourism Malaysia, 1997b).

The 1997 focus market concept was continued in the 1998-2000 strategy (Malaysia Tourism Promotion Board, 1998, p. 20), concentrating on the ASEAN and East Asia countries (Tourism Malaysia, 1997b, p. 9). Chon et al., (1997) stated that the intensive promotion in East Asia, especially in China in this Seventh Malaysia Plan was because this market showed potential growth despite minimal promotion by Tourism Malaysia up to this time. Australia and India were also included they as they showed an encouraging increase tourist arrivals (Tourism Malaysia, 1997b, p. 9).

This widening of the market segment to include medium and high-spending categories with a continuation of diversifying tourism base concept (such as shopping, sport, eco-tourism) were the focus of the marketing strategy for 1998, together with the promotion of Malaysia as a MICE destination, in a year of Sports and Recreation (Tourism Malaysia, 1998b).

Tourism Malaysia believed that the product-based strategy had improved its image in the eyes of tourists, giving a clear understanding of what Malaysia could offer compared to its neighbours. Although the 1995 marketing strategy resulted in a positive outcome, several adjustments were made for the 1998 strategy, largely because of the cost of advertising in 12 destinations individually. In the new strategy, the 12 destinations were grouped under five main attractions as shown in Table 4.12:
Table 4 12: Destination Categorization

<table>
<thead>
<tr>
<th>Attraction</th>
<th>Destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td></td>
<td>Johor Bahru</td>
</tr>
<tr>
<td>Resort</td>
<td>Penang</td>
</tr>
<tr>
<td></td>
<td>Langkawi</td>
</tr>
<tr>
<td></td>
<td>Pangkor</td>
</tr>
<tr>
<td>Nature</td>
<td>Taman Negara</td>
</tr>
<tr>
<td></td>
<td>Kota Kinabalu</td>
</tr>
<tr>
<td></td>
<td>Kenyir</td>
</tr>
<tr>
<td></td>
<td>Danum Valley</td>
</tr>
<tr>
<td></td>
<td>Tasik Bera</td>
</tr>
<tr>
<td>History</td>
<td>Melaka</td>
</tr>
<tr>
<td>Culture</td>
<td>Sarawak</td>
</tr>
</tbody>
</table>

Malaysia Tourism Promotional Board(1998, p. 15)

After regrouping the destinations under the attractions, Tourism Malaysia introduced the contrast concept (Malaysia Tourism Promotional Board, 1998) where city was combined with nature in remote areas (Tourism Malaysia, 1998b, p. 7). The contrast concept was implemented since Tourism Malaysia realised that a single attraction did not really reflected the true image of Malaysia (Malaysia Tourism Promotional Board, 1998). The ‘Contrast’ concept can be shown as follow:

CONTRAST between City and Resort
CONTRAST between City and Nature
CONTRAST between City and History
CONTRAST between City and Culture
This new image of Malaysia was promoted in all mainstream marketing activities and advertising (Malaysia Tourism Promotion Board, 1998).

**Marketing Activities in a Crises Situation**

The decrease in inbound tourists in 1997 due to the economic, political and haze crises forced Tourism Malaysia to hold a meeting with several associations in October of that year to discuss the effect of haze on the tourism industry and to propose the best way to solve the problem (Tourism Malaysia, 1998b). Proposed recovery strategies included the appointment of an international public relations agency to deal with the adverse reports published by the international media. Special committees were also set up; the Quick Hit Committee was chaired by Tourism Malaysia with the role of boosting foreign tourist returns to Malaysia while the Recovery Plan Strategy Committee was responsible for formulating a recovery plan after the haze cleared (Tourism Malaysia, 1998b, p. 12). Cooperation with other members of the tourism industry such as hotel and travel agencies in hospitality activities were also intended to help balance reports on the haze (Tourism Malaysia, 1998b, p. 12).

In addition to this recovery strategy, the promotional campaign for the 12 destinations (Tourism Malaysia, 1998b, p. 7) was aligned with the ‘Year of Sports and Recreation’ (YSR) that was used to promote Malaysia as a centre for sports and recreation. The YSR campaign had the same function as ‘Visit Malaysia’ (Musa, 2000) and was a continuation of the previous strategy to position Malaysia as an event based tourism destination (Malaysia Tourism Promotion Board, 1998, p. 18). This campaign was planned to last from 1998 to 2000 (Malaysia Tourism Promotion Board, 1998). The main reason for promoting the sports and recreation market was to strengthen and
position Malaysia’s image as an international destination, and also to attract some of the huge numbers of sporting event followers from around the world (Silk, 2002). The XVI Commonwealth Games acted as an anchor for the YSR (Tourism Malaysia, 1998c), attracting an estimated 70 participating countries, 60 000 overseas visitors and a worldwide television audience of 500 million (Hashim, 1997). Malaysia also spent a total of MYR 200 million on promotion (Chik, 1998) and MYR 561 million on a stadium and other infrastructure (Silk, 2002). Although the existing stadium and swimming complex were perfectly adequate for staging the Games, new facilities were built to impress the international audience and to symbolise the achievement of the present government (Silk, 2002). With full coverage from the countries involved in the Commonwealth Games, Malaysia hoped this event would boost tourist arrivals and enhance the country’s image.

Unfortunately, the event was unable to attract the expected number of tourists as Malaysia was listed by the USA as a country subject to terrorism activity. The warning was made after the bombings in Kenya and Tanzania which killed 250 people (Musa, 2000, p. 149). In addition to the warning about terrorism, Malaysia has its own political issues with riots and demonstrations for reform in Kuala Lumpur in response to the ill-treatment by the police of the previous Deputy Prime Minister, Anwar Ibrahim when he was in detention (Musa, 2000, p. 149). In January 1998, the National Economic Action Council (NEAC) was therefore set up as a consultative body to the Malaysian cabinet to deal with the crises (NEAC, 2002). NEAC, whilst not focusing on the tourism sector itself, did have input from a tourism sub-committee representing both the private and public sectors (Sausmarez, 2004).
By the end of 1998, the marketing strategy implemented in that year, had still not attracted more tourist arrivals, the numbers slipping to 10.8 million from 12.5 million in 1997 (Tourism Malaysia, 1998c). This decrease corresponded to a 70 per cent decrease in the intra-regional share with Singapore, Thailand and Indonesia (Tourism Malaysia, 2000b, p. 5). Besides the political issues in Malaysia, political unrest in Indonesia and the haze-related problems in the regions further aggravated of the situation.

With economic recovery in many key countries in Asia by 1999 (Tourism Malaysia, 2000b), Tourism Malaysia introduced a number of new marketing strategies to boost tourist arrivals. One was a tactical approach venturing into new niche products like eco and agro-tourism, cruises, sports, education and health tourism integrated with 12 destinations. (Tourism Malaysia, 2000a) These diversified products were needed to attract the potential market share that was not affected by the economic crises, (Musa, 2000) such as China, India, the Middle East, Hong Kong, Taiwan, Australia and the USA (Tourism Malaysia, 2000b, p. 9). The strategies to widen tourism product other than as a holiday destination and a shift in the market segment toward these unaffected countries were recommended by (NEAC) (Tourism Malaysia, 1999a, p. 18, 1999b). Tourism was considered to be one of the sectors that could help Malaysia to recover from the crises (Malaysia Tourism Promotion Board, 2000, p. 23).

The devaluation of the Ringgit due to the economic crises was seen by Malaysia as an opportunity to attract foreign tourists especially from long haul markets (Europe, the United Kingdom, Australia, New Zealand, and the USA). Although the crises was considered as an opportunity to attract more foreign tourists to Malaysia, there was stiff competition especially from Thailand and Bali (Malaysia Tourism Promotion Board,
Since these destinations were better known and had attractive promotional campaigns and packages (Malaysia Tourism Promotion Board, 1999, p. 20) targeted at the same European market (Musa, 2000, p. 150) this opportunity was largely lost. This backdrop made Tourism Malaysia see that powerful tourism branding was essential, introduced the ‘Malaysia Truly Asia’ campaign as its international brand (Malaysia Tourism Promotion Board, 2000, p. 25) in October 1999, representing the culture diversity that other countries lacked. The campaign was continued into 2000.

Marketing Activities

International Marketing Activities

In line with the ‘Malaysia Truly Asia’ campaign, Tourism Malaysia implemented several marketing strategies to attract other potential markets. For instance; to attract the Indian and Chinese market, the Immigration Department empowered Tourism Malaysia, Malaysia Airline offices and certain leading Indian and Chinese travel agents to issue Malaysian tourist visas at the request of MOCAT (Sausmarez, 2007). For the Middle East market, Tourism Malaysia opened offices in Jeddah and Dubai. These strategies, along with an investment of MYR 150 million for promotion (approximately half of the promotional budget was spent in the potential markets), represented a fourfold increase on previous funding (Economic Planning Unit, 2001). Tourism Malaysia also used a public relations strategy (Sausmarez, 2004) to rectify the distorted image of Malaysia, setting up its own website in March 1998 (Tourism Malaysia, 1999a). The setting up of the Tourism Malaysia website enabled tourists to seek information regarding the destination’s attraction, events and festivals that were planned in that particular year. According to So and Morrison (2010), Malaysia websites effectively applied the five
marketing principles suggested by Parson, Zeisser and Waitman (1998) to attract users, engage users’ interest and participation, retain users and ensure their return, learn about users preferences and relate back to users to provide customized interactions. Buhalis (2000a, p. 97) indicated that the website was perceived to reduce costs compared to traditional marketing media. New technology and the Internet would enable destinations to enhance their competitiveness by increasing their visibility, reducing costs and involving local cooperation. The website responded to changing consumer trends allowing tourists to become more independent in arranging their travel (Buhalis, 2000a, p. 111).

The strategies mentioned above successfully increased the growth rates in tourist arrivals, to 7.9 million in 1990 an increase of 28.9 per cent (Tourism Malaysia, 2000a).

**Meeting, Incentives, Conventions and Exhibition (MICE)**

There was a significant increase in the development of the MICE infrastructure, with encouragement from the government. Unlike the tourist market, the MICE segment was not adversely affected by the regional crises (Tourism Malaysia, 2000b, p. 17). Instead of concentrating merely on Kuala Lumpur, the government started to expand the MICE industry to other major cities such as Selangor, Penang and Johor.

In addition to the construction of convention centres, the hotel industry started to be involved in the MICE industry with the allocation of more space. Bigger ballrooms, extra meeting rooms and business facilities were offered. All the infrastructure development and marketing strategies adopted from the previous plan increased the number of international delegates from 108,410 in 1996 to 138,826 in 1998.
Domestic Tourism

Domestic tourism had been promoted since the early 1980s (Din, 1982) and became as
important as foreign tourism in VM94 (Hall, 1997), as the outbound travel among
Malaysians was around 18.3 million trips. Improvement in the transportation system,
especially in the north-south highways network, higher incomes and reduced working
hours contributed to this growth (Khalifah & Tahir, 1997). However the Malaysian
government was concerned with the outbound trend as there was a cash outflow from
the country, and therefore made plan to attract domestic tourists. These included the
‘Buy Malaysia’ product campaign, creating awareness of the product availability,
attractively priced tour packages, tourism as a subject in the school syllabus, and
encouraging the local and the public sectors to utilise local destinations and venues for
their MICE-oriented activities (Khalifah & Tahir, 1997). The Malaysian government
also organised several annual events such as the Malaysia Fest, the Flora Fest and
Shopping Carnivals (Musa, 2000) to attract both domestic and foreign tourists.

However, in 1999, the major concentration on domestic tourism was to regain the losses
from the financial crises of 1997 to 1998. Within the crises period, Malaysia’s major
international markets such as the USA, Japan, Europe and Australia (Mohamed &
Yusof, 2004) and intra-regional markets decreased. The Australian market, for example,
had reported a 7.5 per cent drop from the previous year (1998). A similar deteriorating
trend was also seen with the inbound tourists from the United Kingdom with a 15.1 per
cent decrease. This unfavourable condition was further aggravated by the adverse
reports of political disturbance in Malaysia (Tourism Malaysia, 1999c). As a result,
the forecast for international arrivals for 1999 was revised down from 10.4 per cent to a more realistic 5.8 per cent growth (Tourism Malaysia, 1999c).

Previously, Malaysia and other countries had perceived domestic tourism to be less important to the economy since it did not involve an influx of foreign exchange (Weaver & Lawton, 2000). The number of international tourists dropped steadily (from 10,354 in 1996 to 9,699 in 1997 and 8,580 in 1998), as a result of the economic crises. Malaysia acknowledged the value of domestic tourism’s contribution (Tourism Malaysia, 2000a). Since domestic tourists valued a ‘reasonable price’, the government encouraged the building of more budget hotels by the private sector to cater for the domestic market (Musa, 2000). Badaruddin (2004) argued that although the majority of Malaysians preferred to stay with friends or relatives, many still chose to stay in hotels. Due to this, hotel growth in Malaysia increased annually from 1991 to 1998 (Musa, 2000).

Domestic tourism became the central component of the government tourism strategy, following figures for 1995 that showed a total of 6.3 million Malaysian tourists travelling abroad and spending US $2.3 billion, while 7.5 million foreign tourists visited Malaysia and earned the country an income of over US $3.5 billion (Tourism Malaysia, 1998c). The out-flow contributed to the country’s experienced current-account deficit (Sadi & Bartels, 1997), as a result, the travel exit tax was imposed (Musa, 2000).

In order to attract domestic tourists, the government gave public-sector employees the first Saturday of each month off and in 2000 this was increased to include the third Saturday as well; the banks and private sector were called upon to follow suit.
The Cuti Cuti Malaysia campaign was then launched in September 1999 with the two aims of developing a holiday culture and informing Malaysians of the attractions of their own country (Sausmarez, 2004). Although the strategy was claimed to be successful with an increase of domestic tourism trips from 8.32 million trips between August 1997 and July 1998 to 15.8 million in 1999, an increase of 89.9 per cent, the representatives of the private sector were still sceptical (Sausmarez, 2004). This was because traditionally, Malaysians prefer to go back to their hometown (Balik Kampung) or the beach when they have time off (Sausmarez, 2004).

Despite the belief that Malaysians preferred to engage in ‘Balik Kampung’ travels, Mohamed and Yusof (2004) study showed that only a small number of Malaysians considered ‘Balik Kampong’ as their travelling purpose as they did not regard it as a way of getting away from their usual environment. Instead Mohamed suggested that Malaysians, in general, were adventurous by nature and liked to explore and engage in adventurous activities. However, they are not truly allocentric types of explorers as they demand comfortable accommodation and travel.

Tourism Infrastructure and Accessibility

As the change in travel occurred, the Malaysian government invested around MYR 484.2 million on tourism development programmes in MP7 that included the restoration and conservation of historical sites, upgrading of tourism facilities and infrastructure, beautification of tourism sites as well as the development of medium-priced hotels. This effort was complemented by the private sector by way of newly-built hotels and tourism-related projects (Economic Planning Unit, 2001).
The Malaysian government allocated a total of MYR 294.5 million to develop medium and budget hotels as well as holiday camps and recreational projects; to upgrade existing hotels; and to build convention centres that could accommodate a minimum of 3,000 people. In addition, the government introduced tax incentives in the form of investment pioneer status to encourage the private sector to further develop the tourism industry. Cultural and art activities were also emphasised with the development of the MYR 195 million National Theatre (Tourism Malaysia, 1997b).

The purpose of the Kuala Lumpur International Airport (KLIA), which was officially opened in 1998, was to become ‘the preferred hub of the region’. It would compete with Singapore’s Changi International Airport (Leong, 1999) and attract transit visitors who were known to be big spenders; these visitors would less likely to be staying with friends and relatives (Khan, Phang, & Toh, 1995; Toh, Khan, & Lim, 2004). In order to become the preferred hub and to become a favourite among travellers and business people, KLIA improved its facilities and technology. It was ranked as third worldwide for overall customer satisfaction as well as being ranked number one for overall passenger satisfaction for airports in the 15 to 25 million passengers per annum category (Leong, 1999).
In its efforts to improve inter-urban links and provide better facilities, the government embarked on three new road projects.

- Kuala Perlis-Changloon Highway, which provided direct access from the North-South Express to Kuala Perlis with its ferry link to Langkawi Island.
- Seremban-Port Dickson Highway, which provided faster access to the tourist spots in Port Dickson.
- The second link between Malaysia and Singapore officially opened in January 1998, connecting Gelang Patah in Johor and Tuas in Singapore. This second link facilitated tourist inflow from the southern border (Tourism Malaysia, 1997a).

4.8.4 Tourism Impact

Tourist Arrival

Although Malaysia redefined its market focus in 1997, the tourist arrivals for 1998 did not exhibit any positive improvement as it slipped extra 17 per cent to a total of 3,782,761 tourists compared with the 4,559,896 tourists in 1997 (Tourism Malaysia, 1999b). The economy impacts, security reasons and, reduction of the promotion budget from MYR 79 million in 1997 to MYR 63 million in 1998 contributed to the decrease in tourist arrivals in 1997 and 1998 (Musa, 2000). As mentioned by Musa, there was a strong relationship between expenditure on tourism promotions and tourist arrivals. However, the implementation of the Malaysia Truly Asia campaign in 2000 focusing on the regional market increased the tourist arrivals to 10.2 million, exceeding the target of 6.5 million set by the NEAC (Tourism Malaysia, 2000a, p. 4). The success behind the regional market strategy was that this selected market required a lower promotional
cost while simultaneously generating larger numbers of tourists within a short time frame (Tourism Malaysia, 2000a).

**Accommodation**

The impact of the economic and political instability of 1997 and 1998 also reflected upon the hotel industry, air transportation and employment. According to Tourism Malaysia’s research the supply of hotels in 1996 was 1,289 reaching 1,419 in 1998. In 1999, the number of hotels decreased to 1,404 but it had grown again to 1,527. Corresponding to this increase was the increase in hotel rooms from 85,514 in 1996 to 109,413 rooms in 1999. Hotel occupancy reached its height in 1995 at 65 per cent dropping steadily from 1996 onward to 49.9 per cent in 1998, but seeing a gradual rise to 51.7 per cent by 1999 (Tourism Malaysia).

**Transportation**

Other than the nearby regional markets like Singapore, Thailand, Brunei and Indonesia with land access, entry to Malaysia from other countries is almost wholly dependent on air access. Consequently, the numbers of flights and seat capacity have an important bearing on the growth of the tourist industry. Within previous years, flight frequency had grown from 725 international flights with 146,879 seats weekly in 1994 to 1058 international flights and 228,409 seats weekly in 1997. However, as a result of the financial crises, a 16.4 per cent drop in international flights was recorded with a total of 207,256 seats weekly in 1998 (Tourism Malaysia).
4.8.5 Conclusion

The economic, haze and political crises that occurred from 1997 to 1998 tarnished Malaysia’s image among its potential and current tourists. In order to regain tourist confidence, a new niche market and restructured market segmentation were implemented in 1999. However, the continuing impact of the economic and political upheavals was too severe and the strategies were applied in vain. Thus, Tourism Malaysia again re-evaluated its strategies and found that the problem remained in its brand image. A new image was introduced representing the strength of Malaysia’s culture diversity. This image was used in all the marketing strategies and resulted in an increase in tourist arrivals and spending by the end of 2000.
4.9 EIGHTH MALAYSIA PLAN (2001-2005)

In the Eighth Malaysia Plan, Malaysian policy concentrated on the sustainability of the tourism industry. In order to achieve this objective, full utilisation of tourism resources was essential. In addition to sustainability, the enhancement of Malaysia’s image continued in order to attract foreign and domestic tourists.

4.9.1 Institutional Setting and Planning Process

In 2002, the federal government set up a State Tourism Action Council (STAC) which also known as Majlis Tindakan Pelancongan Negeri (MTPN) in every state. The formation of this council was requested by the state governments themselves to give them more representation in tourism matters. (Hamzah, 2004) which meant, STAC will act as a link between the federal government and the State government on tourism related matters (Hamzah, 2004). Established under Ministry of Culture, Art and Tourism (MOCAT), STACs was responsible to monitor state tourism development projects, enhancing tourism infrastructure, organising and monitoring promotion and marketing programmes, working with both potential purchasers and service providers and establish task forces to manage crises situation affecting the tourism industry. These council also worked closely with Tourism Malaysia to upgrade tourism product and plan for the promotion of domestic and overseas market (Economic Planning Unit, 2001).

In 27 May 2004, MOCAT was split to create the Ministry of Culture, Arts and Heritage and the Ministry of Tourism (MOTOUR), with the aim of providing a more direct focus on tourism growth and development. The need to have a ministry (MOTOUR) that
focused solely on tourism reflected the government’s serious attempt to embrace this industry as part of Malaysia’s development (Hamzah, 2004). The MOTOUR included a Tourism Division, the Malaysian Tourism Centre and STAC with jurisdiction over Tourism Malaysia. Tourism Malaysia was responsible for the marketing and promotional aspects of tourism and followed the four main principle marketing objectives.

4.9.2 Tourism Policy: Objectives and Demands

The overall policy thrust of the tourism sector remained to achieve sustainable growth in order to realize the full potential of employment and income generation at the national, state and local levels. Toward the end of the Eighth Malaysia Plan, tourism development was to be prioritised in order to achieve the optimal impact of the resources allocated by focusing on high yield tourism. The concentration on multiculturalism would last until the Ninth Malaysia Plan as part of the strategy for sustainable tourism.
The tourism development strategies to be rigorously pursued were:

- Emphasizing sustainable tourism development;
- Focusing on a holistic and integrated approach to tourism development;
- Projecting Malaysia as a fascinating destination with year-round carnival atmosphere;
- Engaging in customer-focused product development and promotions; 5) enhancing human resource development
- Facilitating and increasing accessibility;
- Ensuring the comfort, safety and security of tourist; and
- Forging strategic alliances and enhancing international cooperation


In addition to the eight-point tourism policy, Malaysia formulated the Rural Tourism Master Plan to increase visitor spending and long stays in rural areas by creating a new brand of tourism experience (Hamzah, 2004). The intensive and structural planning for rural tourism was intended to meet the NEP objective of reducing income disparity between rural and urban areas as well as to create a new niche market for Malaysia such as rural tourism (homestays).
4.9.3 Tourism Decisions and Output

4.9.3.1 Marketing Strategy Direction and Activities

Malaysia successfully achieved the target for foreign tourist arrival and was ranked first in terms of the highest number of tourist arrival in Southeast Asia. However, countries such as Thailand, Singapore and Indonesia, received greater or almost the same foreign tourist receipts as Malaysia (Ministry of Tourism, 2004). This indicated that Malaysia had failed to attract ‘tourists from high end market segment as the volume of tourist arrivals do not correspond to the amount of tourist receipts generated’ (Ministry of Tourism, 2004, p. 17).

The Ministry of Tourism realised the reason behind Malaysia’s inability to attract high spending tourists was its focus on the mass market segment since the 1980s (Ministry of Tourism, 2004, p. 20). During this period, most of the infrastructure and tourism products were created in response to this market. Since the product offered under mass tourism was generic in nature (comprising tourism products similar to those of neighbouring countries, Malaysia faces tremendous competition. To meet this competition, many of the service providers adopted a low price strategy (Ministry of Tourism, 2004, p. 21) which meant offering an under-priced product (Ministry of Tourism, 2004, p. 17) and reduced profit margins (Ministry of Tourism, 2004, p. 21). The lower profit gained by the service providers contributed to insufficient maintenance of resorts and attractions, in turn affecting the success of the whole tourist packages (Ministry of Tourism, 2004, p. 21) and putting off high-spending tourists who prefer high-quality products (Ministry of Tourism, 2004, p. 22). Since targeting mass tourism resulted in an undifferentiated tourism product, environmental damage (requiring the
government to spend more on maintenance), and uncompetitive tourism packages, a positioning strategy was required.

**Positioning Malaysia**

The effect of mass tourism on the Malaysia tourism industry compelled the Ministry of Tourism to re-evaluate the previous marketing strategy. Adhering to the sustainability concept, Tourism Malaysia identified three major factors in positioning Malaysia internationally: market segmentation, image and theme-based. The positioning strategy was a fraction of the National Tourism Policy for 2004 to 2010 (covering the Eighth Malaysia Plan and Ninth Malaysia Plan).

**Market Segmentation**

As already mentioned, mass tourism meant that the volume of tourist arrivals did not correspond to the amount of tourist receipts generated. The Eighth Malaysia Plan, therefore concentrated on penetrating the high-spending market segment while continuing to promote for the mass market segment. The latter remained important to the industry as it provide a significant source of revenue (Ministry of Tourism, 2004, p. 52).
In order to penetrate the ‘high spending market’, it was necessary to examine the top tourism spenders in the world, as shown in Table 4.13

### Table 4.13: World Top 15 Tourism Spenders 2000/2001

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>International Tourism (USD billion)</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>64.5</td>
<td>58.9</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Germany</td>
<td>47.8</td>
<td>45.9</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>United Kingdom</td>
<td>36.3</td>
<td>36.9</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Japan</td>
<td>31.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>17.7</td>
<td>17.5</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Italy</td>
<td>15.7</td>
<td>14.2</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>China</td>
<td>13.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Netherlands</td>
<td>12.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Canada</td>
<td>12.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Belgium/Luxembourg</td>
<td>10.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Austria</td>
<td>9.3</td>
<td>9.7</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Republic of Korea</td>
<td>6.2</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Sweden</td>
<td>8</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Switzerland</td>
<td>6.2</td>
<td>6.6</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Taiwan (Pr. of China)</td>
<td>6.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Tourism (Ministry of Tourism, 2004)
However, the census statistics showed that of all the tourists who visited Malaysia in 2002, the highest expenditure per capita was from South Africa, Brunei, China, Americas, Singapore, other Europeans countries, Australia, Taiwan, Japan, Indonesia and United Kingdom. The average expenditure per capita in 2002 was MYR 1,940 or USD $510 (MYR 1,896 or USD $499 in 2001)(Ministry of Tourism, 2004, p. 94). This indicated that, only a few top spending countries were significant in Malaysia’s total tourism receipt by 2002.

Malaysia noticed the importance of these 15 top tourism spenders in increasing tourist receipts. Because of their smaller number of inbound tourists to Malaysia or because they had not been considered as a potential market segment (Ministry of Tourism, 2004, p. 95), Malaysia had ignored some of these countries. Such markets, besides the existing list of Malaysian higher spenders, were Europe and America (Ministry of Tourism, 2004) which had been deemed in Malaysia’s long-term strategy to be less dependent on the ASEAN market. It might be because the non-ASEAN countries contributed significantly in terms of revenue which meant higher spending and a longer average length of stay (Khalifah & Tahir, 1997). At this time, the ASEAN market made up 80 per cent of the overall foreign tourist arrivals and any crises in the region resulted in fewer regional arrivals (Ministry of Tourism, 2004).

**Destination image**

In order to abolish the image of undifferentiated tourism products, Malaysia emphasized ‘a value for money’ and ‘a worthwhile holiday experience’ approaches to mass market segments. These indicated Malaysia’s seriousness in projecting the country’s image on
value as opposed to price alone, differentiating it from its competitors and achieving its main objective of selling to high-end tourists. Besides emphasising the ‘value for money’ aspect, Malaysia also projected its image of ‘high-quality and standard and exclusivity emphasizing on cultural diversity and an approach built on a broader mindset of regionalisation rather than individualism’.

Based on the approach mention above, it can be concluded that Malaysia’s new positioning was as a ‘value destination’, at the same time retaining its previous image was ‘Truly Asia’.

**Theme Based Approach**

Malaysia continued to use a ‘theme –based approach in developing and delivering tourist products and services. Examples of these themes are (1) one stop for the whole family (2) value for money (3) gastronomic experience (4) health and medical expertise (5) shopping (6) historic/culture (7) nature and (8) sport/adventure. The message and image conveyed by these themes were associated with ‘Truly Asia’ and / or ‘Value for money’ (Ministry of Tourism, 2004, p. 55).

**Marketing Activities**

**International Marketing activities**

Even though threats of terrorism and health scares from 2001 to 2003 influenced the number of foreign tourists to Malaysia, the main marketing strategy was maintained with minor adjustments reflecting the current situation. In its efforts to counter the
effect of these events, Tourism Malaysia with the advice of the National Economic Council (NEC) intensified its promotional campaign of concentrating on regional markets such as India, Middle East, China, Indonesia, Thailand and Singapore (Tourism Malaysia, 2001, p. 17). The selection of this markets segment was based on criteria such as low promotion cost and potential to generate high spending tourism within a shorter time period (Tourism Malaysia, 2001, p. 17). Malaysia also continued to promote itself to Europe and America by emphasizing its safety. These two regions, as mentioned before, were among the top spenders in the world.

In order to promote Malaysia in the regional market, Malaysia organized several activities, designed to meet the preferences of the target markets.

**Growth in Tourist Arrivals from Mainland China**

The rapid economic development of China contributed to increased travel abroad among its people. According to the Culture, Arts and Tourism Minister, Datuk Paduka Abdul Kadir Sheikh Fadzir, around ‘100 million Chinese can afford to travel but we are only able to attract 557,000 of them’ (Anonymous, 2003b). Therefore, the strategy to increase tourist numbers from China was to establish offices in Beijing, Chengdu, Guangzhou, Shanghai and Kuming to increase public relation activities (especially on issues such as security and to counteract negative publicity) (Siong, 2005). In the new campaign, Malaysia also intended to show the Chinese people the mutual relationship between the two countries by using the historic meeting between Malaysian ex-prime minister Tun Abdul Razak and China’s late leader Mao Zedong in 1974 (Siong, 2005). Malaysia also invested in a number of promotional schemes to make its more attractive to Chinese tourists. First, 30 Mandarin speaking officers were stationed at Kuala
Lumpur International Airport and at the checkpoint in Johor Bahru, where many Chinese enter the country from Singapore as part of the Singapore-Malaysia-Thailand tour (Siong, 2005). Second, Malaysia eased visa regulations by introducing multi-entry visas that allowed Chinese tourists to visit other countries such as Singapore and Thailand (The Telegraph, 2006). Lastly, Malaysia promoted the ‘Malaysia my Second Home’ programme in China, designed to encourage foreigners to make Malaysia their second home by purchasing property and/or investing in Malaysia (Hooi & Smyth, 2006).

**Growth in Tourism Arrivals from India**

As with China, Tourism Malaysia aggressively promoted Malaysia and increased the number of flights to destinations such as Chennai and Mumbai (Hamzah, 2004). A 14-day visa was also given to Indians tourists entering Malaysia through Singapore and Thailand (Anonymous, 2003a). Since most Indian tourists travel with families, Tourism Malaysia had joined Sri Lankan Airlines in offering a three-night four-days package to Kuala Lumpur for only Rs 18,000 (Tripathi, 2004). Malaysia also promoted itself as a motor sport and golf destination, in particular the Malaysia Grand Prix 2004 was widely promoted in India. Special packages were launched in association with leading travel agents, to include the cost of the entry ticket to the Sepang International Circuit at approximately Rs40,000 for four days (Tripathi, 2004).

**Growth in Tourism Arrivals from the Middle East**

The increase in arrivals from Middle Eastern countries was a direct consequence of the terrorist attacks on the World Trade Centre and the Pentagon on September 11, 2011.
and of the subsequent invasion of Iraq, which diverted Middle Eastern tourists from the west to the safe Muslim country of Malaysia (Tourism Malaysia, 2008b). In order to promote Malaysia as Muslim friendly, Tourism Malaysia intensified its advertising as a safe destination with a culture familiar to other Islamic States, and it cooperated with the Organization of Islamic Countries and the Islamic Development Bank to stimulate travel by Muslims within the Islamic region (Timothy & Iverson, 2006). An agreement between Malaysia and three airlines (Qatar Airways, Gulf Air and Emirates) for frequent flights also contributed to the increase in these visitors (Bernama, 2002). In order to attract more foreign airline to Malaysia, (MAHB) gave a five year landing and parking fee exemption to those which increased their flight frequency to Malaysia (Baharuddin, 2003).

**Domestic Tourism**

The U.S terrorist attacks (September 11, 2001), as well as the world political conflicts and health scares (SARS) that occurred within this period (RM 8) made Tourism Malaysia more aggressive in promoting domestic tourism (Anonymous, 2004) as the number of international tourists to Malaysia further declined by 20.4 percent in 2003 compared to 2002 (Tourism Malaysia, 2003a). The negative effects of these incidents were particularly felt by the airline and hotel industries (Hwa, 2002). It was reported that total cancellations of hotel reservations following September 11 was around 20 to 25 per cent, primarily in hotels with three star status and above (Hwa, 2002). The airline Industry experienced a decrease of 40 per cent in bookings because of SARS. Thus, domestic tourism was once again considered as a strategy to reduce Malaysia’s dependency on foreign tourists.
Tourism Malaysia identified the potential of domestic tourism in contributing to the industry with receipts estimated to increase 15 per cent a year (The Economist Intelligence Unit, 1994), 46.8 per cent of total guests (in 1998) were domestic (Tourism Malaysia, 1998a, p. 54). The Culture, Arts and Tourism Minister also recognized the potential of domestic tourists in stimulating the country’s tourism industry as one-third of the 19 million Malaysians (6.8 million) spent their holiday abroad (Anonymous, 1995) with expenses around MYR 7.18 billion. The ‘Holiday Abroad’ trend showed the rising household incomes, improved quality of life and regular travel had increasingly become a part of the Malaysian lifestyle (Economic Planning Unit, 2006).

Tourism Malaysia organised numerous promotion activities to intensify domestic tourism with ‘Cuti-Cuti Malaysia’ becoming the tagline for its campaign. Such promotional activities include:

- Cuti-Cuti Malaysia Roadshow and Exhibitions/ Cuti-Cuti Travel Fair (CCMTF) that was based on a hard sell concept of domestic tourism packages at reasonable costs offered by local operators. By 2005, the total sales had increased by 1.11 per cent over the previous year. This showed that CCMTF could be developed in the future (Tourism Malaysia, 2005, p. 53).

- Hosting of Domestic Familiarisation Visits was a programme created for the tourism entrepreneurs and local media representatives to inform them about the latest tourism product and to generate wider publicity. Such visits enabled them to develop more attractive holiday packages to offer to local and international tourists as well as providing networking opportunities within the industry. These product update visits were beneficial to the media as they provided the necessary
material for feature articles in their respective publications (Tourism Malaysia, 2001, p. 28)

- Advertising for Tourism Packages offered free advertising space in major local print media provided by Tourism Malaysia to local tour operators to sell the specific holiday packages such as eco-tourism, adventure, island and beach resort. (Tourism Malaysia, 2001, p. 28). In, 2003 Tourism Malaysia introduced themed tourism packages such as national water festival month (23 April-26 May), food and fruit fiesta (4-25 July), independence month (15 August - 12 September) and national school holiday (23 October – 23 December) (Tourism Malaysia, 2003a).

- The Rural Resident Tourism Programme was also introduced in 2003 with the objective of encouraging rural residents to travel in organised tours and on special packages offered by local agencies (Tourism Malaysia, 2004, p. 22). The Rural Security and Development Security (JKKK) acted as an agent to promote the packages of local tourism agencies (Tourism Malaysia, 2005, p. 55).

- The ‘Cuti-Cuti Malaysia’ Travel Packages Development Incentive Programme was introduced in 2004 to encourage travel agencies to update their current tourism information and develop more interesting packages, offering value for money and with better quality for the domestic market (Tourism Malaysia, 2004, p. 23). The travel agents also were advised to develop travel packages based on the specific sections of the domestic market such as student, peer group, family, rural resident and senior citizen (Tourism Malaysia, 2004, p. 23).
• Student Tourism Programme (3P)

With encouragement from Tourism Malaysia, travel agencies generated and promoted value for money tourism packages (i.e accommodation, meals and tours/activities) aimed at converting those Malaysian who preferred to plan their own vacation rather than to purchase a travel package (Mohamed & Yusof, 2004; Mokhtar, 2002). This scheme was intended to eliminate the impact of the SARS health crises on hoteliers and airline agencies that were suffering from cancelations (Anonymous, 2003c).

Meeting, Incentive, Convention and Exhibition Market (MICE)

World issues such as the tsunami and epidemics did not affect delegate arrivals to Malaysia thanks to aggressive promotion strategies implemented by Tourism Malaysia.

• Cooperation with Malaysia Airline, state governments, MICE operators, hotel and conference venues to organised international exhibitions such as Meet & Experience (Global Meet) 2004, Asia Pacific Incentives & Meeting Expo (AIME), Worldwide Meeting and Incentives and Events (IMEX)

• Publicity through print advertising in MICE magazines in Asia, Australia/ New Zealand, Europe and the USA promoting Malaysia as an ideal destination for conferences.

• Tourism Malaysia organized a marketing campaign ‘Global Meet Malaysia 2004’ to raise awareness among buyers and media representatives about the extensive MICE facilities and services available in Malaysia.
• Giving assistance and incentives to local conference organisers of world-class conferences as sponsoring cultural performances, souvenirs and tours around Kuala Lumpur and Putrajaya

• Having a close relationship with international travel associations like Pacific Area Travel Association (PATA), the Asian Association of Convention and Visitor Bureaus (AACVB) and the International Congress and Convention Association (ICCA) to provided assistance in organising their programmes

Tourism Infrastructure

In order to accelerate private investment in the tourism industry, two special funds were launched in 2001, namely, the Tourism Infrastructure Fund (TIF) totalling MYR 700 million, and the Special Fund for Tourism and Infrastructure (Special Fund) with an initial allocation of MYR 400 million (Economic Planning Unit, 2006, p. 195). Due to the high demand, both the funds were increased to MYR 1.2 billion each in July 2005. Major projects under these funds included resorts development, the renovation and refurbishment of hotels as well as provision of related infrastructure and services. Investments by the public sector were mainly for the provision of basic infrastructural facilities as well as promotion and marketing. Improvements were made to public amenities including the upgrading and beautification of selected tourism sites as well as the restoration of historical building and sites (Economic Planning Unit, 2006, p. 196).

Significantly, the Malaysian government was no longer contented to play second fiddle to Singapore and Thailand within the ‘tourist circuit’ (Hamzah, 2004). This is reflected in the Eighth Malaysia Plan’s strategy of expanding ‘international access in new
strategic tourist markets as well as promoting Kuala Lumpur International Airport (KLIA) as a regional hub (GOM, 2001: 452). This was to be achieved by Malaysia granting liberal traffic rights to carriers of countries offering reciprocal rights, and incentives to new entrants operating out of KLIA (Forsyth, King, & Rodolfo, 2006). At the time, Malaysia had open sky agreements with the United States, New Zealand, the Scandinavian countries, United Arab Emirates, Yemen, Austria and Taiwan (Karim, Narupiti, Parikesit, & Kushari, 2003). Although Malaysia had 81 air services agreements with foreign countries only 41 foreign airlines exerted their right to operate in the country (Karim, et al., 2003). The national carrier, the Malaysia Airline System (MAS) had services to 78 international destinations, 19 of which were on a code-sharing basis (Karim, et al., 2003).

The no-frills air travel packages offered by AirAsia launched in 2002 also accelerated the pace of local tourism as well as the regional market segment. AirAsia also extended it reach through joint ventures with foreign partners, bringing tourists from the surrounding regions (Economic Planning Unit, 2006).

4.9.4 Tourism Impacts

Tourist Arrivals and Receipts

Tourist arrivals into Malaysia rose by more than 60 per cent between from 2000 to 2005. Although this growth was interrupted by the SARS epidemic and political uncertainties in 2003, after 2004 the industry rebounded to reach 16.4 million tourists in 2005 with total earnings of MYR 31,954.10 million in 2005, MYR 17335.40 million more than in 2000 (Tourism Malaysia, 2012). This made Malaysia the second most
visited country after China in the Asia Pacific region. Malaysia was also one of the top three countries for the most number of tourist arrivals amongst the 53 Commonwealth countries (Tourism Malaysia, 2008b). In term of long–haul market, United Kingdom and USA market have grow by 237,757 and 184,100 in 2000 to 240,030 and 151,354 in 2005. The increase of tourist arrivals from both market reflect the success of marketing strategy implement by Malaysia to attract high spending tourist (Tourism Malaysia, 2013).

Image

In his research on image, Mohamed (2006) found that in order for Malaysia to establish itself as an international destination, it needed to continue promoting nature-based tourism, giving priority to the level of quality and cleanliness of basic amenities and providing a higher class of facilities to meet the standards of developed countries.

A study of the most attributes in determining a holiday destination both package and non-package in Malaysia, Indonesia and Thailand showed that Malaysia outperformed its neighbours on three attributes: safety, historical and cultural attractions and adventure and wilderness. However, Thailand performed better in three attributes: beautiful beaches and sea sports, nightlife and entertainment, and value for money (Tahir, Abidin, & Abdullah, 2005). This showed that the Eighth Malaysia Plan strategy of value for money needed to be improved.
4.9.5 Conclusion

The sustainability strategy was implied in the Eighth Malaysia Plan as a result of the impact of mass tourism, which had been followed since the First Malaysia Plan. Even though the Eighth Malaysia Plan’s objective was to penetrate the high spending market, the focus on mass tourism was continued as most existing facilities were aimed at this market.

The concept of ‘value for money’ and quality destination from the Seventh Plan, intended to differentiate the image of Malaysia from its competitors, was also continued as part of Tourism Malaysia’s strategy to attract high spending visitors to Malaysia. However, some of the human-made attraction (fun parks, shopping centres) were not properly built or organized by the private sectors, so Tourism Malaysia was faced with a difficulty in ensuring that strategies was followed. Nevertheless, by the end of the plan, the strategy had successfully increased both tourist arrivals and receipts by 45.7% compared to the previous plan.
4.10 NINTH MALAYSIA PLAN (2006-2010)

4.10.1 Institutional Setting and Planning Process

In June 2009, the State Tourism Action Department replaced the State Tourism Action Council (STAC) due to STAC’s poor record of implementation in providing high-quality services, especially in hotels and transportation (taxis). With the setup of this department, the Ministry of Tourism was in a position to encourage all its representatives at the state level to ensure high-quality services (BERNAMA, 2009).

4.10.2 Tourism Policy: Objectives and Demands

The Ninth Malaysia Plan, focused on realising the full potential of tourism as an important source of growth in terms of foreign exchange earnings, entrepreneurship development and employment generation. Efforts were to be intensified towards strengthening Malaysia’s position as a preferred global tourist destination. The strategies to fulfil this objective were to:

- To ensure a sustainable tourism development
- To enhance development of innovative tourism products and services
- To intensify marketing and promotion activities
- To enhance human resource development
- To ensure tourist comfort, safety and well-being
- To encourage and facilitating domestic tourism.

(Economic Planning Unit, 2006, p. 193)
The Ninth Malaysia Plan was largely a continuation of its predecessors

4.10.3 Tourism Decision and Output

4.10.3.1 Marketing Strategy Directions and Activities

In an effort to continuously transform Malaysia into a preferred tourist destination, Tourism Malaysia suggested two promotional plans: the 2005-2007 and 2008-2010. Both plans identified several issues likely to impact Malaysia’s tourism development and growth within the short and medium terms including

1. Increasing application of new technologies in the tourism business
2. Building and enhancing Malaysia’s international brand position in key markets overseas.
3. Fostering strategic alliances with trade intermediaries and regional tourism groupings to create synergistic benefits.
4. Negotiating and expanding on the issues of international air access into Malaysia through various gateways.
5. Enhancing and preserving the environment through eco-tourism and sustainable development
6. Creatively managing tourism growth in a systematic and orderly manner by taking into consideration the needs and preferences of visitors.
7. Developing and inculcating a wholesome Malaysian culture for domestic tourism
8. Recognising the importance of the tourism industry to the country’s economic growth through the generation of foreign exchange and employment opportunities.
Accordingly, Tourism Malaysia outlined several promotional strategies for both domestic and international markets: (1) encouraging tourists from key regional markets to extend their stay in Malaysia; (2) diversifying market segments by concentrating more towards the medium and long-haul (high–spending) market such as North Asia, West Asia, Europe and Australia while gradually reducing the dependency on regional markets (Singapore and Thailand) as source of tourist arrivals; (3) continuing reinforcement of the ‘Malaysia Truly Asia’ campaign while continuing to reinforce and expand the image of Malaysia as a quality, premier and value for money destination; (4) venture into new markets (such as Indochina, Iran, North Africa and the former USSR), with new niche-tourism products for these new segments; (5) promoting world class events; (6) intensifying alliances with all sectors involved with tourism and 7) continuing to promote Malaysia as a MICE destination (Tourism Malaysia, 2003b). A discussion of the implementation of these strategies follows:

**International marketing activities**

As part of VMY 2007, extensive publicity and promotional activities were undertaken, with an allocation of MYR 149 million (Chaynee, 2007) invested internationally and nationally to promote events and festivals (the Flora Fest, Malaysia Mega Sale Carnival, Rainforest World Music Festival and Colour of Malaysia). Other advertising activities to promote two mega events include an increase of promotional materials (brochures, calendars and maps) translated into 15 languages:- print and media advertising, outdoor media (e.g. billboards, light boxes, LCD screens, bus shelters and public transport) and a website (Tourism Malaysia, 2007a). The website provided information about the tourism products and the events taking place during the year. Thanks to these
promotional activities, there was an increase of 11.8 per cent in visitor arrivals to Malaysia in 2007 compared to 2006.

The marketing and promotion activities within this plan were an extension of the previous marketing strategies to sustain the competitiveness and attractiveness of tourism product and services. The theme ‘Malaysia Truly Asia’ launched in 1999 was capitalised upon to strengthen the image of Malaysia in the international community. In this regard, multi-pronged marketing and promotional activities were pursued through active participation in trade shows, sales missions, exhibitions and fairs with the aim of maintaining tourist arrivals from the short-haul market, expanding the medium-haul market and stimulating the long-haul market, particularly from high spending markets. The introduction and promotion of new, attractive and affordable packages with an increase in flight frequency and air accessibility between regions also became one of the marketing strategies that contributed to increase tourist arrivals and receipts (Tourism Malaysia, 2009a). As stated by Dato’ Mirza Mohammad Taiyab (Tourism Malaysia Director General) the new packages were hoped to increase tourist spending to Malaysia from MYR 2,150 to MYR 2,210 (Tourism Malaysia, 2007b).

The success of VMY2007 spurred Tourism Malaysia to continue its campaign in 2008 with the theme ‘One Golden Celebration’, in line with Malaysia’s 50th year of independence. While the VMY campaign was more events-driven, featuring more than 240 international-level events and activities, the One Golden Celebration campaign focused on destination (Tourism Malaysia, 2007c). In addition to present promotional activities, Tourism Malaysia, in conjunction with the states have launched a visit state campaign (such as Visit Kedah, Kelantan and Terengganu Year) to further stimulate
tourist activities (Ministry of Finance Malaysia, 2007). These campaigns have allowed the country to showcase their unique attractions. Another marketing strategy that contributed substantially to the increase of tourist arrivals and expenditure was the alliance of the government with neighbouring countries to package the ASEAN region as an attractive destination (Ministry of Finance Malaysia, 2007). In order to promote this package, a multiple-entry visa was introduced. Subsequent to VMY, niche-tourism products and multiple entry visa brought in 22 million visitors, boosting earnings by MYR 49.5 billion in 2008 (Tourism Malaysia Corporate, 2012).

The Tourism Malaysia website was upgraded by incorporating more information and a feedback column, easily accessible by visitors and making the website more interactive to help potential tourists plan their visits in a more organised fashion (Tourism Malaysia, 2008a). In 2009, the website recorded 2,710,054 hits (of which 75 per cent were from first time visitors) (Tourism Malaysia, 2009a) and increase from 2008 when 1,876,127 visitors were recorded (Tourism Malaysia, 2008a). Besides enhancing the website, Tourism Malaysia integrated other technologies such as blogs, e-newsletters, Twitter and Facebook.

In order to further enhance the competitiveness of the tourism industry in 2010, Tourism Malaysia has continued to promotes existing tourism products and accelerate the promotion of innovative products such as Malaysia’s beautiful parks and gardens, women’s golf, culinary delights and the flower trail. Other promotional activities to attract tourist include the inaugural 1Malaysia Contemporary Art Tourism (MCAT), a three month event, aimed at attracting high-spending tourists and Fabulous Food
Malaysia to display variety local foods. These initiatives contributed towards the achievement of 24 million tourist arrivals and receipt of MYR 56.5 billion for 2010.

**Meeting, Incentives, Conventions and Exhibitions (MICE).**

The MICE industry was responsible for 10 per cent of the total number of arrivals in the country (Ministry of Finance Malaysia, 2007, p. 28). In recognition of the importance of MICE to Malaysia, the 2006-2007 promotional campaign for MICE was launched simultaneously with the VMY2007 campaign. Activities such as road shows and seminars, partnerships with PATA, AACVB and ICCA to organise seminars and events; the publication of 66 special advertisements targeted at events and incentives for organisers and provision service recommendations and other assistance (such as promotional tools to visit surrounding areas of Kuala Lumpur/Putrajaya, performance sponsorship) to local and overseas event organisers successfully increased delegate arrivals by 23.5 per cent compared to 2006 (Tourism Malaysia, 2007a).
Domestic marketing activities

On the local front, Tourism Malaysia continued its domestic travel campaign, ‘Cuti-Cuti Malaysia’, intended to nurture a planned holiday culture among Malaysians and to encourage them to explore the diverse and interesting attractions within their own country. Cooperation with the private sector to provide better recreational facilities as well as accommodation, and the expansion of airport terminals and routes also encouraged domestic travel. In this regard, various inter-state events, fairs and exhibitions were organised including:-

- Cuti-Cuti Malaysia Road Show

This event was launched in eight locations, and amassed a total of MYR 2,000,800.68 from the sale of 6,877 domestic packages.

- Rural Residents Tourism Programme

The programme introduced in 2003 aimed to encourage rural residents to travel through packages offered by local travel agencies.

- Domestic Travel Package

Domestic travel packages were introduced for the period January - June 2007. Launched on 9 December 2006, in cooperation with MATTA, MAS, Air Asia and KTMB, they were aimed at intensifying the public campaign for VMY 2007 by encouraging Malaysians to visit interesting local attractions through organised holidays at reasonable prices. One hundred domestic packages from 40 travel agencies were introduced.
- Cuti-Cuti Malaysia Travel Packages Development Incentive Programme
- Hotel Holiday Packages 2006

As part of the VMY 2007, the Malaysian Association of Hotels and Maybank launched a package that offered hotel accommodation at reasonable prices in the off-season. This package was offered from April - December 2006.

In 2009, a new campaign entitled Cuti-Cuti 1 Malaysia was initiated to replace the Zoom! Malaysia campaign (itself launched in May 2008 to replace the original Cuti-Cuti Malaysia campaign). The new campaign had an objective similar to that of the previous campaign, encouraging local holidays and travelling during the off-peak season. Cuti-Cuti 1 Malaysia was to represent a one-stop holiday destination that embodied a diversity of cultures and attractions. The promotion activities were a continuation from the original Cuti-Cuti Malaysia programme (tour packages, travel fairs and road shows in selected states, and print and media advertising).

**Tourism infrastructure**

During the Ninth Malaysia Plan, there was continuous effort to improve accessibility to and within the country by providing transportation links from entry hubs and cities to resorts as well as access to communication services (internet). Air, road and sea transportation infrastructure and facilities were also upgraded to facilitate the growth of tourism. Hassle-free travel improvements such as online visa applications and provision of multiple entry permits were also made.
Flight frequencies and capacities between Malaysia and specific markets were to be increased. Other measures included code-sharing operations with other airlines, as well as encouraging more international airlines to operate in the country. The liberalisation of air services in the ASEAN region in 2008 allowed greater access to ASEAN capitals, thus promoting regional travel. The Kota Kinabalu Airport was to be expanded to establish the nation’s second low-cost carrier hub after KLIA.

4.10.4 Tourism Impact

Tourist Arrival and Receipt
During the period 2006-2010, there was a significant growth in tourism arrival with the number of tourist visiting Malaysia exceeding 1 million for each respective year (refer Table 3.7). Despite the economic crises and disease epidemic (influenza A-H1N1) in 2008, the total number of tourist arrivals and expenditure increase from 20.7 million (MYR 46 billion) in 2007 to 22.1 million (MYR 49.5 billion) in 2008. This might be due to the VMY, niche-tourism product, multiple entry visa and easy connectivity between regions. An allocation of MYR 200 million to upgrade tourism infrastructure, diversify products improve the homestay and MICE also contributed to the competitiveness of Malaysia tourism industry (Ministry of Finance Malaysia, 2009).

Image
In order to position Malaysia as a value for money with high-quality service destination, Malaysia has improve its existing product, and introduced new niche products and travel packages aimed a high spending tourists, mostly from medium and long-haul markets. However, report on tourist arrival by region, showed that, the top five sources of tourist arrivals from 2006 to 2010 were regional markets such as Singapore,
Thailand, Indonesia, Brunei, and China. Australia and the United Kingdom ranked 7th and 9th (Tourism Malaysia, 2013). This indicated that the objective to attract high-spending tourists was unmet.

4.10.5 Conclusion

The Ninth Malaysia Plan was successful in that international tourist arrivals and receipt increase by 8.2 million and MYR 24.5 million compared with the Eighth Malaysia Plan. One of the factors contributing to this increase was an intensified marketing and promotion campaign, mostly for the Visit Malaysia and One Golden Celebration events. These two events increased hotel occupancy rates to 70 per cent, although subsequent years (2008 - 2010) saw a gradual decrease. However, this might be due to the new trend of tourists travelling to more than two destinations (Tourism Malaysia, 2008b). Another important reason for the increase in tourist arrivals and receipts was the enhanced tourism products and new packages on the themes of eco-tourism, heritage, rail tourism islands, beaches, and homestay. Tourism Malaysia recognised the need to continually introduce and enhance products (such as holiday packages for domestic and international tourists) while also instilling brand loyalty by brand positioning against aggressive competition from a new destination.
4.11 CHAPTER CONCLUSION

From the very First Malaysia Plan, Tourism Malaysia outlined one objective to be achieved in each of the short and long term. The short-term objective involved the four main tourism objectives mentioned in every Malaysia Plan from the First Malaysia Plan (1965) to the Ninth Malaysia Plan (2010) (refer to the sections on the institutional setting and planning process). These objectives were met, as the arrivals and receipts from both international (especially from the regional market) and domestic tourists gradually increased following the relevant marketing strategy adopted by Tourism Malaysia for each market segment. The regional market and domestic tourist segments played the role of the ‘saviour of the country’ during the crises as the medium and high-market segment arrivals decreased.

As for the long-term objective to create a strong destination image, Tourism Malaysia became more structured in its marketing strategy planning in the Sixth Malaysia Plan, following the mixed image projected previously which led to confusion among international tourists. Within that plan, Malaysia decided to focus on quality, value for money and a worthwhile holiday experience, by concentrating more on the high-spending market than the mass market segment. The shift from the mass market to high-spending market segment was due to the negative effect of mass tourism on the tourism industry such as environmental damage, undifferentiated product and uncompetitive tourism packages. Despite the desire to attract high-spending tourists, there was not enough cooperation from private sectors, as they still preferred using the mass tourism with low-price strategy. Thus, three years marketing strategies (1995-1997), (1998-2000), (2005-2007) and 2008-2010) and a positioning strategy (2004-2010) were introduced by Tourism Malaysia to guide the growth of the tourism industry
so that the image of Malaysia could be enhanced among high-spending tourists. As a result, there was a gradual increment in the number of high spending tourist arrivals (medium and long-haul market).

In contrast with the short-term objective, the long-term objective needed more time to be achieved, especially with respect to the lack of cooperation from the private sector. It is believed that a short-term objective (especially to increase tourist arrivals) was relatively easy to accomplish as the top five sources of tourist arrivals were the regional market that is not easily affected by a crises as is the long-haul market.

A summary for the planning, marketing strategy and the impact of the strategy from the First Malaysia Plan to Ninth Malaysia Plan will be presented in Appendix B.
CHAPTER FIVE: RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

This chapter will introduce and discuss the research design, methodology and analysis used in this study. It will describe in detail the research approach, research methods and justification for using the qualitative rather than the quantitative paradigm, which is due to the quality and richness of information required to answer the propositions. Although qualitative approaches are often criticised for their lack of rigour and credibility, their reliability and credibility can be improved by employing content analysis. This chapter will also discuss processing and analysis of data via inductive content analysis carried out using NVivo.

5.2 RESEARCH PARADIGM

Usher (1996) defines a paradigm as ‘an exemplar or exemplary way of working that functions as a model for what and how to do research, what problem to focus on and work on’ (p. 13). In other words a research paradigm involves thinking about and executing research (Johnson & Christensen, 2012). With a paradigm, the researcher can set the intent, motivation and expectation for the research. Although a paradigm is very important in understanding the entire perspective of reality, and is considered the foundation of the research (Mackenzie & Knipe, 2006), not all researchers apply paradigms in their research (Ponterotto, 2005). As suggested by Mertens (2010):
many researchers proceed without an understanding of their paradigm or its associated philosophical assumptions. However, working without awareness of our underlying philosophical assumption does not mean that we do not have such assumption, only that we conducting research that rests on unexamined and unrecognized assumptions. (p. 7)

Regardless of differing opinions on the extent to which a paradigm is essential for qualitative research, this research will ground firmly on a paradigm to meet the ultimate criterion of trustworthiness. As posited by Morrow (2005), a paradigm is bound to a particular standard of trustworthiness. According to Lincoln and Guba (1985), the specific criteria for addressing trustworthiness include credibility, transferability, dependability and confirmability (refer Section 4.4).

Major paradigms can be classified as positivist, post-positivist, critical and interpretivist, with three key assumptions or elements being ontology, epistemology and methodology (Goodson & Phillimore, 2004). Ontology is involved with the nature of reality. The question of the researcher’s belief about the manner in which the world operates and the commitment held to particular views was raised by Goodson and Phillimore (2004). Conversely, epistemology is concerned with the question of what is regarded as acceptable knowledge in a discipline. For instance, the question is raised about whether the social world could or should be studied according to the same principles, procedures and ethos with which the natural sciences would conduct research (Bryman & Bell, 2007). Finally, methodology assumptions involve data and information collection, and knowledge construction. These three interconnected assumptions help the researcher identify their inquiry paradigm (Jennings, 2010).
The next subsection (refer Sections 5.2.1, 5.2.2, 5.2.3 and 5.2.4) provides a brief overview of the four major paradigms (positivist, post-positivist, interpretive and critical theory) according to three assumptions. These paradigms will assist the researcher to determine a research method, data collection processes, as well as the manner in which to conduct interpretation or analysis.

5.2.1 Positivist

Positivism is referred to either as ‘science research’, ‘science method’ (Mackenzie & Knipe, 2006), quantitative or deductive (Veal, 2005), where the truth is viewed as absolute. The original and unique aspects of scientific research and theory testing under this paradigm help to distinguish between fact and values (Grbich, 2007) and explain behaviour or phenomena through a causal relationship (Jennings, 2010).

5.2.1.1 Ontology (How is the world perceived?)

Positivism in the natural and social worlds is perceived as being organised by universal laws and truths. In such worlds, human behaviour is predictable because it is governed by external forces (the universal laws and truths that explain behaviour using causal relationships). As positivism is nomothetic, it can be used to explain reality ‘upon observable or testable facts from which generalisations can be made to develop theories to explain behaviour or relationship[s]’ (Jennings, 2010, p. 37).
5.2.1.2 Epistemology (What is the relationship between the researcher and the subject or object of the research?).

The relationship between the researcher and the subject is objective and value free, which means that the researcher will follow a strict research procedure and minimise their influence on the results or findings. This should enable other researchers to replicate the research and obtain the same findings (Jennings, 2010).

5.2.1.3 Methodology (How will the data/information be gathered?)

A methodology (e.g. ‘controlled experiments’ and ‘repeated procedures’) adopted from the physical sciences is used by positivist researchers to achieve the same results each time the experiment is conducted. The research process is objective and value free due to the specificity of the procedures, and because the subject, setting or object being studied are detached from the researchers (Jennings, 2010).

Positivist research usually begins with a hypothesis: an idea that has been validated and deductively derived. By having a hypothesis, the researcher can determine the veracity of the theory for explaining a specific behaviour or phenomenon. With respect to the method of data collection, the positivist paradigm uses quantitative methods (Goodson & Phillimore, 2004) such as bibliographic (Liu & D.Myers, 2011) questionnaires, observations, documentary analysis, experiments and quasi-experiments, and finishes with a statistical analysis (Jennings, 2010).
5.2.2 Post-positivism

In contrast to positivism, post-positivism deals with the artificial aspect of positivism enunciated by Popper’s Principle of Falsification. Under this theory, the principle may be established not by proving it to be true but by the inability to prove it is not true (Brand, 2009). That is, a repeated verification of a prediction cannot prove a theory, but the falsification of a single prediction can disprove it (Pearce & Crawford-Brown, 1989). For instance, a proposition that all swans are white cannot be confirmed by discovering only white swans, but the discovery of a single black swan can refute it. By searching for a black swan instead of only white swans, the researcher can gain better knowledge about the world and what happens in it (Berghmans & Schouten, 2011).

5.2.2.1 Ontology (How is the world perceived?)

Post-positivism assumes that although truth exists, it is unlikely to be known with certainty. Hence, a critical search for truth is needed to seek reality (Brand, 2009).

5.2.2.2 Epistemology (What is the relationship between the researcher and the subject or object of research?).

It is acknowledge that there may be some research bias due to the limitation of what the researcher can know (e.g. the flawed human intellectual mechanism and the fundamentally intractable nature of phenomena) (Guba & Lincoln, 1995).
5.2.2.3 Methodology (How will the data/information be gathered?)

The method use in this paradigm is aligning with the positivism paradigm.

5.2.3 Interpretivism/contructivism

Interpretivism is based on the work Max Weber, which suggests that a phenomenon can be explained in multiple realities instead of one causal relationship or one theory. Thus, compared to positivism and post-positivism, interpretative research processes should be subjective and not objective (Jennings, 2010).

5.2.3.1 Ontology (How is the world perceived?)

The interpretive paradigm considers the world to have multiple realities that need to be explored using inductive research rather than a deductive approach (i.e. the post-positivist paradigm). By utilising the inductive approach, the study can develop explanations of phenomena.

5.2.3.2 Epistemology (What is the relationship between the researcher and the subject or object of research?).

The relationship between the investigator and the object of research is interactive and cooperative rather than separated, as the objectives of this paradigm are quality and richness of information (Decrop, 2004). In contrast to post-positivism, which deals more with ‘facts’ and statistical analysis, interpretivism allows the researcher to understand what is happening in a given context and to avoid rigidity (Carson, Gilmore, Perry, & Gronhaug, 2001).
5.2.3.3 Methodology (How will the data/information be gathered?)

A qualitative methodology will be used in this paradigm to gather knowledge from the empirical world. Compared to positivism and post-positivism, interpretivism is concerned with understanding phenomena from an insider’s rather than an outsider’s perspective. As a result, all views are considered and this allows for multiple realities to be identified (Jennings, 2010).

The methods used in this paradigm include participant observation, in-depth interview, document analysis (Decrop, 2004), document review (Mackenzie & Knipe, 2006), bibliographic (Liu & D.Myers, 2011), case studies, focus groups and appreciative inquiry. This will be then be interpreted using memos, coding, content analysis, constant comparative analysis, matrices, grounded theory analysis, a zoom model, and a variety of computer software such as ATLAS.ti, HyperRESEARCH and QSR NVivo (Jennings, 2010).

5.2.4 Critical theory

Critical theory (also known as the transformative paradigm) holds that research needs to address issues such as social justice and marginal people by intertwining these with politics and the political agenda (Creswell, 2003), rather than by viewing all points as equal (Jennings, 2010). In this manner, the research can change the lives of the participants, as well as the operations of the institutions in which they work or live. Such research can also change the researcher’s life (Mackenzie & Knipe, 2006).
In contrast to positivism and post-positivism, critical theory and interpretivism are similar in the sense that both are grounded in real-world settings. The only difference between critical theory and interpretivism is described by Tribe (2008):

does not necessarily trust the accounts of the researcher to give a true reading of the world. It is wary of the possibility of their false (or at the very least, not fully engaged) consciousness and their inability to escape the knowledge-conventions of their epoch or culture.(Tribe, 2008, p. 248)

5.2.4.1 Ontology (How is the world perceived?)

The world is portrayed as being complex and organised by both overt and hidden power structures that try to maintain the status quo and subsequently their position of power (Jennings, 2010). Thus, it becomes necessary to include social, political, cultural, economic, ethnic, gender and disability values when constructing and defining realities (Mertens, 2005).

5.2.4.2 Epistemology (What is the relationship between the researcher and the subject or object of research?).

A critical-theory paradigm adopts a position between subjectivism and objectivism. The outcome of using this approach is to effect changes in the condition of those being studied. For instance, interaction between the researcher and the minority group about the transformational change of the social setting may enable the members of the minority group to improve their social circumstances (Jennings, 2010).
5.2.4.3 Methodology (How will the data/information be gathered?)

Critical theory investigates the underlying meaning of social interactions and their implicit power plays. To delve under the surface, both qualitative methodologies can be used, although a qualitative approach has predominated. Methods to expose the oppression, subjugation and exploitation of the marginal group include using bibliographic (Liu & D.Myers, 2011) participant observation, in-depth interview, focus groups, Delphic panels and action research (Jennings, 2010).

Having reviewed the array of available paradigms for this study, it was decided that the interpretive paradigm would be used, as it allows the researcher to understand what is occurring in a given context, and avoids rigidity. In contrast to post-positivist and critical theory, the interpretive paradigm will allow the researcher to focus on the quality and richness of information gathered to address the aim of this study, which is to examine structural factors influencing the development of Malaysian tourism at the national level. As this study applied the interpretive paradigm, bibliographic research and content analysis are best suited to conduct the research. A summary of methods and tools used in paradigms, as mentioned above, is provided in Table 5.1.
### Table 5.1: Paradigm, Methods and Tools

<table>
<thead>
<tr>
<th>Paradigm</th>
<th>Methods (Primary)</th>
<th>Data Collection Tools (Example)</th>
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<tbody>
<tr>
<td>Positivist</td>
<td>Quantitative methods tend to be dominant</td>
<td>- Questionnaire</td>
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<tr>
<td></td>
<td></td>
<td>- Documentary analysis</td>
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<td>- Experiment</td>
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<td>- Bibliographic</td>
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<td></td>
<td></td>
<td>- Observation (Deductive Approach)</td>
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<tr>
<td>Post-positivist</td>
<td>Quantitative Method</td>
<td>- Questionnaire</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Documentary analysis</td>
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<td></td>
<td></td>
<td>- Observation (Deductive Approach)</td>
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<tr>
<td>Interpretive</td>
<td>Qualitative Methods</td>
<td>- Participant</td>
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<td>- Observation</td>
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<td>- In-depth Interview</td>
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<td></td>
<td>- Bibliographic</td>
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<tr>
<td></td>
<td></td>
<td>- Document Review (Inductive Approach)</td>
</tr>
<tr>
<td>Critical Theory</td>
<td>Qualitative methods tend to be dominant</td>
<td>- Participant</td>
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<td>- Focus group</td>
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<td>- Delphic Panels</td>
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<td></td>
<td></td>
<td>- Bibliographic</td>
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<td></td>
<td></td>
<td>- Action Research (Inductive Approach)</td>
</tr>
</tbody>
</table>

Adapted from (Decrop, 2004; Liu & D.Myers, 2011; Mackenzie & Kniepe, 2006)
5.3 DIFFERENCES BETWEEN QUALITATIVE AND QUANTITATIVE METHODOLOGIES

Qualitative research is defined as ‘an unstructured, exploratory research methodology based on small samples intended to provide insight and understanding of the problem setting’ (Malhotra, 1999, p. 51). The qualitative method emphasises the dynamic, holistic and individual aspects of the human experience. It attempts to capture those aspects in their entirety within the context of those who are experiencing them (Silverman, 2000). In contrast with quantitative methods, which investigate ‘how often’ and ‘how many’, a qualitative approach is more interested in ‘what’, ‘why’ and ‘how’ (Buston, Parry-Jones, Livingston, Bogan, & Wood, 1998), which provides a wealth of depth of detailed information (Patton, 2002) regarding the issues being investigated, as well as reduces generalisation (Patton, 1990).

Quantitative research deals with quantity and numbers rather than with quality and description. The emphasis on qualitative work is on collecting measurable information and statistics (Vivar, McQueen, Whyte, & Armayor, 2007). While it is feasible to access data from a larger sample in quantitative studies, it is not possible to achieve the depth of data that is possible with qualitative research. Therefore, when undertaking qualitative research, some questions either cannot be asked or are not asked. It is this the problem of what is missing that means qualitative research might be better suited (Gartner & Birley, 2002).
The aim of this study is to understand and explain in detail how tourism development has evolved in Malaysia. This is to be achieved through recognising the strategies that have been implemented and attempting to discern the justification for these strategies. As such, the characteristics of qualitative methods are considered eminently more suitable than those of the quantitative method. As qualitative research is the root for the interpretive paradigm (refer Section 5.2 and Table 5.1), which recognises the significance of subjective experience and is characterised by greater depth, and a research design that includes data-gathering methods such as bibliographic and inductive content analysis (refer Section 5.6 and Section 5.7) will be most suitable for this study.

The majority of studies on tourism development in Malaysia focus on resorts (Smith, 1992; Wong, 1986), policy and planning (Hamzah, 2004; Marzuki, 2010), policy and alliances (Nanthakumar, et al., 2008), marketing (Chon, et al., 1997) and region (Oppermann, 1992a). None of the studies mentioned identify the success factors that influenced the development of tourism in Malaysia from the First Malaysia Plan to the Ninth Malaysia Plan from the lens of the resource-based and life-cycle theories. Therefore, the reasons for Malaysia’s success are unknown. Another reason for selecting Malaysia as a case study is that its tourism industry became the second contributor to GNP, growing from MYR 1,543 million in 1985 to MYR 31,954 in 2005. In this time, the Malaysian tourism sector contributed greatly to regional growth and encouraged the development of supporting sectors and the reduction of excessive rural–urban migration (Economic Planning Unit, 2006). Not having systematic planning in developing the industry properly could affect the economic benefits, job creation and
weak economies in its rural areas, which means that such planning must be understood and implemented in a tourism plan.

5.4 QUALITATIVE METHODOLOGY—A QUESTION OF TRUSTWORTHINESS

Qualitative research is often criticised for its lack of rigour and credibility (Decrop, 1999). Carr (Carr, 1994) considers that the quantitative method is superior because it leads to logical scientific answers, while qualitative methods are inadequate in providing absolute answers and fail to address changes. Miles (1979) found that the most serious weakness of qualitative approach is that the method of analysis is not well formulated, meaning that it lacks clear conventions that researchers can use. As the level of reliability, validity and rigour (also known as trustworthiness) in qualitative research is controversial, it is important to consider and implement strategies to establish rigour (Carr, 1994; Koch, 2006; Tobin & Begley, 2004).

Methods for improving the rigour of qualitative research have been widely discussed. Particular attention is paid to the role of counting, the use of computer programs for data analysis and the use of transcription techniques developed for conversation analysis, which improves the accuracy with which data are recorded. Today, a considerable body of knowledge and experience about the enhancement of the reliability and validity of qualitative methods exists. This new knowledge should ease doubts and suspicions about qualitative approaches. Svensson (1995) was correct to say that recipes for standardisation, which one sees in textbooks devoted to quantitative methods are unavailable in relation to qualitative methods. Whether such simplification is desirable in either field is questionable. Specifically it sidesteps the manner in which
theoretical assumptions underlying the interpretation of both qualitative and quantitative data have been relevant mostly for quantitative research. However, a variety of methods exist to improve the validity of qualitative research. Clive, Seale and Silverman (1997) listed these as including the development of systematic coding schemes with the aid of computer programs, searching for deviant cases, and the use of transcription techniques in conversation analysis. Techniques such as (1) theoretical rigour; (2) methodological or procedural rigour; (3) interpretative rigour and inter-rater reliability; (4) triangulation and (5) evaluation rigour ensure the overall rigour of the research. Lincorn and Guba (1985) discussed the rigorous aspect of qualitative research by equating rigour with credibility (i.e. how truthful are particular findings?).

The second aspect is transferability: how applicable are the research findings to another setting or group? The third aspects are dependability and confirmability: how neutral are the findings in terms of whether they are reflect the informants and the enquiry?. Lincoln and Guba (1985) recommend strategies to achieve rigour that include negative cases, peer debriefing, prolonged engagement and persistent observation, audit trails and member checks. However, these strategies often impair validity and reliability. For instance, instead of showing the research process (e.g. identifying the quality of those decisions, the rationale behind those decisions, or the responsiveness and sensitivity of the investigator to data), the audit trail only provides documentation of the analysis development. As a result, Morse, Barrett, Mayan, Olson and Spies (2008) suggest strategies such as investigator responsiveness, methodological coherence, theoretical sampling and sampling adequacy, an active analytical stance, and saturation, which involve a correction to both the direction of the analysis and the development of the study that when used appropriately ensure the reliability and validity of the study.
Another strategy to improve the validity and reliability of research or the evaluation of its findings is through triangulations, which can strengthen the study by combining methods or data (Golafshani, 2003). Golafshani (2003) suggests that triangulation needs to be defined based on a paradigm since qualitative and quantitative approaches essentially differ in defining and evaluating the validity and reliability concept. He also believes that there is no fixed method of triangulation data collection and analysis that the researcher needs to follow. The researcher can choose any triangulation method to test validity and reliability, depending on the criteria of the study.

The final strategy for ensuring validity and reliability is by using content analysis especially when dealing with the secondary data. Eight aspects of validity and three aspects of reliability were identified by Krippendorf (1980). Although he listed down the reliability criteria, he believes that it is unrealistic and unnecessary to assist in this criterion. As stated by Harris (2001), ‘the appropriate level of reliability should be based on how the unreliability encountered in the data affects findings’ (p. 193). As this study involves secondary data, content analysis is a practical manner in which to ensure the breadth, depth and richness of data of factors that have influenced the development of tourism in Malaysia from 1965 to 2010.

5.5 TYPES OF DATA

A research data used in this study is secondary data obtained from government archives, local newspapers and journals. The aim was to explore factors that have influenced tourism development in Malaysia by recognising the strategies used from the First Malaysia Plan to the Ninth Malaysia Plan through the lens of RBV and –cycle
development theory. Since the advantage of secondary data is that (1) it provides evidence of what was done within the period and (2) constitutes data that is gathered at the same time as the event being investigated, it is considered suitable for this study compared to primary data given that the research involves a timeframe from 1965 to 2010.

To validate the secondary data, the application of content analysis was conducted. A comprehensive explanation of secondary data is presented in Section 5.5.1, the bibliographic research is presented in Section 5.6 and Section 5.7 provides a content analysis.

**5.5.1 Secondary Data**

Secondary data are collected to address a specific event. They can be considered retrospective, with relatively quick and easy accessibility, involving minimal costs and a spontaneous nature. Secondary data have a sole source point, are high quality and provide richness and non-reactivity. Such data also enable retesting, reinterpreting, and reconstruction (Jennings, 2010). When there are time constraints, secondary data can be used for longitudinal studies using an existing multiple-source data set (Saunders, Lewis, & Thornhill, 2007). Secondary data can provide evidence of what was conducted within a given period compared to primary data that tend to indicate recollection of intention. It can also overcome problems of recall, as the data is gathered at the same time as the event being investigated (Harris, 2001). Finally, secondary data can lead to unforeseen or unexpected new discoveries (Saunders, et al., 2007) such as the strategies used by Malaysia Tourism between the First Malaysia Plan to Ninth Malaysia Plan or
the link between strategies implemented by Malaysia Tourism and tourist arrival and expenditure. The disadvantage of secondary data might be that the data are difficult and expensive to access, the quality of data sources may be questionable, the suitability of the definition and aggregation of data may not be ideal, and the purpose of the documents (Saunders, et al., 2007). For these reasons, the data source needs to be evaluated carefully, as it can affect the reliability and validity of the study. Such evaluation includes assessing the authority or reputation of the source and the methods used to collect the data.

5.6 DATA METHOD: BIBLIOGRAPHIC RESEARCH

Bibliographic research is research where information is gathered from published materials. Three levels of bibliographic sources are tertiary (also call third-level sources), secondary and primary sources (Weathington, Cunningham, & Pittenger, 2010; Weathington, Cunningham, & Pittenger, 2012). The tertiary sources used in this study involved textbooks and articles from popular newspapers and magazines that usually provide a general and non-technical review of a topic. Secondary sources stand between tertiary and primary sources, where secondary sources are generally more in-depth and comprehensive compared to tertiary sources. Although secondary sources offer a more focused review of a particular topic than a textbook (tertiary), they lack the focus available in primary sources. Primary sources are original research reports that are published in research journals. Such research represents the greatest level of focus and detail of bibliographic research (Weathington, et al., 2010; Weathington, et al., 2012).
The information on Malaysian tourism development for this study was gained from all three types of bibliographic sources. To ensure the validity of the sources, the decision about which publication was searched and the identification of eligible data (Leonidou, et al., 2010) required careful consideration and will be explained in Section 5.6.1 and through the content analysis (Leonidou, et al., 2010) in Section 5.7.

5.6.1 Publication Search and Eligible Data

Understanding the factors influencing tourism development in Malaysia through the lens of the RBV and Butler’s development theory requires an analysis of longitudinal data. The period of analysis was 1965–2010. Collection of 45 years of archival data involved a review of government data and documents (nine Malaysia Plans, 24 annual reports, 14 marketing plans, one promotional plan, five annual tourism statistics reports and two reviews of activities). The government documents are usually clearly defined and well documented, and represent high-quality data (Saunders, et al., 2007) discussing details of marketing strategies generated by highly experienced government research officers (Bryman & Bell, 2007). Archival documents also provided historical insight into tourism phenomena (Jennings, 2010).

These data were retrieved from the Tourism Malaysia website, library, and Ministry of Tourism Malaysia library. Local newspapers and journals or seminar papers were also consulted. Ortiz, Myers, Walls and Diaz (2005) criticise the use of newspaper in data collection by claiming that newspapers do not usually reach acceptable standards for analysis, and using them as a source means that the finding can be distorted and theory can be misguided. However, Saunders et al. (2007) believed that quality newspapers are
a good source of data, as they usually report summary findings of recent government reports. All of the newspaper articles for this study are taken from the Tourism Malaysia library, along with the journals and seminar papers. The data will be analysed using inductive content analysis.

5.7 DATA ANALYSIS: INDUCTIVE CONTENT ANALYSIS

The information contained in the government data and documents (nine Malaysia Plans, 24 annual reports, 14 marketing plans, one promotional plan, five annual tourism statistic reports and two reviews of activities), local newspapers and journals or seminar papers were extracted using content analysis. Content analysis is a set of qualitative or quantitative methods for collecting and systematically analysing data from any type of communication (e.g. electronic communication, print and verbal). Moreover, it may be used either through an inductive (commonly used to analyse qualitative data) or deductive approach (commonly used in the quantitative approach) (Gelo, Braakmann, & Benetka, 2008). In an inductive qualitative approach, the analysis begins with observations of a phenomenon to construct theories about it. In contrast, a deductive quantitative approach is where a researcher observes phenomena on the basis of specific theories of reference (Gelo, et al., 2008).

In this study, inductive content analysis was used to enable the establishment of clear connections between the research objectives and the summary findings derived from the raw data. The inductive analysis also helps to develop a model or theory about the underlying structure of experiences or processes that are evident in the text data, which
after analysing the Malaysia Plan, RBV and tourism development (refer Figure 5.2) are identified as the main theories for this study. Finally, by using inductive analysis, the extensive and varied raw data (refer Chapter 4) can be condensed into a brief, summary format (Thomas, 2006).

The majority of studies on tourism development in Malaysia focus on resorts (Smith, 1992; Wong, 1986), policy and planning (Hamzah, 2004; Marzuki, 2010); policy and alliances (Nanthakumar, et al., 2008); marketing (Chon, et al., 1997); and region (Oppermann, 1992a). None of the studies mentioned, identify the factors that influence the development of tourism in Malaysia from the First Malaysia Plan to the Ninth Malaysia Plan from the lens of the resource-based and life-cycle concepts. This study focuses on RBV theory because it involves management decisions in allocating internal resources and the life-cycle concept to design tourism-development strategies according to these distinctive resources (Avdimiotis, Christou, & Sigala, 2009). Both theories are used in a manner that is complementary to sustainable tourism to achieve a sustainable advantage and high return (Boley & Perdue, 2012; Kim & Uysal, 2002; Muller, Peters, & Blanco, 2010). Together with inductive content analysis, the use of theories will enhance the understanding of the issues being investigated in this study. The current research will fill the gap in existing knowledge about how these strategies are aligned (or can be explained) by the theoretical concepts mentioned above.

Three phases of the inductive-content-analysis process were implemented: preparation, organising, and reporting. The structure of this process is proposed by Elo and Kyngas (2007) (refer Figure 5.1).
5.7.1 Preparation phase

In this phase, the researcher selects the unit of analysis based on the propositions. This may comprise letters, words, sentences, portions of pages or words, or the number of informants in discussions. It also includes the time spent in discussion or a theme, depending on the propositions. A good analysis unit should avoid being too narrow, which may result in fragmentation.

After identifying the analysis unit, the researcher will attempt to understand the data. The following questions helped the researcher to become familiar with the data in this study:

1. Who is involved in tourism development?
2. What is happening in each plan?
3. What kind of capabilities (RBV) do they suggest in each plan?
4. What is Malaysia’s short-term and long-term objective?
5. Why did Malaysia implement or create the development strategy?

Other questions can relate to the objective and target for each tourism-development plan and the effect of the capability and development strategy on Malaysia’s tourism-development plan. The design of these questions was adopted from Dey’s (1993)5W (who, where, when, what and why) questions. After completing this process of enquiry, the researcher will have a better understanding of the data and have gained insight into the theories.
5.7.2 Organising phase

After familiarising oneself with the data, the following process includes creating open coding, coding sheets, grouping, categorisation and abstraction. Open coding is an intricate stage: government documents, journals articles, and newspapers are read thoroughly and words or phrases are identified and written down on coding sheets. At this stage, a categorisation system is generated and words and phrases are classified according to their similarities to a particular group. This process is called ‘grouping data and creating categories’.

Abstraction is the final phase of the inductive content analysis, and involves formulating a general description of the research topic by generating categories (Bernard, 1996). Each category is named using content-characteristic words. Subcategories with similar events and incidents are grouped together as categories. In turn, categories are grouped together as main categories (refer Figure 5.2). These categories will then be used as headings in the findings or results chapter (Thomas, 2006). Creation of these categories should provide the researcher with an understanding of the relationships between categories (e.g. ‘development strategies and tourism-development plan’, ‘target-market and tourism-development plan’, ‘tourism-development plan and development strategy’, ‘capabilities (RBV) and development strategies’, and ‘sustainability and tourism-development plan’) and how this relationship changes from one period to the next.

5.7.3 Reporting the analysing process and results

As qualitative content analysis is based on the analysis unit rather than statistical significance, the researcher needs to report the decision and practices concerning the
coding process, as well as the method used to establish trustworthiness (Zhang & Wildemuth, 2009).

The analysis of tourism development in Malaysia is based on archival data (secondary data) and will answer the 5W questions (preparation phase). The answers gained from the data analysis will be processed according to the method of Elo and Kyngas (2007). Ultimately, this will give the researcher an overall interpretation of the findings (Ping, 2008).

The three phrases described above are the steps taken if data are to be analysed manually. However, computer software is available that can simplify the process of handling and analysing data, including identifying themes and categories (Burnard, Gill, Steward, Treasure, & Chadwick, 2008). Such software makes the process easier and more flexible, as well as more accurate and comprehensive. The program chosen for this study was NVivo 8.0.
Figure 5.1: Preparation, Organising and Resulting Phases in the Content-Analysis Process

**Preparation Phase**

**Inductive Approach**
- Selecting the unit of analysis
- Making sense of the data and whole
- Open coding
- Coding sheets
- Grouping
- Categorising
- Abstraction

**Deductive Approach**
- Selecting the unit of analysis
- Making sense of the data and whole
- Developing analysis matrices
- Data gathering by content
- Developing structured analysis matrices
- Data coding according to the categories
- Hypothesis testing, correspondence and comparison to earlier studies etc.

**Reporting the analysing process and results**
- Model, conceptual system, conceptual map or categories

Source: (Elo & Kyngas, 2007)
Figure 5.2: Suggestion for Content-Analysis Processes for Factors Influencing Development in Malaysia

- Organising Phase
  - Resource and Capabilities
  - Data Collection
  - Propositions

- Preparation Phase
  - Transcribed to Text

- Tourism-Development
  - Marketing Activities

- Resource and Capabilities
  - Product Management
  - Price
  - Channel Management
  - Promotion
  - Marketing Planning and Implementation

- Tourism-Development
  - Accessibility and Infrastructure
  - Attraction
  - Length of Stay
  - Type of Visitor
  - Marketing and Advertising Activities
  - Seasonality
  - Economic Status of Tourism

- Marketing Activities
  - Destination Image
  - Market Segmentation: Domestic and International, Rural and Urban

Source: Developed by author
**5.8 DATA ANALYSIS**

The analysis of the data in this study was executed using NVivo 8.0. This software was used as it ensures efficient management of data. Carter (2008) states that the objective of the NVivo 8.0 program is to keep the data and themes organised throughout the research. Ping (2008) also states that the difference between managing the data ‘by hand’ and computer software is that the program ‘merely takes over the marking, cutting and sorting tasks that qualitative researcher used to do with a pair of scissors, paper and note cards’ (Ping, 2008). It also helps to maximise efficiency and speed up the process of grouping data according to categories. Retrieving the coded themes was also made easier using this program.

The efficiency of NVivo 8.0 in managing data and handling data has been well recognised by researchers. However, researchers are still responsible for the identification of categories, coding, deciding what to collate, identifying the patterns and drawing meaning from various sources of documents. Thus, understanding the diagram by Elo and Kyngas (as shown in Figure 5.1) is useful.
CHAPTER SIX: RESULTS AND ANALYSIS

6.1 INTRODUCTION

Drawing from the review and analysis of the secondary data (government archives, local newspapers, journals and conference papers), this chapter provides the reader with an overall interpretation of the findings.

Section 6.1 provides a brief summary of each plan that has been worked through by applying RBV or Butler’s development theory from Chapter 4. Subsequently, the categories generated from the content-analysis process (refer Figure 5.2) are used to answer the seven propositions proposed in Chapter 1: (1) what tourism development strategies has Malaysia adopted since its First Malaysia Plan in 1965?; (2) What was the process grounding the development of Malaysia’s tourism strategies?; (3) Is there evidence of short-term and long-term objective being formulated?; (4) Were there specific targets identified for each of Malaysia’s tourism development plan?; (5) What attention is given in Malaysia’s tourism plans to capacity issues, namely in the context of identified capabilities and competencies?; (6) Is there a discernable link between the development of capabilities and competencies and Malaysia’s strategies?; and lastly (7) What is the knowledge-transfer process between Malaysia’s nine tourism plan?. The finding to each proposition will be summarised in turn in Section 6.3.
6.2 REVIEW OF TOURISM DEVELOPMENT IN MALAYSIA

6.2.1 First Malaysia Plan (1965–1970)

The Malaysian tourism industry was officially established with the formation of the Department of Tourism under the Ministry of Commerce and Industry in 1959 (before the First Malaysia Plan in 1965). There was no information regarding tourism activities found either from government documents or journals published from 1959 (before the First Malaysia Plan) until 1969. However, based on the first government annual report in 1970, it can be concluded that the Department of Tourism planned marketing strategies within this period (1959–1969) by focusing on two different markets: travel-trade personnel and the consumer (international and domestic) (TDC, 1970). The ideas behind the formation of differentiated marketing strategies were suggested by the PATA Pacific Visitor Survey, which suggested that a specific promotion strategy created by the collaboration of these segments could ensure the success of the marketing programme (TDC, 1970).

The strategies for tourism development in the 1970s included an allocation of MYR40,000 to the public and private sectors for the construction of facilities and amenities, as well as the upgrading of the existing and development of new infrastructure (luxury hotels) within the international-standard setting (TDC, 1970). While government funding and incentives were granted by the Department of Tourism to stimulate the development of infrastructure, an imbalance prevailed with most of the development occurring in only four regions (Penang, Kuala Lumpur, Ipoh and Cameron Highlands) (Reed, 1979). This was due to these regions being the main hub of international arrivals and the preparation for PATA.
6.2.2 Second Malaysia Plan (1971–1975)

In 1972, the Department of Tourism was replaced by the TDC (TDC, 1973a). The function of the TDC was to integrate the development of tourism on a national level so that the Malaysian tourist industry would reflect the national character and image of Malaysia. The integrated development was expected to avoid duplication of effort and the depletion of resources as happened in the First Malaysia Plan, which concentrated on only four regions and left other regions undeveloped (TDC, 1973a).

Compared to the Department of Tourism, the institutional structure of the TDC was more organised, as the Ministry of Tourism appointed an Advisory Council and Board of Management to implement and execute the marketing strategies (TDC, 1972). However, in 1975, the TDC was restructured. Instead of a two-tier structure, the TDC was led by a deputy chairman and was assisted by a Board of Management (TDC, 1975).

Previous tourism infrastructure development concentrated on four states. However, in the Second Malaysia Plan, Malaysia began to expand into other regions such as its East Coast, Sabah and Sarawak. This corresponded to the objective of the Department of Tourism to disperse the effect of tourism to all regions. To encourage the private sector to build hotels on the East Coast, a 25 percent abatement of income tax was given while the West Coast was given only 15 percent (Wells, 1982). Investment in transportation development (air and road) was also among the factors that led to an increase in tourist arrivals in these regions (Economic Planning Unit, 1976).
The TDC continued to adopt a differentiated marketing approach for its marketing strategy, with a variety of marketing communication programmes such as advertising, sales missions, publicity and public relations, hospitality programmes and the TDC/MAS Stopover programme (TDC, 1975). These programmes were introduced to create awareness among international tourists of Malaysia as a tourist destination (TDC, 1975).

6.2.3 Third Malaysia Plan (1976–1980)

In the Third Malaysia Plan, the TDC continued to ensure the dispersal of benefits from tourism by developing tourist sites and facilities in all regions. A Tourist Master Plan created in 1975 (Second Malaysia Plan) was used as a guideline for the proper planning of Malaysia’s tourism development (TDC, 1978). The private sector continued to be granted incentives, pioneer status and the abatement of income tax for the establishment of new hotels and the expansion and modernisation of existing hotels. The public-sector agencies supplemented the activities of the private sector (Economic Planning Unit, 1981). State and rural roads were constructed and improved in the undeveloped regions since without roads, most of areas would not be accessible for development (Economic Planning Unit, 1971). The construction of highways such as the Kuantan-Segamat Highway, the East-West Highway and the Kuala Lumpur Highway (which were constructed during the Second Malaysia Plan and completed in the Third Malaysia Plan) provided intra-state links, and significantly improved the ability of tourists (foreign and domestic) to visit different states (Economic Planning Unit, 1976). Indeed, the road network improved the balance of the distribution of wealth among the states with regard to the development of tourism (Economic Planning Unit, 1976).
In its marketing activities, the TDC continued to abide by the previous plan, which involved promoting Malaysia’s natural environment, culture, and the warmth and friendliness of its people (TDC, 1978). Offering a wide variety of tourism products was expected to help transform the undeveloped states (such as East Coast Malaysia and Sabah and Sarawak) into tourism hubs, as well as enhance Malaysia’s effectiveness in building itself into a competitive destination (TDC, 1978).

6.2.4 Fourth Malaysia Plan (1981–1985)

From the First Malaysia Plan to the Fourth Malaysia Plan, the TDC continued to concentrate primarily on building its hotels exclusively to international standards, which resulted in fewer developments of medium-standard hotels (Economic Planning Unit, 1986). The appeal of the TDC to provide incentives to build rooms to an international standard was due to the significant benefit of international tourists for tourism receipts compared to the budget-conscious tourists. This led to a lower level of interest among budget-conscious tourists to Malaysia (Economic Planning Unit, 1986). However, with the economic recession in 1983, a change in the market segment occurred, resulting in the government reducing electricity tariff rates for hotels. This reduction enabled the hotels to offer a lower room rate to cater to the needs of budget-conscious tourists (Economic Planning Unit, 1986).

Transport infrastructure became an essential in encouraging incoming foreign tourists. In 1983, two major airports (Subang International Airport and Kuching Airport in Sarawak) were expanded and modernised, while other state airports in Alor Setar, Kota Bharu, Kuala Terengganu, Kuantan, Langkawi, Miri and Sandakan also improved their
facilities (Economic Planning Unit, 1986). This resulted in an increase in tourist arrivals from 2,200,000 in 1980 to 3,109,106 in 1985 (TDC, 2009). The consequences of the economic recession in 1983 indicated a change in how the TDC utilised its marketing activities. Instead of investing primarily in the long-term and medium-term market, Malaysia shifted towards the ASEAN and Japanese markets. The selection of these markets was due to the fact that they represented the top-ten sources of inbound markets for tourism in Malaysia (TDC, 1983).

6.2.5 Fifth Malaysia Plan (1986–1990)

In 1987, the TDC was again restructured to improve the efficiency of the organisation. Instead of residing under the auspices of the Ministry of Trade and Industry, the TDC was transferred to the Ministry of Arts, Culture and Tourism (MOCAT). Similar to the previous plan, the MOCAT Board of Directors⁴ (drawn from both the public and private sectors) was responsible for the formulation of the tourism policy and administration (Sausmarez, 2007). The State Economic Development Corporation was given the responsibility for implementing the policy formulated by the MOCAT. Following the establishment of the new ministry (MOCAT), foreign-tourist arrivals to Malaysia increased 0.77 per cent in 1989, from 2.9 million in 1985.

MOCAT realised that the development of tourism required more than simply hotel development. Thus, a revision of the Investment Act 1969 was made in 1986 to include both accommodation (international standard and medium standard) and non-accommodation (e.g. safari, zoo) (Economic Planning Unit, 1986). The concentration on the medium-standard accommodation was due to the lack of construction in

⁴ In the second plan, the Board of Directors became known as the Board of Management.
budget-priced accommodation. Previously (from the First Malaysia Plan until the Fourth Malaysia Plan), the government had only granted incentives and an abatement of tax for private sector operators interested in building and modifying hotels according to international standards of accommodation (Economic Planning Unit, 1986). The policy contributed to an abundance in the supply of international-standard hotels and a lack of interest from budget-conscious tourist in Malaysia (Economic Planning Unit, 1986).

In addition to developing and expanding the supply of hotel rooms, MOCAT also undertook a beautification programme that focused on four urban areas: Kuala Lumpur, Pulau Pinang, Sabah (Kota Kinabalu) and Sarawak (Kuching) (Economic Planning Unit, 1986), given that these areas were the primary tourist locations. A pollution-control project was also implemented during this period, particularly for the beaches of Pulau Pinang, which indicated that the government was clearly conscious of the environmental threats (Economic Planning Unit, 1986). A change to the marketing concept in 1990 from promoting the entire country’s attractions to promoting a single image (Tourism Malaysia, 1995a) occurred following the previous, rather vague presentation of the Malaysia experience (compared to its competitors Bali and Thailand). However, this concept was introduced at the end of the Fifth Malaysia Plan, without being able to meet its objective. Hence, the single image was extended into the subsequent Sixth Malaysia Plan.

6.2.6 Sixth Malaysia Plan (1991–1995)

In May 1992, the TDC was replaced by the Malaysian Tourism Promotional Board (MTPB), otherwise known as Tourism Malaysia. The main differences between these
two organisations were that the TDC followed the Tourism Development Act 1972, while the MTPB operated under the Malaysian Tourism Promotional Board Act 1992 (Tourism Malaysia, 1992b), which was more inclusive in its planning and implementation of a tourism strategy for Malaysia.

MOCAT realised the need to attract domestic tourists to visit Malaysia, as there was a large outflow from outbound travel, which contributed to a budget deficit. To address the situation, the Domestic Tourism Division was formed to replace the Enforcement and Facilitation Division⁵(Tourism Malaysia, 1992b). However, this still had relatively little effect in attracting domestic tourists to travel locally.

Malaysia’s commitment to cater to domestic and international budget-conscious tourists was demonstrated by the allocation of MYR100 million in 1994 to construct medium-priced hotels(Ministry of Tourism, 2004). In addition to hotels, the government also introduced a new dimension of medium-priced accommodation known as the home-stay programme, which provided opportunities to small operators from rural communities to participate in the tourism industry (Bank Negara Malaysia, 2008).

In terms of accessibility, an increase in the frequency of flights, the introduction of flights to new destinations and the upgrade of facilities at airports enabled easier access to local destinations. Improvement in land, rail and ferry transportation further increased inbound arrivals of tourists, especially from Thailand and Singapore.

⁵ The Enforcement and Facilitation Division was formed during the Second Plan with the intention of ensuring that any tourist enterprises established in the country operated according to the industry.
The problem with the First Malaysia Plan, which was prepared under the advice of foreign consultants from Hawaii (TDC, 1975), was the absence of local appreciation of domestic tourism. This contributed to the ineffective identification of the strengths of the country and a vague impression of the local tourism industry until the Fifth Plan (Khalifah & Tahir, 1997). Therefore, the formulation of the national tourism policy was proposed in the Sixth Malaysia Plan, which provided new guidelines for the future expansion of the tourism industry.

Malaysia realised that the marketing strategy, which focused on mass tourism, contributed to the vague image of Malaysia, as there was no single distinct product that reflected the true image of Malaysia. Consequently, the shift to a product-based strategy that focused on quality and high-spending tourists was adopted in the Sixth Malaysia Plan. This three-year marketing strategy (1991–1994) was not successful in solving the issue of Malaysia’s vague image (Tourism Malaysia, 1995a). Therefore, another three-year marketing strategy (1995–1997) was introduced and eight selected destinations with unique selling points (USPs) were created according to target-market preferences and needs (Tourism Malaysia, 1995a). This strategy successfully boosted tourist arrivals more than two-fold compared to the Fifth Malaysia Plan (Tourism Malaysia, 2000b). However, Malaysia’s image was still vague in the eyes of many foreign tourists.

6.2.7 Seventh Malaysia Plan (1996–2000)

In the Seventh Malaysia Plan, the budget allocated investment to the restoration and conservation of historic sites, upgrading of tourism facilities and infrastructure, beautification of tourism sites and the development of medium-priced hotels, all of
which indicated the government was serious about developing Malaysia’s tourism industry. The success of the 1995–1996 marketing strategy for eight destinations, each with their own USP, encouraged Tourism Malaysia in 1997 to venture into new products that involved recreation and nature-based tourism\(^6\) (Tourism Malaysia, 1998b). These products were in line with Malaysia’s policy of placing eco-tourism on its tourism agenda, recognising the potential of eco-tourism given the increasing environmental trend among its potential markets (Tourism Malaysia, 1998b).

The increase in advertising expenses to promote 12 destinations individually caused Tourism Malaysia to make some adjustments to its marketing strategy in 1998. In a new strategy, the 12 destinations were grouped into five main attractions: city, resort, nature, history and culture. After regrouping the destinations in these five main attractions, Tourism Malaysia then developed a strategy that incorporated a contrast concept (Tourism Malaysia, 1998c). The contrast concept involved two different attractions combine together with the attention to reflect the true image of Malaysia (refer Table 4.12). This contrast concept was implemented in the third marketing strategy under the Seventh Malaysia Plan that ran from 1998 to 2000 (Tourism Malaysia, 1998c).

\section*{6.2.8 Eighth Malaysia Plan (2001–2005)}

On 27 March 2004, MOCAT was split to create the Ministry of Culture, Arts and Heritage and a separate Ministry of Tourism. The need to have a ministry (i.e. the Ministry of Tourism) that focused solely on tourism came from the government’s seriousness in embracing this industry as part of Malaysia’s development.

\footnote{Four destinations were selected for the recreation and nature-based tourism: Johor Bahru, Kenyir, Danum Valley and Tasek Bera.}
(Hamzah, 2004). The Ministry of Tourism included a Tourism Division and the Malaysia Tourism Centre with jurisdiction over Tourism Malaysia.

To develop infrastructure, Malaysia launched two special funds in 2001, the Tourism Infrastructure Fund and the Special Fund for Tourism and Infrastructure, to accelerate private investment in the tourism industry. These funds covered resort development, renovation and refurbishment of hotels, as well as the provision of related infrastructure and services. The improvement of public amenities, which included upgrading and beautifying selected tourism destinations, as well as the restoration of historical buildings and sites was continued in this plan (Economic Planning Unit, 2006). Besides upgrading the infrastructure and services, Malaysia embarked on the ‘open-sky’ agreement that began under the First Malaysia Plan, introducing the ‘no-frills’ air-travel package offered by Air Asia (Economic Planning Unit, 2006). With the development of infrastructure strategies, Tourism Malaysia successfully accelerated the pace of local and international tourism.

The TDC objective to increase foreign-visitor arrivals was achieved when Malaysia received the highest tourist arrivals in Southeast Asia. However, while the second objective of increasing revenue was unachievable compared to countries such as Thailand, Singapore and Indonesia, the receipts received by Malaysia were greater or almost the same. This indicated that Malaysia had failed to attract ‘tourists from the high-end market segment as the volume of tourist arrivals did not correspond to the amount of tourist receipts generated’ (Ministry of Tourism, 2004). This also indicated that the strategy of shifting from mass tourism to product-based tourism in 1990 had
been partially successful. To overcome this problem, Malaysia re-examined and re-evaluated the previous strategy which resulted in improving three areas: positioning, market segmentation and destination image (Ministry of Tourism, 2004).

6.2.9 Ninth Malaysia Plan (2006–2010)

For Malaysia to position itself as a preferred global destination, especially among the higher spending tourists, a consistent quality of services needed to be implemented. Thus, the Ministry of Tourism gave State Tourism Action the responsibility to upgrade the quality of tourism services.

One of the ways to achieve this objective was through the intensified marketing and promotion of tourism products such as simplifying the immigration procedure, offering special travel packages, and upgrading information technology and e-marketing (Tourism Malaysia, 2007a). Events such as Visit Malaysia Year 2007 and Malaysia’s 50th Golden Jubilee Merdeka Anniversary were also part of the marketing strategy (Tourism Malaysia, 2007c). In the domestic marketing activities, Tourism Malaysia continued to offer a diversity of holiday packages to attract and encourage domestic tourists to holiday locally (Tourism Malaysia, 2009a).

To develop tourism infrastructure, the government allocated around MYR1.0 billion to upgrade and maintain the existing facilities such as public parks, pedestrian and bicycle pathways, and rest and recreation areas, as well as other basic amenities. Other improvements included improved accessibility (e.g. air, road and sea) between gateway cities and resorts, as well as improved internet communication services.
6.3 ANALYSIS OF THE PLANS

6.3.1 Proposition 1: What tourism development strategies has Malaysia adopted since its First Malaysia Plan in 1965?

6.3.1.1 Tourism development in Malaysia

Malaysia realised the potential of tourism to the economy from the First Malaysia Plan because it contributed 1.1% to Malaysia’s GDP. Although the percentage was minor compared to other major sectors such as commodities and manufacturing, it had the potential to become a contributor to the economy. Therefore, in the First Malaysia Plan, the basic infrastructure (hotels, transportation, tourist facilities and amenities) was developed, mainly in four municipalities of the West Coast, Kuala Lumpur, Penang, Ipoh and Pahang, as most foreign tourists flocked to these areas (TDC, 1971). However, for other undeveloped states such as those on the East Coast of Peninsular Malaysia and Sabah and Sarawak, the government began to develop the transportation infrastructure with the objective of developing those areas and developing regional integration (TDC, 1971). By the end of the First Malaysia Plan in 1970, foreign-tourist arrivals had increased to 76,384 compared to 23,225 in 1965, with the West Coast region contributing more than other regions.

By the Second Malaysia Plan, the development of created resources (tourist infrastructure and facilities) was expanded to all states in Malaysia. Incentives to build new hotels and upgrade existing hotel facilities according to international standards on the East Coast were given priority over the West Coast to encourage private-sector
involvement in infrastructure development. However, hotel development remained focused on urban areas.

An investment on major road construction projects, such as the East-West Highway, the Asian Highway, the Kuantan-Segamat Highway and the Kuala Lumpur-Seremban Highway, which were finished in the Third Malaysia Plan contributed to the development of areas along the highway and facilitated easy access within the region (Economic Planning Unit, 1971). As mentioned by Kaul (1985), transportation infrastructure was an essential component of the destination, as it induced the creation of new attractions and the growth of existing ones. Prideaux (2000) urged that a destination should be easy to get to and easy to get around because an inefficient transport system would encourage tourists to seek alternative destinations. The study also suggested that to develop new markets (i.e. interstate or international tourist markets), destinations needed to focus on air travel.

Besides the factors mentioned above, an improvement of airport facilities and the inauguration of an open-sky policy successfully attracted international tourists to Malaysia. Thus, the efficient transport infrastructure positively contributed to tourist numbers (Khadaroo & Seetanah, 2007), which was reflected in the international-tourist arrivals to Malaysia of 1.4 million in 1975 with air transportation contributing to around 1.1 million (TDC, 1979a).

A more efficient and structured marketing plan was implemented in May 1975 as a follow up to the success of the PATA conference held a few years earlier. However, the
implementation of the plan was not fully achievable as the development of accommodation facilities was not always coordinated with the provision of public utilities and infrastructural development (Wells, 1982). This was because the TDC did not have complete control over implementation and enforcement, as each government sector (i.e. government agencies, local authorities and state government) had their own jurisdiction, and hence, a variety of laws to approve the establishment of tourism facilities. The uncoordinated implementation of development lasted until the Fourth Malaysia Plan. Although a Tourism Master Plan was introduced in the Third Malaysia Plan, the policy was aimed more towards avoiding the negative effects of uncontrolled tourism development and fully utilising the limited resources available than ensuring a coordinated effort in developing tourism (TDC, 1978).

The stage of Malaysia’s development in the Fourth Malaysia Plan, based on Butler’s development theory, embodied the exploration of the East Coast, Sabah and Sarawak and the involvement stage for the West Coast. The concentration on the West Coast areas in terms of infrastructure development and aggressive advertising and promotion was more pronounced than for the East Coast, Sabah and Sarawak. This contributed to the different stages, as identified by Butler (2006, 2008), leading to an imbalance of development between the regions. As mentioned by Mat Som (2005), the overall planning approach in Malaysia is urban biased. The two main reasons being that the territory of the local authorities is within urban areas, and is constructed of local plans that are also within urban areas, and that as a developing country, the best approach to accelerating growth and development is through urbanisation and industrialisation.
The concentration on two main sectors such as commodities and manufacturing from the First Malaysia Plan until the Fourth Malaysia Plan, is also similar to the description from Weaver and Opperman (2000) who stated that a destination in the involvement stages is usually characterised by an economy that is dependent on agriculture and other local sectors. However, the dependence on these sectors was reduced when the recession occurred in the mid-1980s.

The recession that occurred during the Fifth Malaysia Plan resulted in Malaysia voluntarily adopting the privatisation mode of development. However, the privatisation concept adopted by Malaysia was different to economic neo-liberalism theory, as the government retained control over the institutions involved. As stated by Jomo and Syn (2003), ‘In Malaysia, the term privatization is often understood to include cases where less than half of the assets or share of State-Owned Enterprises (SOEs) are sold to private shareholders. In fact, privatisation is usually understood to also include cases of partial divestiture where less than half of the assets or share of SOEs are sold to private shareholders, with the government retaining control through majority ownership’ (p. 11). Thus, instead of improving efficiency and becoming competitive, Malaysia’s privatisation initiative gave rise to vulnerability in its economic growth. An example of privatisation within this period was Malaysia Airlines.

Under the Fifth Malaysia Plan, the TDC began to streamline its marketing strategy by focusing on short-term and medium-term marketing strategies, one strategy of which involved the division of the international market based on market selection criteria (refer Table 4.3) (Tourism Malaysia, 1990). These strategies were developed to achieve the TDC marketing objective, which was to increase international
tourist arrivals and receipts. However, the recession had decreased the major foreign-tourist arrivals to Malaysia and inadvertently led to an excess of rooms in international-standard hotels. To solve the problem, the Investment Act 1969 was revived. Instead of providing incentives to the private sector concentrating on international-hotel development, the newly revised Investment Act catered to developers of both accommodation (i.e. medium-standard accommodation) and non-accommodation development (Economic Planning Unit, 1986). This reflects the government’s recognition of the role of the private sector in tourism development.

The revision of the Investment Act 1969 to develop created resources (medium-standard accommodation) to cater to both budget and domestic tourists in the Fifth Malaysia Plan became vital as Malaysia realised that these segments could also contribute to Malaysia’s overall tourism development. As noted by Danker (1990) and Meijers (1989) in Opperman (1993), the budget tourists may spend as much money as high-spending tourists due to their longer length of stay and the fact that they generally travel throughout the destination country. This would lessen the dependency on high-spending tourists and help resolve the existing socioeconomic regional disparities that occurred due to the effect of the previous Investment Act.

Malaysia also began to upgrade and promote other tourist attractions such as historical landmarks, culture, handicrafts and even national parks. Since some of the attractions were located in less developed areas, there was a need for the government to improve its transport and accommodation facilities. The improvement and upgrading of the destination facilities were essential as they affected the experience of tourists. As noted by Mill and Morisson (2006), to satisfy the tourist vacation experience, the
interdependent elements (i.e. attractions, facilities, infrastructure, transportation and hospitality) need to be present.

The diversification of tourism products and an investment of MYR200 million for constructing tourism projects such as tourist facilities, renovating hotels and constructing budget motels throughout Malaysia in the Sixth Malaysia Plan indicated Tourism Malaysia’s effort to attract more international tourist (either budget or high-spending tourists) to visit and travel throughout Malaysia. This was expected to reduce the regional imbalance that had focused more on the development of the areas on the West Coast (Economic Planning Unit, 1991). These strategies were similar to the modernisation paradigm that tourism acts as a form of distributive justice (Pearce, 1989). However, the strategy to reduce the regional imbalance was not completely successful because the private sector continued to prefer to invest (especially for hotel development) in the West Coast, causing the tourist arrivals in this areas to reach a total of 8.6 million guests compared to one million for the East Coast.

The upgrading of hotels and tourist attractions continued until the Ninth Malaysia Plan. From what has been described about the plans, it can be concluded that until the Ninth Malaysia Plan, Malaysia’s development strategy was similar to the development stage in Butler (1980), as there was an enhancement of accessibility and extensive advertising. Such enhancement of accessibility was in the form of the open-sky agreement between Malaysia and 81 air services, the rise of the low-budget air-travel phenomenon that connected Malaysia with other regions, the upgrade of services at the main entry points, ensuring ‘hassle-free’ travel, and the improved accessibility by air,
road or sea between gateway cities and the resorts. While the extensive advertising included intensive promotional campaigns towards regions that could generate high inbound tourism within a shorter period (Tourism Malaysia, 2001), aggressive participation in trade shows, exhibitions and sales missions and promotion. This finding is similar to the Review of the National Tourism Policy report, which concluded that Malaysia was in the development stage and was approaching the consolidation stage (Ministry of Tourism, 2004)

6.3.1.2 Conclusion

Based on the analysis of the development of tourism-industry planning in Malaysia, the country appeared to exhibit characteristics consistent with the stage of Butler’s development theory. At the beginning of the plans, the most essential feature was the development of infrastructure (e.g. hotels, transportation, tourist facilities and amenities). As the transportation system was enhanced and the amount of accommodation and advertisement developed exclusively for tourists had increased, the phase shifted from the exploration to the involvement stage. Subsequently, in the Fifth Malaysia Plan to the Seventh Malaysia Plan, with an upgrade of transportation systems and subsequent marketing strategies on 12 destinations, Malaysia reached the development-stage characteristic envisaged in Butler’s development theory. Strategies such as identifying the tourism product, offering attractive holiday packages and targeting new market segments in the Eighth Malaysia Plan and the Ninth Malaysia Plan were to prevent Malaysia from going further into the consolidation stage.
6.3.2 Proposition 2: What was the process grounding the development of Malaysia’s tourism strategies?

The process grounding the development of Malaysia’s tourism strategies is drawn from Grant (1991). Three themes were selected to answer this proposition: resources, capabilities and marketing strategies.

1. Identification of resources
   At the beginning of the development of the tourism industry, Malaysia identified and developed its tourism products based on the market information gained from its overseas travel agents. These suggested that Malaysia needed to concentrate on its people, hills resorts, beaches, jungles and festivals as its main selling points because these resources fulfilled the interests and preferences of the tourists. By the Fifth Malaysia Plan, Malaysia has expanded its resources to culture, art, shopping and food.

   The diverse resources projected by Malaysia have contributed to the vague identity of Malaysia. Therefore, by the Sixth Malaysia Plan, with the formulation of the Second Tourism Master Plan (1991–2000), Malaysia decided to concentrate on natural and cultural themes. The selection of these resources should enhance Malaysia’s image in the major market areas.

   With its supporting resources, Malaysia recognises the importance of providing tourist infrastructure with facilities that fulfil the requirements of international standards. Thus, an allocation for hotels and tourism-related projects are created for each plan (refer Table 3.6).
2. Identifying capabilities

The interaction between Tourism Malaysia, the public and the private sectors in formulating and implementing tourism strategies (e.g. continuing to plan and execute its destination management and alliances) is essential to optimise the use of resources. Such interaction is considered critical for knowledge acquisition and knowledge creation. However, in certain cases, cooperation becomes difficult to maintain, especially when it involves overlapping jurisdictions, lack of shared vision and different opinions, which result in unachievable long-term objectives.

3. Marketing strategies

The identification of resources and the identification of unique capabilities are important in formulating marketing strategy. For instance, by understanding the tourist’s needs and preferences through research and matching these according to the available resources, Malaysia can strategise tourism packages, events and festivals, brochures, magazines and social networking.

6.3.2.1 Conclusion

Before marketing strategies can be formulated, identifying resources and capabilities is important because it is the essence of strategy formulation. The resources and capabilities need to be rare, inimitable, non-substitutable and valuable for them to be competitive. However, given the lack of cooperation between Tourism Malaysia and the public and private sectors, Malaysia needed to and was able to adopt the short-term strategy described above.
6.3.3 Proposition 3: Is there evidence of short-term and long-term objectives being formulated?

6.3.3.1 Short-term objectives

The short-term objectives for the tourism industry began in the Second Malaysia Plan when the TDC was formed with the objective of achieving the long-term objective, which was having a strong image compare to other country. The short-term objectives included increasing foreign-visitor arrivals and expenditure, stimulating the growth of domestic tourism and increasing Malaysia’s share of the convention market. The recognition of both short-term and long-term planning is likely to avoid the duplication of efforts and depletion of resources and with limited funds and resources, TDC needed to be selective in its marketing activities.

6.3.3.2 Long-term objective: Destination image

The promotion strategy implemented by Tourism Malaysia from the First Malaysia Plan until Ninth Malaysia Plan focused on establishing a strong image so that the long-term tourism objective could be achieved. Based on an analysis of the Malaysia Plan, it can be concluded that the common advertising used by Tourism Malaysia was publicity and public relations, tourist information offices and advertising (printing and television). The functions of advertising differed from plan to plan. For instance, from the First Malaysia Plan until the Fifth Malaysia Plan, the purpose of advertising was directed more towards providing awareness among potential international tourists and domestic tourists concerning Malaysia’s facilities and attractions, as Malaysia was still a newcomer to the industry compared to Indonesia, which began its tourism industry in
Once tourists had become more familiar with Malaysia as a destination, the role of advertising expanded to create a distinctive image that Malaysia lacked (Tourism Malaysia, 1995a, 1997a). However, various crises such as war, terrorism and political instability that occurred between 1991 and 1993 caused a decrease in the inbound tourists to Malaysia during the Sixth Malaysia Plan. Therefore, promotional campaigns during those three years were undertaken until the crises abated. The objective of the TDC was directed towards rectifying the adverse reports published by the international media and warnings by international governments. Thus, it can be concluded that the TDC focused on public relations more than on other advertising tools. The role of public relations during the crises changed from generating tourist interest to reassuring travel intermediaries and tourists about their safety and security in Malaysia (Tourism Malaysia, 1991).

After the crises, Tourism Malaysia utilised all advertising to promote the ‘Visit Malaysia 1994’ programme, and successfully increased the flow of international tourists by 10.7 per cent (Malaysia Tourism Promotion Board, 1994). However, this increase was temporary because of the 1997–1998 financial crisis, which affected tourist arrivals and receipts (refer Table 3.7). Compared to the previous crises, during this crisis, Malaysia put considerable effort into reducing the effect, as the tourism industry had become the second largest contributor to the GDP after manufacturing (refer Table 3.6). Such efforts included public relations, full cooperation from the hotel and travel agencies, as well as establishing a special committee and the NEAC.
The formation of special committee and the NEAC was to help Tourism Malaysia in handling the crises and in identifying the market that was not affected by the crises to achieve the short-term objectives. At the same time in 1999, a new campaign, ‘Malaysia Truly Asia’, was introduced as a strategy to rebrand Malaysia.

To ensure the success of the Malaysia Truly Asia campaign, Tourism Malaysia increased spending on promotions four-fold and invested in public relations, and new tourist offices in Middle Eastern countries (Economic Planning Unit, 2001). In addition, it eased regulations on visa applications for the Chinese and Indian markets (Sausmarez, 2007) and established a website for the convenience of tourists seeking information regarding the destination attractions (So & Morrison, 2010). These strategies contributed to the success of the tourism campaign with an increase in tourist arrivals of 28.9 percent in 2000 from 1999.

The promotional activities for the Eighth Malaysia Plan were a continuation of the previous activities that focused on mass tourism (i.e. the low-end, medium-end and high-end market segments). The only difference to the previous plans was that Tourism Malaysia began to place interest in the high-spending tourists (from Europe and the US) because the mass-tourism focus that had been employed since the First Malaysia Plan had contributed to the unsustainability of the industry (Ministry of Tourism, 2004). Although Tourism Malaysia realised the benefit of targeting the high spender, in reality, most of the promotional activities seemed to concentrate on the Asian region, as this market segment represented almost 84 per cent of the international-tourist arrivals in 2004 and required low promotion costs in comparison to other regions. The need to maintain the inbound tourists from this region was to ensure that the tourism objective
(short-term) was achieved (Ministry of Tourism, 2004). In the Ninth Malaysia Plan, multi-pronged promotion and various advertising activities were employed to cover the mass-tourist segment. Although Tourism Malaysia realised the effect of mass tourism on the environment, it continued its efforts to enhance and preserve the environment, as well as its efforts to stimulate all levels of tourist arrivals.

6.3.3.3 Conclusion

The considerable effort by Tourism Malaysia in forming a distinctive image of Malaysia, such as developing and expanding created resources (infrastructure), creating new tourism products and ensuring the efficiency of promotion and advertising strategy according to tourist preferences, had not only increased the number of domestic tourists, but also international-tourist arrivals. By identifying tourist needs and preferences, Tourism Malaysia was not only successful in achieving its short-term objectives (i.e. increasing tourist arrivals and expenditure) but also the long-term objective which was to enhance Malaysia’s image among international tourists.
6.3.4 Proposition 4: Were there specific targets identified for each of Malaysia’s tourism-development plans?

Malaysia identified two market segments for its tourism industry. These segments include the international and domestic market.

6.3.4.1 Market segmentation—international market

An official marketing plan was published by the Department of Tourism at the end of the First Malaysia Plan but there were inadequate data regarding the marketing strategy in this period (1965–1970). The inadequate data led to insufficient information regarding the relevant market segment. However, based on the 1970 annual report, the segmentation strategy that was applied within this period was based only on the highest inbound tourist arrivals (i.e. the US, Europe, Australia and Japan) (TDC, 1970). Further, there was no information concerning whether the Department of Tourism had considered other segmentation strategies for its market. However, in the Second Malaysia Plan, the inclusive picture of Malaysia’s tourism strategy became more apparent. Instead of segmenting only the highest and affluent inbound market, the Department of Tourism began to consider the needs and preferences of its target market. For instance, in 1975, the first overseas sales mission to Japan by the TDC to understand the Japanese needs and preferences helped the TDC to formulate effective marketing strategies. Besides concentrating on international visitors, domestic tourists had also become part of the priority to achieve the objectives of the TDC.

In the Third Malaysia Plan and Fourth Malaysia Plan, the TDC continued its sales mission, public relations and advertising strategies, targeting markets with the highest arrivals and expenditure such as ASEAN countries, Europe, Japan, Australia and New
Zealand, the US and Canada (TDC, 1977, 1978). Although there was an attempt to understand the segment preferences through the sales mission, the implementation was deficient, as the government was capable only of providing basic infrastructure facilities and attractions to cater to all international tourists. The inadequacy in the construction of viable and relevant attractions and activities according to tourist preferences was reflected in the Tourist Development Plan of 1975, which did not make any recommendations regarding funding and the plan implementation. The limited function of the TDC in implementing the marketing activities due to its limited financial and workforce resources also led to incompetence in marketing and development.

With the price of Malaysia’s main economic contributors (e.g. tin, rubber, palm oil and petroleum commodities) decreasing, the TDC recognised the need to strengthen the tourism industry by restructuring the segmentation strategy. Instead of focusing on each market segment independently, the new segmentation strategy categorised the international markets into two main market streams—the primary market and secondary market—that had similar market characteristics. The market segments that matched the market criteria (refer Table 4.6) were identified as the primary market and the rest were categorised as the secondary market.

The categorisation of the markets helped the TDC to focus its scarce resources on the market segment with the greatest potential. Besides reorganising the international market segment, the TDC also became more aggressive in attracting domestic tourists to overcome the reduction in international-tourist arrivals. Given that some of the market segment included budget-conscious tourists, the revised Act (Investment Act, 1986) was introduced to ensure that infrastructure development (e.g. economy-priced
accommodation) catered for both the budget and the international market, which hitherto focused on high-purchasing-power markets. The non-accommodation factors (e.g. safaris, zoos, recreation centres and children’s playgrounds) also became essential in attracting mid-centric tourists.

In the Sixth Malaysia Plan, the market-segment strategy became more structured as Tourism Malaysia identified who and what attracted tourists to a certain destination. Based on the research conducted by Tourism Malaysia, the implementation of the marketing strategy that introduced eight destinations that each had their own USP was matched with a different market segment. This was designed to enhance to the greatest degree possible the benefit sought by each segment.

Although the notion of the Sixth Plan’s segmentation strategy was adopted in the Seventh Plan, a minor change occurred, where instead of categorising the market into only two markets (primary and secondary), Tourism Malaysia redefined the primary segment by categorising the market into a ‘focus market’ in which each of the three markets would have different spending categories and diverse preferences and needs.

Due to this change, in the Seventh Malaysia Plan, Malaysia’s aim to increase tourist arrivals was achieved; it was ranked as receiving the highest tourist arrivals in Southeast Asia. However, countries such as Singapore, Thailand and Indonesia that received greater or almost the same number of foreign-tourist receipts as Malaysia, gained higher tourist receipts. This indicated the failure of Tourism Malaysia to attract tourists from the high-spending market segment (Tourism Malaysia had recognised the importance of high-spending tourists since the Third Malaysia Plan). The failure to attract this market
segment was due to Tourism Malaysia viewing high-spending tourists according to their own definition. Hence, in the Eighth Malaysia Plan, Malaysia decided to continue to penetrate the high-spending market segment by aiming towards the top-ten tourism spenders listed by UWTO (Ministry of Tourism, 2004). This strategy was complemented by other strategies that provided ‘a value-for-money’ benefit and quality destination (Ministry of Tourism, 2004). Although the marketing strategies had been outlined, most of the implementation, especially from the private sector, continued to focus on mass tourism. As such, the objective to target high-yield tourists was unsuccessful, as the tourist receipts for 2005 in comparison to 2001 only increased to 7.7 million.

The objective to position Malaysia as a value-for-money, quality destination and target diverse market segments was executed primarily by Tourism Malaysia through introducing and promoting new tourism products, recommending new and attractive tourism packages, increasing air accessibility, hassle-free travel and upgrading infrastructure. Consequently, this marketing strategy was successful in increasing tourist receipts from MYR31.9 million in 2005 (Eighth Malaysia Plan) to MYR56.5 million in 2010 (Ninth Plan).

6.3.4.2 Market segmentation—domestic tourists

Data on domestic marketing activities from the First Malaysia Plan until the Fourth Malaysia Plan are not well documented. However, from the Second Malaysia Plan it can be concluded that the TDC began to give attention to Malaysian tourists (which had not been included in the tourism objective). This was executed through marketing
activities such as advertisements in print media, offering tourist packages, promoting various local festivals and events, and offering convenient transportation. The selection of these activities due to the fact that the domestic tourists preferred to have a cheap and convenient holiday. However, these strategies were ineffective as the domestic tourists continued to prefer to vacation overseas.

The TDC recognised that although the domestic-tourist segment was budget conscious and family oriented, the accommodation and infrastructure was not built to fulfil this demand. Only 4 per cent of the total hotels developed targeted domestic or budget tourists, and the location for the budget accommodation provided by the TDC was in Terengganu, Pahang and Langkawi.

A structured marketing strategy for domestic tourism began with the Fifth Malaysia Plan when the TDC realised that the outflow from outbound travel from Malaysian was valued at MYR807 million in 1980 and MYR2,800 million in 1985. This offset the positive effect of tourism when international-tourist gross receipts only contributed MYR1,500 million in 1985. The recession that occurred in this period decreased international-tourist arrivals, thus inducing the TDC to focus more on domestic tourism. The benefit of domestic tourism was noted by Jafari and Seckelmann in Jafari (1987), ‘domestic tourism offers many benefits to the country (developed and developing) and that such tourism should be encouraged both as a prelude and an adjunct to international tourism’. In Seckelmann’s (2002) study on domestic tourism in Turkey’s development said that ‘domestic tourism is more suitable for a socially and economically sustainable regional development, since it does not carry all of the problems linked to international
mass tourism such as external investment, outflow of the income, seasonal migration, over commercialization of culture’.

To ensure the success of the strategy, Malaysia’s Investment Act 1969 was revised to facilitate the development of accommodation to cater to both international and budget-conscious tourists and the construction of the non-accommodation sector such as safari parks and recreation centres (Economic Planning Unit, 1986).

The reduction of the rate of the electricity tariff and the launch of the new Investment Fund were also implemented to encourage the hotel sector to reduce hotel prices (Economic Planning Unit, 1986). However, such incentives were not sufficient to prevent hoteliers from providing lower room rates.

An advertising campaign that focused on price and activities was used to attract and provide awareness of domestic holidays locally. Such advertising campaigns included the ‘Great Holiday Value’ (TDC, 1978).

In the Sixth Malaysia Plan, several marketing strategies were reinforced to reduce outbound Malaysian tourists. Such strategies included an investment of approximately MYR2 million in print, electronic and billboard advertising with an emphasis on attraction, history, shopping and planned vacation themes. Investment in the construction of new budget accommodation and providing facilities (especially along the road) for the convenience of the domestic (as well as the international-tourist) market also became essential because Malaysians tend to travel with their family.
However, these strategies had little effect on reducing outbound tourism, as Malaysia still experienced a deficit in 1995. One of the three factors suggested by Sadi and Bartel (1997) to explain this failure was a lack of pride in local attractions of domestic Malaysian tourists because from the Fourth Malaysia Plan to the Sixth Malaysia Plan, Tourism Malaysia continued to emphasise ‘fostering national pride’.

In the previous plan, domestic tourists took their vacations during certain periods such as school holidays. However, the seasonal-holiday trend changed in the Seventh Plan when the government reduced the working days from six to five days per week and private companies’ flexible working hours were adopted. The effect of this measure and the subsequent imposition of an exit tax caused domestic travellers to take more domestic holidays, and pursue recreation and leisure within the country. Thus, the launch of the ‘Cuti-Cuti Malaysia’ campaign (1999–2007) that carried the same objective as the Second Malaysia Plan was implemented to inform and provide awareness about Malaysia as a holiday destination.

Within the Eighth Malaysia Plan and Ninth Malaysia Plan, Tourism Malaysia and the private sector aggressively promoted travel packages to domestic tourists. Compared with the previous tourism packages, these travel packages offered a wide range of holiday packages at reasonable prices, with the understanding of domestic tourists’ needs and preferences (i.e. they generally travel as a family or group and facilities, accommodation and transportation systems were improved). Although the improvements to infrastructure and accommodation did not prevent Malaysians from travelling abroad, the balance of payment improved.
6.3.4.3 Conclusion

Tourism Malaysia realised the importance of identifying consumers’ needs and preferences to formulate an effective marketing strategy. With the identification of the market segment, Tourism Malaysia could allocate its limited resources efficiently. This helped Tourism Malaysia to create a product that was valued by the segment.

6.3.5 Proposition 5: What attention is given in Malaysia’s tourism plans to capacity issues, namely in the context of identified capabilities and competencies? Proposition 6: Is there a discernible link between the development of capabilities and competencies and Malaysia’s strategies?

Proposition 5 and 6 will be analysis together since capability involves issues of capabilities. This can be affirmed by Butler (2009) who proposes that capacity and the life-cycle concept can be extended to a country’s capabilities.

6.3.5.1 Resources and capabilities

Product-management capabilities

Malaysia’s First Tourism Master Plan (1971–1990) indicated that Malaysia preferred to be seen as a destination that could offer a variety of destination attractions. Although it is unclear how it was decided which attractions to use to portray Malaysia’s image (i.e. the steps taken to identify the main attractions to promote to the international tourist), it can be assumed that the Department of Tourism selected natural attractions as their main selling point, together with culture, the warm and friendly people, festivals, beaches, hill resorts, history, national parks and culture due to the availability of these attractions in Malaysia. Identifying and understanding the needs, wants and preferences
of the respective markets (e.g. Australian, European, Japanese, US and Southeast Asian) by the Department of Tourism/TDC experts were also considered as the basis for the selection of these resources (TDC, 1970).

The three agencies involved in identifying the potential of tourism products and tourist needs, wants and preferences comprise (1) public relations and publicity agencies that investigated the need of four major markets by ensuring a good liaison and rapport with local media, travel agencies and travel agents (TDC, 1974), and (2) a sales mission team that investigated the needs and preferences of the market before a product could be officially promoted. This had the potential to be a strategy to penetrate certain markets (TDC, 1975).

By the Second Tourism Master Plan (1991–2000), Tourism Malaysia became more organised in handling and selecting its main attractions. The selections of all 12 attractions (e.g. shopping, food, island resorts, beach resorts, history, adventure and nature, wetland-based eco-tourism, forest ecology-based eco-tourism, recreation and adventure, recreation and culture) were based on tourist demand, potential products and competitors (Tourism Malaysia, 1991, 1997c). For the demand factor, Tourism Malaysia commercialised new attractions that had already attracted tourists. Conversely, the potential product was the attraction that Tourism Malaysia identified as having a potential to be marketed. For instance, using eco-tourism as the selling point for Malaysia in 1991 was based on the need to meet tourist needs (Tourism Malaysia, 1998c). Finally, the identification of a new product could be due to the aggressive competition among the neighbouring countries (e.g. Indonesia and Thailand) that targeted the same market (Malaysia Tourism Promotion Board, 1999). It can be
concluded that by the Ninth Malaysia Plan, Malaysia had already identified its strengths and the alternative tourism offered was considered complementary to the main attractions.

**Price capability**

The focus of Malaysia on price capability was assumed to focus on both segments, which were international tourists and domestic tourists. However, the TDC invested more on international tourists in its advertising, promotional campaigns and tour-package promotion due to the high contribution to Malaysia’s GDP. In addition, with limited financial resources, the TDC saw the requirement to segment its market so that it could plan marketing activities efficiently (Tourism Malaysia, 1997a.). This is evident in the Fifth Malaysia Plan in which the TDC restructured its target market by categorising international tourists based on primary and secondary markets (refer Table 4.3). Research by the TDC on factors such as awareness rate, travel desire and attitude, purchasing power, airline connection, and government policies helped the TDC to categorise these markets (Tourism Malaysia, 1990).

The effect of this pricing strategy with other promotional strategies is indicated in the increase of international tourists from 3.2 million in 1985 to 7.4 million in 1990, an increase of almost 57 per cent (Economic Planning Unit, 1986). Although this increase might be perceived as successful in achieving the tourism objective to increase international tourists, it caused problems with sustainability because, in reality, the service providers were using price and quality reduction strategies, as well as promoting Malaysia with a mass-tourism product to compete with other destinations such as
Indonesia and Thailand. As a result, pollution occurred, especially along the beach areas due to the increase in tourists, which reduced the environmental quality (Economic Planning Unit, 1986).

Tourism Malaysia realised that the mass-tourism product (low price and low quality) gave Malaysia a negative image (Ministry of Tourism, 2004). As mentioned by the Ministry of Tourism, this strategy provided less profit to the service providers, which caused problems in maintaining and repairing the resorts or the attractions. Thus, by the Sixth Malaysia Plan, Tourism Malaysia restructured its marketing strategy by focusing on a high-quality product with value-for-money but without disregarding mass tourism (refer Table 4.6). There was a need to continue promoting mass tourism for the mass-tourist market because it generated a significant source of revenue, especially in times of crises. That is, the lower spending ASEAN market is needed if a crisis occurs in the region (Ministry of Tourism, 2004).

An efficient and personalised concept of tourism packaging can result in effecting customer loyalty, as well as positive word-of-mouth and image. As stated by Kandampully (2000), the adoption of the concept of packaging by the tourism organisations was to manage demand fluctuation, while offering the services that would consistently meet visitor expectations. In Malaysia, the tourism holiday package began from the Third Malaysia Plan and continued to improve in the Sixth Malaysia Plan to attract more tourists as the market began to shrink due to competition with other regions (Tourism Malaysia, 1994). With the aim of highlighting the quality and value-for-money of Malaysian holiday packages, aggressive advertising was developed to cater for international intermediaries and all groups of tourists, with a focus on the main
tourist market. Given that value is relative and differs from person to person, Tourism Malaysia acknowledged the importance of designing the tour package according to market preference (Tourism Malaysia, 1994).

Although the adoption of the mass-tourism strategy did not make Malaysia more competitive, it continuously increased international-tourist arrivals (refer Table 3.7). The strategy was carried out until the Ninth Malaysia Plan with the promotion of new and affordable packages catering for all market segments—low, medium and high spending.

**Channel management capability**

In the First Malaysia Plan, the capability of the distribution channel was executed through the agencies (i.e. human resource and publicity agencies, Malaysian trade commissioners and tourist information offices) that were under or hired by the Department of Tourism who were responsible for promoting Malaysia internationally. The involvement of private tourism agents in promoting Malaysia internationally was not mentioned in the First Malaysia Plan but was included in the Second Malaysia Plan when the TDC and the public and private sectors were involved in the first sales mission to Japan. In this sales mission, the TDC, the public and private sectors, and the local tourism agents exchanged information regarding tourist needs and preferences (TDC, 1975). This helped the TDC to understand tourist motivations, improve the quality of the service and identify tourist products.
A sales mission and hospitality programme were considered for promotional activities that were used by the TDC to promote and introduce tourism products to tourism agents. These promotional activities were designed according to market needs and preferences. For instance, a group of tourism agents from the United Kingdom were invited to visit Malaysia and experience the beaches, nature and culture for themselves, as these tourism products had already been identified by the TDC as favourite activities of British tourists. Besides emphasising these attractions, the TDC also promoted other tourism products such as shopping and the marine life.

The close cooperation between the tourism agents and the TDC continued when the TDC gave its full support to providing promotional materials and advertising to tourism agents to promote tourism products and package tours to potential tourists (TDC, 1989a). By encouraging tourism agents to promote the tourism products and package tours overseas, the TDC hoped to generate interest and awareness among the international tourists concerning the available attractions, which in turn, would increase international-tourist arrivals to Malaysia. However, in certain situations, the tourism agents hesitated to promote the product, especially when the TDC did not vigorously engage in promoting and publicising the tourist attractions and facilities. The lack of infrastructure development and the emphasis on profit by the private sector also contributed to this problem (Economic Planning Unit, 1986).

Besides providing promotional materials and advertising support, the TDC also made an effort to familiarise and improve tourism agents’ knowledge about Malaysia’s attractions and facilities by exposing them to the latest tourism news or events that were
occurring in Malaysia. This was achieved by supplying them with publications such as ‘Travelnews’ (TDC, 1983).

By the Seventh Malaysia Plan, the TDC/Tourism Malaysia had improved the distribution channel by setting up a website that provided easy access for tourists seeking the latest information regarding the destination attractions. Continuous enhancements to the website were undertaken during the Ninth Malaysia Plan, for example, the ‘Experience Malaysia’ page, which enabled visitors to obtain and download materials in a multimedia format. The Tourism Malaysia website has outstanding online visibility, as it was listed first in Yahoo and Google with Tourism Malaysia as a keyword (personal observation, 05 February 2013). Social networking, for example, YouTube (2007), blogs (2009), WebTV (2011), Facebook (2011), Flickr and Twitter (2012) was also introduced to encourage visitors to interact with the content of the website and the destination.

**Promotion capability**

The fourth variable under specialised capability was promotion. An understanding of market preferences had been gained since the First Malaysia Plan, in that the Department of Tourism, in its public relations and cooperation with public agencies undertook research on its four main markets (TDC, 1970). By recognising the specific needs and wants of the main market, the Department of Tourism could effectively develop a distinct marketing programme (TDC, 1970) to generate the favourable appeal of Malaysia in the tourists themselves. In addition, with the lack of capital resources, it
was essential to have a finer market segmentation strategy so that the outcome could be maximised using appropriate timing and media selection (TDC, 1973b).

The categorisation list of market segmentation from the First Malaysia Plan until the Fifth Malaysia Plan was based solely on highest arrivals (TDC, 1970) and expenditure (TDC, 1973b). However, with the reformulation of the Tourism Master Plan (1991–2000) in the Sixth Malaysia Plan, the TDC/Tourism Malaysia widened the criteria list for its market segment to (1) the economy of the country, (2) accessibility, (3) the strength of currency, (4) responsiveness towards Malaysian marketing activities, and (5) travel restrictions and policies (TDC, 1973b) (refer Table 4.6 and Table 4.7). The categorisation of the market by TDC/Tourism Malaysia assisted them in developing a marketing strategy because different tourists have different motivations to travel. This can be seen in Table 3.3 and Table 4.7.

**Marketing planning and marketing-implementation capability**

The final variables concerning capability were marketing planning and implementation. It can be concluded that before any planning was determined, Tourism Malaysia would refer to its vision, mission and objective. As mentioned in each tourism plan from the First Malaysia Plan to the Ninth Malaysia Plan (refer Chapter 4 ‘Tourism Policy: Objective and Demands’), Tourism Malaysia’s short-term planning was guided by four clear objectives with a long-term objective emphasis on image formation that was shared with other stakeholders such as the private and public sectors.

The importance of sharing the same vision, mission and objective was first discussed in the Second Malaysia Plan when a Regional Coordinating Committee (RCC) was formed
in 1975. One of the responsibilities of this committee was to advise the state
government on matters concerning policies relating to tourism development (TDC,
1975). This was to ensure that the benefits of tourism activities and facilities were
dispersed throughout the country. Enhancing cooperation between Tourism Malaysia
and its stakeholders—the private and public sectors—was always a priority in the
implementation of policy. This was shown by the creation of the new ministry
(MOCAT) whose board of directors were drawn from both the private and public
sectors (Sausmarez, 2004). MOCAT was responsible for policy implementation,
coordination and overall tourism administration. By creating close cooperation between
Tourism Malaysia and the public and private sectors, Tourism Malaysia could ensure
that the tourism-activity objective would be achieved.

In certain situations, problems occur despite constant evaluation and assessment of
direction being provided to stakeholders. For instance, when the TDC/Tourism
Malaysia were attempting to promote a new product or suggest a new marketing
strategy, some of the tourism agents were reluctant to follow because of doubts about
profitability. Thus, instead of developing a tour package that emphasised quality and
value, they continued to adopt a mass-tourism strategy, which resulted in lower prices in
the tourism industry and a problem of sustainability (Ministry of Tourism, 2004). The
TDC/Tourism Malaysia had a problem in implementing their marketing and
development strategies due to state jurisdiction (Din, 1982)

There are situations that require constant evaluation and assessment to detect any
potential problems before they become serious. For instance, in a crisis such as the
economic recessions of 1990 and 1997, the Gulf War in 1991 and political instability in
1997 and 2001, a modification of the plan was required so that the target could be achieved. Due to these crises, the ministry and Tourism Malaysia realised the importance of identifying the strengths, weaknesses, market segmentation and demand, which were then projected into the destination marketing strategies (1991–2000) to help Malaysia achieve its marketing objective.

6.3.5.2 Conclusion

The strategies adopted by Tourism Malaysia to enhance its short-term and long-term objectives can be seen in the six capabilities for which Tourism Malaysia carefully planned the strategy before its implementation. However, the tourism industry involves a variety of parties such as the public sector, tourism agents, and the private sector, and certain strategies suggested by Tourism Malaysia received less support from these parties, especially when there was less profit involved. Without the cooperation from the private sector, the strategies suggested by Tourism Malaysia, such as promotion packages in the Sixth Malaysia Plan, and a change of the market segment from mass tourism to high-spending tourism and environmental sustainability in the Eighth Malaysia Plan and Ninth Malaysia Plan, were only partly achievable.
6.3.6 Proposition 7: What is the knowledge-transfer process between Malaysia’s nine tourism plans?

Since the beginning of the Malaysia Plan, Malaysia has realised the benefit that it can gain from the diversification of public and private planning to create competitive advantage. The knowledge exchange between the sectors involved understanding the market preferences (TDC, 1970), which was then used to tailor strategies (e.g. identifying products and resources, developing price, marketing channels and promotion) to create the necessary appeal to the target market. However, this valuable knowledge was only partially effective in achieving the objectives, especially when there was an implementation deficiency due to the lack of cooperation in implementing the strategies and overlapping jurisdictions.

An example of overlapping jurisdiction between the federal government agencies is the agro-tourism–home-stay programme (rural tourism), which was actively promoted by MOCAT/Ministry of Tourism and the Department of Agriculture. Since these agencies worked independently, there was little collaboration in terms of the planning, implementation and coordination of the programme.

The lack of collaboration between the stakeholders is also evidenced by the understanding and acceptance of the rural-tourism concept. In the Sixth Malaysia Plan, the concept of rural tourism was unofficially identified as natural resources industry, eco-tourism, agro-tourism and aqua-tourism by the Ministry of Rural Development. Consequently, as rural tourism became part of the tourism product, the Malaysian Government formulated the Rural Tourism Master Plan (RTMP) and classified eco-tourism and islands under rural tourism. Although the RTMP had been outlined, the
misunderstanding concerning the rural-tourism concept remained. For instance, a state
government (Terengganu) still aggressively promoted islands under island tourism
(Hamzah, 2004) and MOCAT promoted eco-tourism separately from rural tourism
(Economic Planning Unit, 2006). This indicates that although the RTMP had clearly
outlined the rural-tourism product, the state government and MOCAT still promoted
these tourism products (rural tourism, eco-tourism and islands) separately. The
separation of the promotion between these products was because the government had
already allocated certain financial resources for each tourism product.

The divergence between the stakeholders had the potential to threaten the sustainability
of Malaysia’s tourism. Although the rural concept had been defined, MOCAT and the
stakeholders were still not fully capable of adapting to the rural-tourism concept. This
indicates that they had a poor grasp of the concept and policy and were unable to
differentiate its product.

6.3.6.1 Conclusion

Malaysia adapted knowledge transfer between the plans. However, the lack of full
cooperation between the sectors in implementing the planning led to unsustainable
environmental conditions.
6.4 CHAPTER CONCLUSION

Malaysia’s tourism planning provided Tourism Malaysia with a guideline concerning how to plan its marketing strategy effectively using the available resources (endowed and heritage resources) and allocate strategically for tourism development. With scarce resources and with increasingly aggressive competition from other destinations (especially from other Southeast Asian cities), it is essential for Malaysia to identify its resources and transform them into capabilities.

Malaysia has carefully and consistently identified a set of six of marketing capabilities (product management, price, channel management, promotion, marketing planning and marketing implementation) in its short-term and long-term planning for sustained competitive advantage and superior performance. Such planning has been connected to Malaysia’s tourism vision, mission and objective and shared with other stakeholders. However, one planning and implementation capability remains absent. This presents Malaysia with a continuing challenge in achieving its long-term objective, a distinctive image, which means its image is subject to replication by its competitors.

The decisions concerning planning involve all parties, the state, private and public sectors. However, with the lack of cooperation in implementing the planning by these parties, some of the strategies have been unachievable. For instance, despite the tourism products (e.g. endowment of natural resources, culture and the created resources—which came from intensive research by Tourism Malaysia on tourists’ needs and wants, demands, potential products and competitors), without the cooperation of the private sector in promoting a new tourism product (due to the unprofitability factor) and lack of
promotion and infrastructure development or facilities by the state and Tourism Malaysia, the long-term objective of image has remained unachieved.

The lack of cooperation by the private sectors in implementation is also demonstrated in pricing. For instance, the intensive research on tourist needs and wants, demands, economic forces and changes in trends assists the Ministry of Tourism Malaysia in segmenting it tourists. Rather than concentrating on mass tourism (First Malaysia Plan until the Fifth Malaysia Plan), Tourism Malaysia has slowly moved towards high-spending tourists, and the value-for-money and quality market for sustainability purposes in the Sixth Malaysia Plan. New tourism products, tourism packages, increased air accessibility, hassle-free travel and upgrading infrastructure have been part of the strategy and tailored according to the segment preference. However, without the cooperation from the private sectors that continue to focus on mass tourism (i.e. the emphasis on quantity rather than quality, which does not consider consumer preferences and applies a price-reduction strategy), the high-spending market and value-for-money and quality strategy are unachievable.

Considering all these arguments it can be concluded that although Malaysia has successfully identified its uniqueness and distinctive resources and capabilities (i.e. price, promotion, channel management and planning) and applied them in its tourism-development plan strategy, without the cooperation from the state and private sectors, Malaysia as a destination will have difficulty in becoming competitive.
CHAPTER SEVEN: DISCUSSION

7.1 INTRODUCTION

This chapter clarify in detail the proposition mentioned in the first chapter by linking the analysis chapter into the literature. The detailed explanation of these seven propositions will address whether the strategies applied by Malaysia are align to RBV and/or Butler’s development theories.

7.1.1 Proposition 1: What are the development strategies that Malaysia adopted since its First Plan in 1965?

The evolution of Malaysia tourism industry can be described by the Tourist Areas Life Cycle (TALC) proposed by Butler. With the pattern of Malaysia’s development cycle mirroring TALC, Tourism Malaysia can predict and manage the destination effectively in the short and long-term to ensure the sustainability of the industry. The marketing strategy in extending the appeal of Malaysia tourism objectives involve short-term (to increase international tourist arrivals and expenditure, and growth of domestic tourism) and long–term (image formation).

The development of the tourism industry in Malaysia commenced due to the government’s intention to diversify its total gross national product (GNP) (Wells, 1982). The view of tourism as a tool to encourage economic development has also been applied
by other countries such as Korea (Kim, Chen, & Jang, 2006), Botswana (Mbaiwa, 2005) and Indonesia (Walpole & Goodwin, 2000). Since, tourism was still in the early stage of development; Malaysia only provided a basic infrastructure, focusing on certain states such as Kuala Lumpur, Penang, Ipoh and Pahang. This corresponded with the exploration stage proposed by Butler (1980) who noted that the development of accommodation and transportation in this stage is general and built for local purposes. The importance of infrastructure was discussed by Crouch and Ritchie (1999), who expresses that tourism planning and development would not be possible without roads, airports, harbours, electricity, sewerage and potable water (adopted from Khadaroo and Seetanah (2007). Gunn (1988) and Inskeep (1991) also saw similarities, in which infrastructure (especially transportation) was the main factor determining a destination’s attractiveness.

Malaysia offers a good example of destination, in that it has numerous cultural and natural attractions that attract allocentric individuals. The positive impact of international tourist arrivals following the First Malaysia Plan encouraged the TDC to promote other states. Since Malaysia was still in the initial stage, providing basic infrastructure and facilities in the new areas were the responsibility of the government. As stated by Goymen (2000) adopted from the WTO (World Tourism Organisation, 1996), in the beginning of a country’s tourism development, the government plays a pioneering role in planning, promoting and implementing. The government’s involvement is essential since huge investments are required to provide the basic infrastructure and facilities necessary to open up areas of the country to tourism and to attract tourist growth. ‘The private sector (sometimes a viable one may not exist) in the initial stage cannot be expected to take risk until a climate of confidence can be created
and the full potential of the sector can be comprehended by the entrepreneur’ (2000, p. 1029). Other references of particular importance include Akama (2002), who stated that in the initial stage of tourism development, the government plays a major role in the establishment and management of tourism facilities, since the private sector initiatives are either minimal or non-existent. The direct involvement by the government in this stage will become the jump-start for the tourism development industry. In the context of tourism in Malaysia, besides acting as a catalyst for tourism development, the government has offered financial assistance to the private sector by granting incentives for constructing, expanding and modernising tourism accommodation. Incentives for constructing international tourism accommodation depending on area (an income tax abatement of 25 per cent of chargeable income for hotels in the undeveloped East Coast states of Terengganu, Pahang and Kelantan, and 12 per cent in Kuala Lumpur and Penang) (Khalifah & Tahir, 1997) (Economic Planning Unit, 1981). Even though the main intention for the considerable reduction of income tax in the East Coast was to encourage more participants from the private sector to develop international hotels, unfortunately, the private sector still preferred to invest in the urbanised West Coast areas. Significantly, this was because the West Coast was the main entry point for international tourists, and most of the infrastructure development took place in this area (Reed, 1979) making it a lucrative destination for investment. As the investment from the private sector was minimal in the East Coast, Sabah and Sarawak, the federal or the state government built most of the facilities and infrastructure on the West Coast. Due to the unequal spatial distribution of tourism, favouring the West Coast area, the East Coast, Sabah and Sarawak witnessed either inaccessibility or lack of development. This
appears to confirm the findings of Hovinen (1982) in Lancaster where no organized tourist industry existed during the exploratory stage, ‘and specific visitor facilities are either few, as in a more accessible area like Lancaster Country or nonexistent as in less accessible areas’ (p. 568). Since there were no specific facilities provided for visitors in certain areas, the use of local facilities and contact with local residents were therefore likely for tourists (Butler, 1980).

The success of the PATA conference in 1972 led to the formation of the Tourist Development Plan in 1975 (Third Malaysia Plan). The plan that was prepared by the Hawaiian based company indicated many implementation deficiencies, such as no specific recommendation on funding or schedule for plan implementation, poor market segmentation projection, and overlapping jurisdiction between the federal and state sectors. This poor planning indicated the lack of Hawaii company’s predictions regarding Malaysia’s tourism environment and its tourism objectives. The negligence of the TDC in recognizing this flaw was due to its insignificance to Malaysia’s economy compared with other industries at the time (refer Table 3.6). Thus, it validates the assertion by Butler that Malaysia was in the involvement stage when the tourism industry only made a minor contribution to the total GDP (refer Table 3.5).

Malaysia used the tourism industry as a means to disperse economic benefit through the national, regional and local economies. For instance, starting from the Second Malaysia Plan, the TDC constructed a basic transportation infrastructure, facilities and promoted other states besides the West Coast area. The enhanced transportation system with the
completion of the Kuantan-Segamat road, the East-West highway and Kuala Lumpur-Seremban highway, and the ‘Come on Out and Enjoy Your Country by Air, Rail and Road’ campaign in the Third Malaysia Plan encouraged regional and international tourists to come and explore Malaysia attractions either by air, road or rail (Economic Planning Unit, 1976). Further, a special incentive (Investment Incentive Act of 1968) was given to the private sector to induce the hotel industry to show an increase in international-standard hotels from 10,024 rooms in 1975 to 27,559 rooms in 1980. The concentration on international-standard hotels to cater to international tourists was because domestic tourists mostly stayed with friends and relatives when going on vacation. In terms of advertising, the TDC had commercialised the uniqueness of four regions to its target countries, Kuala Lumpur/Malacca, Penang/Langkawi, the East Coast and Sabah and Sarawak (TDC, 1978). Consequently, the major enhancement of the transportation system, an increase in the amount of accommodation and advertisements developed exclusively for tourists indicated a phase shift from exploration to the involvement stage (Butler, 1980).

The deficient planning development by the foreign expert and the low participation from the private sector contributed to the imbalance in tourism development and a poor image of Malaysia. Therefore, by the Sixth Malaysia Plan, instead of depending on foreign experts to create the tourism master plan, Tourism Malaysia directed local planners to formulate the new tourism master plan (1991-1995). This involved a new guideline for tourism expansion, greater collaboration between the government and the private sectors, and increased participation of the private sectors (Economic Planning Unit, 1991). The collaboration among the stakeholder groups to ensure the successful planning and implementation was parallel with the study by Tosun et al.(2001)
And Yuksel et al. (1998). The selection of local planners in formulating the master plan was because they were more aware of the socioeconomic, political, socio-cultural and environment context of tourism development in comparison to the foreign experts. The new master plan has structured the destination marketing strategy for 1991 to 1994 and 1995. It emphasised the re-establishment of Malaysia’s image through introducing eight destinations in different states with different unique selling points (Tourism Malaysia, 1995a, 1995b). This strategy also emphasised on quality and value to overcome the vague image. Another important feature of tourism development in this plan was the variety of tourist accommodation. Previously, hotels were only available for high spending international tourists, starting from the Fifth Malaysia Plan, budgeted accommodation was introduced to cater to budget conscious travellers (Economic Planning Unit, 1986). With this new tourism master plan, the Malaysia tourism industry experienced a more than two-fold increase from the Fifth Malaysia Plan.

In the Sixth Malaysia Plan, Malaysia started to consider the sustainability concept, also known as alternative development. Malaysia’s intention to commence the sustainability concept was due to the major landscape change resulting from an increased number of visitors. Thus, a focus on quality and value by targeting high-spending tourists became the new image of Malaysia. Unfortunately, this marketing strategy was less successful as most of the present infrastructure and facilities were built to cater the mass-market segment. The effort to achieve sustainability continued in the Seventh Malaysia Plan when the government offered a direct financial support to private sector to develop, renovate and refurnish resorts, tourism infrastructure and improve services. An upgrade of the transportation system and subsequent destination marketing strategies for 1996 to 1997 and 1998 to 2000 recommended continuing promotion on the eight destinations,
and four other destinations, namely Johor Bahru, Kenyir, Danum Valley and Tasik Bera. These strategies combined with the inclusive tourism package (‘Cuti-Cuti Malaysia’ travel packages), diversified tourism product and made use of information technology. The enhancement of the accessibility, extensive advertising and auxiliary facilities and services reflected the development stage characteristics that was envisaged in Butler’s model (1980).

An aggressive marketing strategy done by Tourism Malaysia and private sectors has contributed to 10.2 million tourist arrivals in 2000. Through the above measures, Malaysia’s tourism industry, from the Fifth Malaysia Plan until the Seventh Malaysia Plan, clearly corresponded to the development stage of Butler’s model.

In order to forestall Butler’s consolidation stage, Malaysia had repositioned its image by emphasising the ‘value for money’ and ‘worthwhile holiday experience’ approach. It also identified and diversified the tourism products (such as homestays, eco-tourism and agro-tourism), offered an attractive holiday packages that developed based on the needs, expectations and preferences of tourist’s and finally, targeted to a new market segment (high-spender tourists) in the Eighth Malaysia Plan and Ninth Malaysia Plans.
7.1.2 Proposition 2: What was the process grounding the development of Malaysia’s tourism strategies?

In identifying the grounding process for tourism strategies on Malaysia Tourism development, a frame work from Grant can be use as a guideline. Grant proposed 3 stages which are:

(1) Identification and classification of tourism resources.

At the beginning of tourism industry (First Malaysia Plan), Malaysia’s selection of resources (holiday resorts, people’s way of life, custom and cultures) were based on the suggestion made by an overseas travel agency. Since the travel agency was based internationally, Malaysia seem to have problems in identifying and classifying its core resources. A good solution to the problem at hand was the formation of the TDC in 1972 (Second Malaysia Plan), the aim of which was to avoid the duplication of efforts and depletion of resources. In order to achieve this objective, the identification of resources by a group of internal experts (Tourism Malaysia research team), as suggested by Melian –Gonzalez et al. (2003), was conducted. As a result, Malaysia identified its resources as natural (hill resorts, beaches and jungle), created (festival), cultural and friendly people.

The identification of the natural and cultural resource as a selling point for Malaysia should have helped to strengthen its long –term objectives. However this is not likely to happen, as instead of concentrating on these main strengths, the TDC appear to focus on a variety of destinations or attractions resulted to a confusion concerning the image and identity of Malaysia. As a result, by the
Sixth Malaysia Plan a destination marketing strategy plan was introduced to overcome the problems.

Besides aggressively promoting the core resources, other tourist attractions that are recognized by MTPB in meeting the needs of identified markets include food, shopping, sports, city, health and medical, gastronomic and recreation. These endow of natural resources and created resources are continued to be promote by Tourism Malaysia until the Ninth Malaysia Plan.

Besides the endowed resources and created resource, supporting resources also play an importance role in Malaysia tourism development (refer Table 3.2 and Table 3.3). This can be shown by an increase of investment on infrastructure and accessibility by the government in every plan (refer Table 3.4). The importance of supporting resource is mention by Crouch (2006) who stated that an abundance of resources but dearth of supporting resources would impact on tourism development, at least in the short-term.

(2) Identify the firm’s capabilities and potential for sustainable competition.

After the country’s core tourism resources are identified, the second step is to identify the government and private capabilities in utilising resources and getting people involve. The critical task of TDC was to deploy it resources through the formulation and implementation of tourism strategies (such as continuous to plan and execute it destination management and alliances). Based on the process of devising destination marketing capabilities using product, price, channel management, promotion, planning and implementation, it can be
conclude that Malaysia tourism do not possess all four criteria for sustainability competitive advantage. Without the collaboration and acceptance of the private sectors concerning the implementation and planning, Malaysia must expect the industry to become uncompetitive. This is because private sectors are considered to be a pioneer in promoting tourism. As stated by Crocolici and Nijkamp (2008), resources alone without the complementary effectiveness and efficiency of destination management, means that the destination is unable to offer a tourism product that outperforms other destination. In addition, with resources and capabilities that are not rare and that can be easily imitated and substituted, it will be easier for the competitors to duplicate (Collis, 1994; Ulrich & Smallwood, 2004). This can be seen in the Eight Malaysia Plan where although Malaysia was rank first in terms of highest number of tourist arrivals in Southeast Asia, compared to Thailand, Singapore and Indonesia (offering a similar tourism product to Malaysia), these countries received greater or almost the same foreign receipt.

(3) Selecting a marketing strategy for promoting the industry

Malaysia recognises that the core resources and capability for the country is its natural and cultural resources, price, product and promotion. These resources and capabilities will play a pivotal role in the strategy formulation.
Research for understanding Malaysia tourism market

It is essential for Malaysia to conduct market segmentation before promoting a product. Tourism Malaysia has worked with cooperation from public relation and publicity agencies to research the market preferences of tourists visiting Malaysia. The results from the research have helped Tourism Malaysia to develop an effective marketing strategies for each market segment (refer Table 3.3).

Tourism packaging

The identification of tourists’ needs and preferences through research and matching it according to the available resources (as stated in Table 3.3) indicates that Tourism Malaysia understands the importance of segmentation for a short-term and long-term marketing strategy. The need to segmenting the market, based on nationality, will assist in marketing Malaysia effectively. As stated by Dibb and Simkin (2001), by grouping together tourists with similar requirements and behaviour, a country can serve this particular segments appropriately by allowing for more efficient application of resources toward that segment. For instance, the appropriate tour package for the ASEAN market is based on cities, beach resorts, shopping and soft adventure whereas European package (also known as a higher spender market) is developed around adventure and beach resorts.
Events and Festivals

Malaysia has positioned itself as a destination that is Asia in essence (Malaysia Truly Asia image), which appeals to the main Malaysia’s main market (which is mostly Asia). The similarities of lifestyle contribute to a positive relationship with the length of stay. As mentioned by Chen and Hsu (Chen & Hsu, 2000), in order to increase tourist spending and length of stay, travel destination should promote similarities of lifestyle as well as provide well trained tour guides and tourism workers.

Other mega events and festivals organised by Malaysia are ‘Visit Malaysia, Mega Sales Carnival’ and ‘Flora Fest’ (refer Table 3.2).

Brochure and Magazines

Brochures and magazines that contain information about ‘things to do and see’ can encourage a longer stay among tourists (Hanlan & Kelly, 2005). This was shown by Vogt and Andereck, who studied tourists with a shorter stay (1 to 3 days) compared with longer stays of 4 to 7 days or 8 to 30 days. They found that length of stay influences the effect of prior experience on knowledge gained for some group. For instance, the methods used by the TDC to encourage an extended stay among tourists by disseminating brochures, sales aids, and information folders that contain details of Malaysia attractions.
Social Network Website

The setting of Malaysia’s social network websites that are link to Facebook, Twitter, Blog Flick, Youtube and Webtv are similar to the principle of marketing suggested by Parson, Zeisser and Waitman (Parson, et al., 1998). By using the website as a tool to retain users and ensure their return, identifying tourist’s needs and preferences, identifying tourist trends and acting as an information provider, Tourism Malaysia can have the competitive advantage on attractions, price and promotion offered. For instance, in line with the ‘Malaysia Truly Asia campaign’, Malaysia used website to inform the markets concerning the activities, events and attractions. In addition, the image conveyed by the theme based approach (such as one stop for the whole family, value for money, nature, culture, shopping, gastronomic experience) was also associated with this campaign.

7.1.3 Proposition 3: Is there evidence of short-term and long-term objective being formulated?

From the Second Malaysia Plan, Malaysia tourism industry was developed around the short-term and long-term objectives. The short-term objectives help in achieving the long-term objective, which is to build a positive country image in the tourist’s mind through comprehensive marketing strategies. With aggressive competition among destination countries, Malaysia sees the need for highly effective short-term and long-term planning as a means to ensure the effective use of its distinctive resources and capabilities to pursue competitive strategy. The identification of the resources and capabilities can profoundly influence the choice of marketing strategy (Grant, 1991) and
avoid degrading human and natural resources that may ensue from unplanned tourism development (Hall, 1994),

The plans that were adopted by Malaysia Tourism from the Second Malaysia Plan to Fifth Malaysia Plan were not comprehensive since it is prepared under the advise of a foreign consultant instead of local tourism expertise, and thus created economic, social and environmental problems, and confusion of Malaysia’s image identity. In order to stop the problems from occurring, a new Tourism Master Plan (1991-2000) and National Tourism Policy were formulated by the local experts, which emphasised natural and cultural themes; and sustainability. The concentration on this strength of Malaysia’s resources would prevent a continuation of the problems. As mentioned by Tosun and Timothy (2001), in one of their nine factors or defects of planning, a destination that adopts a plan that is either simple, improper or without any type of planning will cause social and environment problems. Thus, the goals of tourism development need to be reconsidered and determined in terms of development and sustainability of development.

The concentration on achieving the short term objective without considering the development and management can lead to a unsustainability of the tourism industry as the short-term planning are develop based on market orientation (attracting tourists). For instance, before the Sixth Malaysia Plan, the Ministry of Tourism pointed out that the problem created by the aggressive development of the infrastructure and facilities led to an abundance of supply, especially in international standard hotels (Economic Planning Unit, 1986). The weaknesses of planning that are dominant by supply oriented,
and which causes damage in natural resources, was also discussed by Tosun and Timothy (2001).

Even though, Malaysia changed its development plan in the Sixth Malaysia Plan by taking into account the sustainability issues, without private and state collaboration, the planning was ineffective and unsuccessful. The lack of collaboration could be due to the lack of promotion and systematic infrastructure by the government to back up the new tourism product or the personal attitude of the private sector itself that is more profit oriented. The lack of collaboration between the parties resulted in a conflict concerning the long-term (Yuksel, et al., 1998).

Malaysia prepares a national development plan (Malaysia Plan) every five years under the direct control of the central government. This should indicate the rigid and inflexibility of planning as suggested by Tosun et al. (Tosun & Timothy, 2001). For instance, before the Sixth Malaysia Plan, there was no amendment in planning even when a crises occurred (Tourism Malaysia, 1992a). However, this did not happen in pre and post-crises situation in the Sixth Malaysia Plan and Seventh Malaysia Plan, where Malaysia made an exception in order to reduce the effect so that the tourism short-term objective could be achieved. For instance, due to the economic, political and haze crises in 1997 to 1998, Tourism Malaysia and other stakeholders formulated a recovery plan strategy and implemented the Malaysia Truly Asia campaign, which increased the tourist arrivals to 10.2 million in 2000, and exceeded the target of 6.5 million seat by the NEAC (Tourism Malaysia, 2000b).
7.1.4 Proposition 4: Were specific targets identified for each of Malaysia’s tourism development plans?

The short-term objectives for Malaysia involve increasing the international tourist arrivals and expenditure and stimulate domestic tourist. Both segments are important in contributing to the national economy and thus were emphasis on each development plan.

**Domestic Market**

At times, domestic tourism has been seen as a potential ally for the survival of Malaysia’s tourism sector, especially when economic and political instability occurred. This was noted by Mohamed & Yusof (2004) and Mohamed (2005a), who stated that Malaysia had aggressively promoted domestic tourism due to the financial crises in 1997/1998. Jafari (1987) examined which external factors have a major influence on foreign tourist arrivals but a limited influence on domestic tourism. Thus, the demand for domestic tourism was more predictable than international tourism. This led Tourism Malaysia to establish several marketing activities in order to encourage Malaysians to travel locally. Such marketing activities included continuous promotion and festivals carried out throughout the country (TDC, 1978), construction of accommodation (budget hotels) and non-accommodation infrastructure (Economic Planning Unit, 1986), holiday declaration (Saturday) (Sausmarez, 2004), development of more unique products and ticket-less travel (Economic Planning Unit, 2006).

An aggressive advertising campaign (‘The Great Value Holiday’) was heavily oriented on price and flexibility as a tour package. The construction of facilities and amenities
were applied in the Fifth Malaysia Plan to encourage Malaysians to travel locally as there was a large outflow from outbound travel and a decrease in long-haul international tourists due to the world economic recession in the early 1980s. However, due to factors, such as an increase in income per capita, the local attitude that most Malaysians preferred to have a holiday internationally than those offered in their country, the lack of national pride among Malaysians, the cheaper cost of travelling internationally (particularly in the ASEAN region) compared to domestic destinations, prestige (ego-enhancement), noncooperation from the private sector (especially from hotels and resorts) and the lack of promotion from Tourism Malaysia itself towards the domestic market, the marketing strategies applied were unlikely to be successful. As a result, the outflow kept on increasing from MYR 2,800 million in 1985 to MYR 4,000 million in 1990 (Economic Planning Unit, 1991).

In fact, it was shown that the TDC’s marketing objective was to attract domestic tourists to travel locally, especially during the periods of economic instability and political upheaval. However, in reality, most of the existing marketing activities and the infrastructure upgrades and development were concentrated on international tourists and rarely tailored according to the needs and preferences of Malaysian’s. This can be seen by the construction of the transportation system (airports and roads), facilities (rest areas) and budget hotel development that were still inadequate to fulfil the needs of Malaysians even though the TDC had already recognized that Malaysians were characteristically budget-conscious, travelled in groups and used cars as their main transportation (TDC, 1974, 1979b). The small-scale budgeted infrastructure development, basic facilities and advertising from the First Malaysia Plan until the Fifth
Malaysia Plan indicated the same point as the involvement stage in Butler’s Tourist Area Life Cycle (TALC) (Butler, 1980).

Tourism Malaysia’s attempt to attract domestic tourists to travel locally continued in the Sixth Malaysia Plan, in which a large part of the budget (MYR 559 million) was allocated in three areas: advertising, accommodation and facilities resources along the North-South expressway (Economic Planning Unit, 1996). In comparison to the previous plan, the strategy adopted for this plan had taken into accounts the needs and preferences of domestic tourists. For instance, the electricity tariff rate was reduced to encourage hoteliers to charge a lower rate to the locals who were usually budget tourists. However, in reality, the hoteliers still offered a standard price. This is because, they (the hoteliers) perceived the given incentive by the government as a request and not required by law. In addition, fierce competition between the hoteliers also contributed to the non-cooperation with the TDC in reducing the hotel room price. With less cooperation from the private sector, the outbound receipts continuously increased to USD 3.5 billion in 1995. The non-cooperation between Tourism Malaysia and the private sector indicates that there was a lack of shared vision between these two sectors (Ladkin & Bertramini, 2002).

When the economic and political crises occurred in the Seventh Malaysia Plan, the government imposed an exit tax for those who wanted to travel internationally. The reason behind the exit tax application was to encourage Malaysians to travel locally, which then reduced the impact of the crises on the local tourism industry. A strategy creating awareness regarding the available destinations and attractive priced tour packages was suggested. As mentioned in Chapter Five, Malaysians preferred to
organize their vacations by themselves instead of using holiday packages, as most of them travelled in groups (Mohamed & Yusof, 2004). The only situation that required them to use the holiday packages was when the location of the attraction was far from their residence and not easy to access. Thus, in order to increase the use of holiday packages among the domestic tourist, budget-conscious tourists, Tourism Malaysia suggested a holiday package strategy where accommodation, meals and tour activities were included within the same package (Mokhtar, 2002). Other methods to increase holiday package users was by encouraging local tour and travel agents to promote the domestic tourism packages, as they were keener to promote international destinations (Tourism Malaysia, 2004). Ronald Chan (vice-president of the Malaysia Association of Tour and Travel Agent) claimed that the enthusiasm of the local agents to promote international destinations more than the domestic destinations was because they were given a grant from the tourism boards of other countries to conduct promotional activities whereas the Malaysian government only gave them a tax deduction (Edwards, 2002).

Seasonality in tourism is caused by two elements: climate, and social factors and policies. Social factors and policies include school schedule, festivals (cultural and religion), industrial and public holidays and other events. In Malaysia’s situation, Malaysians usually have their vacations during the school holidays or festival holidays. However, by the Seventh Malaysia Plan, the government had taken several initiatives to encourage Malaysians to travel more by introducing flexible working hours, reducing working days from six days to five days per week and launching a Cuti-Cuti Malaysia campaign. These strategies were claimed to be successful, as they increased domestic tourism trips by 89.9% between 1997 to 1998 (Sausmarez, 2004). Other strategies that
Malaysia adopted were to reduce seasonality by organizing events and festivals such as the Malaysia Fest, Cuti-Cuti Malaysia campaign and Zoom Malaysia; and product diversification such as ecotourism, shopping and pricing (contrast pricing). This strategy was similar to Masiero and Nicalou (2011), who discussed pricing strategy and stated that since each tourist has his or her own price parameters, this allows the businesses to (1) segment the tourist according to price preference, (2) develop appropriate products with the right set of activities, (3) set a reasonable price and finally, (4) design promotional campaigns according to target market preferences. These strategies have encouraged Malaysians (or international tourists) to travel outside the peak season, and, at the same time contribute to the survival of the tourism sector, resulting in continuous demand. The strategies applied by Tourism Malaysia also helped domestic tourism avoid reaching the consolidation or stagnation stage, where the demand becomes highly seasonal (Weaver & Lawton, 2000).

The rise in the disposable income of Malaysians together with recognition of the importance of domestic tourism, especially in times of economic recession when international travel demand slowed, have changed the private sector’s (travel agents, tour operators, hoteliers and airline agencies) mind-set from concentrating on foreign tourists to focusing on domestic tourists. Compared with the previous plan, the Eighth Malaysia Plan and Ninth Malaysia Plans indicated a greater degree of collaboration across all sectors (Tourism Malaysia and private sector) in promoting domestic tourism by offering an intensive promotion of ‘Cuti-Cuti Malaysia’ travel, ‘Rural Residents Tourism Programme’ and ‘Hotel Holiday’ packages that offered a reasonable price, especially in the off-season (Tourism Malaysia, 2009a). Besides intensive promotion, both sectors emphasised enhancing the transportation system (air and road) and
providing better recreation facilities according to the domestic needs and preferences. All of these criteria mentioned above indicated that domestic tourism was still in the development stage of Butler’s TALC, where the accommodation was built on a large scale. Domestic tourists still travelled seasonally and preferred complete tour packages with reasonable prices. The revenue derived from domestic tourism was growing (Weaver & Lawton, 2000).

Even though Tourism Malaysia had undertaken many measures to attract domestic tourists to travel locally, Malaysians still travelled abroad either for business, leisure, education or pilgrimage (Ministry of Finance Malaysia, 2007). Thus, in order to discourage outbound travel, instead of imposing exit penalties (as applied in the Seventh Malaysia Plan), Tourism Malaysia preferred engaging in persuasive advertising strategies.

Despite the importance of domestic tourism to the economy, the priority of Tourism Malaysia was still international tourist development as international tourist expenditure ‘can enhance domestic tourism construction as well as bring about an accumulation of physical capital, and the needs for skilled labour in the tourism sector will cause human capital investment to increase (Lee & Chang, 2008, p. 183). Thus, a concentration on international tourists was essential for the development of Malaysia’s tourism industry.

**International Market**

Different stages of Butler’s TALC will appeal to different psychological groups of travellers. According to Plog, in psychographic personality types, as cited by Cooper
(1994), Plog (1991) envisaged that a destination could appeal to allocentrics in the early stages (exploratory and involvement), to mid-centrics in the development and to psychocentrics in the consolidation or stagnation stage. By understanding the psychographic curve, the destination planner could predict and control the development pattern to maintain an ideal market positioning (Plog, 2001).

Each destination development stage would appeal to a different psychographic group of traveller. This inexorably implies that from the First Malaysia Plan until the Fifth Malaysia Plan, the Malaysia tourism industry appealed mostly to allocentric and near allocentric travellers. As the demand increased and destination development became more tourist-oriented, the destination attracted the mid-centric tourists (in Sixth Malaysia Plan to Seventh Malaysia Plans). Finally, in the Eighth Malaysia Plan and Ninth Malaysia Plans, it appealed more to the psychocentric tourists more than the allocentric tourists.

The segmentation strategy used by the Department of Tourism in the exploratory stage (First Malaysia Plan) was based on markets with the highest number of tourist arrivals. In other words, a geographic segmentation method was used. However, due to the inadequate data for this period, it was uncertain whether the department recognized the motivations of the target market and applied it in designing tourism products. However, based on the basic hotel development constructed according to international standards and general facilities concentrated in the four municipal areas, it can be concluded that the Department of Tourism did not differentiate its tourism product according to target market preferences except when it came to developing the infrastructure, which generally, was geared to the international tourists. Even though there was a lack of
infrastructure to cater to foreign tourist demand, foreign tourist arrivals still increased from 23,225 in 1965 to 76,384 in 1970 (Economic Planning Unit, 1971). These results appear to mirror a remark voiced by Plog (2001) who indicated that, the segmentation market in the First Malaysia Plan (venturers) was adventurous and required few support services (such as hotels and restaurants, organized sightseeing activities, or ‘things to do’). Evidently, this also led to the conclusion that tourists preferred novel destinations and enjoyed a sense of discovery, while also looking for the assurance of tour accommodation and adequate arrangements (transport, hotel, food).

The organising of the PATA conference in early 1972 (Second Malaysia Plan) made the TDC notice the importance of having a proper tourism plan (TDC, 1972). In comparison with the previous plan, the TDC started to organise several marketing activities directed at its market segment with the highest inbound tourist arrivals: Europe, Australia, Japan, the Middle East and Southeast Asian countries (TDC, 1975). The TDC also started to consider the motivation of its market segment when their needs and preferences were taken into account. The significance of nationality regarding travel motivation was consistent with other studies previously mentioned (2008) (1995).

Hsieh, O’Leary & Morrison suggested that ‘segmentation leads to a more efficient allocation of marketing resources and a more precise setting of market objectives. It can offer significant advantages as a competitive strategy and as a guide to market planning and promotional activities’(1992, p. 210). This study confirms the strategy utilised by the TDC, where in order to design tourism products and manage its resources effectively either in the short-term or long-term marketing strategy, it is important to understand the ‘why’, ‘where’ and ‘what’ the target market.
The concentration on developing new tourism products and infrastructure that were tailored according to market segment needs and preferences (in the Third Malaysia Plan until Fourth Malaysia Plan) indicated that the tourist was motivated towards having reasonable accommodation and infrastructure while visiting Malaysia. This was similar to the finding by Plog (2001) who argued that in comparison to the venturers (First Malaysia Plan), the near venturers were not as adventurous. Thus, the government was responsible to develop more infrastructure to cater to the demands of the near-venturers’ since the private sector usually participated less in the early tourism industry. This statement affirms the fact that the ‘government has to undertake an entrepreneurial role to ensure the pioneer activities are initiated’ (Jenkins & Henry, 1982, p. 501).

With the need to use resources efficiently, although not neglecting the East Coast areas, the government began by concentrating on the West Coast areas. However, the infrastructure construction was still deficient in catering to tourist demand. Thus, local involvement in creating the local atmosphere and providing native crafts and local accommodation was enough to fulfil the venture and near-venture motivation curiosity about the local culture and people (Plog, 2001). As most of the Malaysian market segment was somewhat under the venture, tending to be more pragmatic and practical in selecting a destination, the advertising strategy of the TDC concentrated on print media and TV programmes (film), which focused on the attractions pertaining to nature, culture and friendly people. Indeed, this finding was similar to Plog (1974), who when investigating media patterns and selective purchase habits found that venturers tend to prefer print media and very selective TV programmes with documentaries and TV specials often being their favourite.
A 30 per cent increase in international tourists visiting Malaysia during the Fourth Malaysia Plan led the TDC to become more structured in its segmentation strategy in the Fifth Malaysia Plan (Economic Planning Unit, 1986). Besides focusing on high tourist arrivals, expenditure and motivation, the TDC acknowledged the importance of categorizing its international tourists according to awareness level, accessibility, government policies and desire to travel (Tourism Malaysia, 1990). The identification of these variables enabled Malaysia to focus on promotional activities, enhance its infrastructure development (international and budget hotel standards and non-accommodation) and improve the efficiency of its road and air transportation.

By the development stage (Sixth Malaysia Plan), the previous (First Malaysia Plan until Fifth Malaysia Plan) market segment criteria were reassessed and resulted in the identification of the purpose of travelling and type of tourist that visited each destination. As a result, eight specific attractions (food, history, culture, sun, fun sport and relaxation) at the given destinations (refer to Table 4.4 and Table 4.5) (Tourism Malaysia, 1995a) were developed to accommodate the needs and preferences of tourists. The sun, fun sport and relaxation, such as islands, beaches, and nature, fit the motivation of the mid-centrics’, whose personalities fall between the venturers and dependables (Weaver & Lawton, 2000).

At the beginning of the Seventh Malaysia Plan, Tourism Malaysia started to aggressively consider high-spender tourists, as part of its segment. The cause of the selection was due to the lower or almost same number of foreign tourist receipts compared with other countries (Singapore, Thailand and Indonesia), even though their tourist arrivals were lower than Malaysia’s (Ministry of Tourism, 2004). However, the
marketing strategy convened by Tourism Malaysia was unsuccessful as the implementation still revolved around mass tourism. As a result, from a list of the ‘top tourism spenders in the world’ released by UWTO, 7 out of 15 countries were selected as potential markets (the United States, Germany, Japan, China, Republic of Korea, Sweden and Taiwan) (Ministry of Tourism, 2004). Besides these countries, Tourism Malaysia also considered Singapore, Indonesia, Australia, Scandinavia, Saudi Arabia, Hong Kong and Russia, as these countries contributed to high expenditure to Malaysia.

The details of high-spending target markets’ characteristics and preferences (as defined in Table 3.3 and Table 4.13) indicate that most tourists prefer a destination that has a high level of activity, is engaged in diversified cultures, activities or events and has both novel and sun/sport activities. Since Malaysia’s destinations appeal mostly to the mid-centric market, the objective of the TDC to increase receipts was unsuccessful because the mid-centric tourists would not spend as much as the allocentric albeit more than the psychocentric tourist (Plog, 2001; Plog, 1974). This might be one of the reasons for the disaster in appealing to the top spender tourists (who are the venturers and near-venturers).

The penetration orientation towards high-spender tourists continued in the Eighth Malaysia Plan; however, the adaptation of the high-quality and exclusive destination strategy was less accepted by the private sector, as their focus was still towards the mass tourism. The private sectors noncooperation occurred due to aggressive price competition with its competitors (Ministry of Tourism, 2004). This was similar to Ladkin and Bertramini’s (2002) study, which indicated that the private sector had not fully shared the same vision of tourism development or its benefits for Tourism Malaysia. Evidently, this led to an unsustainable industry as Malaysia slowly moved
towards the psychocentrics /dependable market that spend less per capita on a daily basis, and prefer having a complete tour package and a familiar atmosphere. As verified by Plog (1974), a ‘destination that attracting more Mid-Centric to Psychocentric audiences will have a struggle in the future’ (p.58) as they less in spending, travelling and night of stay.

In addition to sustaining the industry, by the Ninth Malaysia Plan, Tourism Malaysia introduced a new tourism product that was attuned to a broad and larger segment of tourists (who travel and spend more) while maintaining the old product (attractive tourism packages, hassle-free travel and upgraded infrastructure). This strategy might capture the allocentric individual that spends more than the mid-centric and psychocentric individuals. As for promotion strategy, Tourism Malaysia focused on both print and electronic media and the usage of websites, Flickr, YouTube and Facebook, which cater to both types of psychographic groups.

The concept of psychographic personality type was followed by Tourism Malaysia and assisted them in identifying tourist travel behaviour, such as the type of products they prefer and places they like to visit. This creates a better advertising strategy that appeals to the target prospects and travel experience. The allocation of the limited resources was done efficiently and in line with tourist requirements, which avoids becoming unsustainable. As a result of following the psychographic concept, Malaysia could avoid approaching the stage of decline in the Butler model. The application of the concept also indicated that Tourism Malaysia has intentionally tailored its potential tourist according to this concept.
7.1.5 Proposition 5: What attention is given in Malaysia’s tourism plans to capacity issues, namely in the context of identified capabilities?

A country needs to possess the necessary knowledge and skills in devising tourism development strategies to create a sustainable competitive advantage. The application of knowledge and skill are related to capabilities, which involve the integration of people and resources (Grant, 1991) to add value to resources (Vorhies, et al., 1999).

As for Malaysia, it has repeatedly applied its knowledge and skill in six interdependent marketing elements towards competitive advantage. As mentioned by Vorhies and Morgan (Vorhies & Morgan, 2005), interdependent marketing capabilities (instead of considering them separately) will create resources that are more inimitable and have greater competitive advantage. Thus, a process of skill in marketing elements in creating capabilities in Malaysia will be discussed further in RQ6.

7.1.6 Proposition 6: Is there a discernable link between the development of capabilities and the Malaysia’s strategies?

Malaysia used its six elements pertaining to capabilities in planning the tourism development strategies to create a sustainable competitive advantage. The capabilities and strategies deployed by Malaysia are discussed below.


**Product Capabilities**

The destination products in the First Master Plan (Second Malaysia Plan until Fifth Malaysia Plan) were developed by the TDC after considering the needs and preferences of the international tourists’. They mostly preferred the natural and cultural attraction (TDC, 1987). This market segment, also known as the allocentric and near allocentric market (refer to Section 7.3.2) is usually considered in the initial stage of tourism development in that they visit a destination to explore and experience the new location and its’ cultural/natural attractions. The identification of resources by the TDC through research conducted with a target market counterpart was relevant to the first step of assessing resources suggested by Melian-Gonzalez and Gersia-Falson (2003), which is the identification of resources by a group of experts. However, it is unclear whether the other three steps (assessment of shortfall destination, assessment of the destination value and competitive evaluation of resources compared to rivals) had been applied by the TDC, as they had not been specifically mentioned in the Annual Plan or Marketing Plan. It was assumed that this was because the first tourism master plan was prepared under the advice of foreign consultants due to the lack of local expertise at the time (Khalifah & Tahir, 1997). This led to a weakening of Malaysia’s image in the eyes of the potential market segment its’ competitors (such as Indonesia and Thailand) also provided similar attractions/resources.

In order to solve this problem, the TDC became more structured in identifying its potential and valuable resources, whereby starting from the Sixth Malaysia Plan, the planning was formulated by local experts (Khalifah & Tahir, 1997), Tourism Malaysia investigated the potential attractions, assessed the attractiveness of the tourism product
tourist preferences with the guidance of appointed consultants, international tourism officers and Tourism Malaysia researchers. The product information gathered was then divided into market segment needs and preference categories. For instance, the nature product was targeted at countries such as Singapore, the United Kingdom, Australia, Taiwan, Japan, Germany and Sweden whereas shopping was targeted at countries, such as Singapore, Brunei, Taiwan, India, West Asia, Thailand, China, Indonesia and Scandinavia (refer to Table 3.2).

In terms of competition with other neighbouring countries that offered almost the same product as Malaysia, Tourism Malaysia not only positioned Malaysia as an alternative destination to these countries (Singapore and Thailand), but also projected the product strength that other rival countries (e.g. Thailand) did not have, like safety and a cheaper cost of living. Besides, the variety of tourism products or attractions to offer, Malaysia believed that instead of creating confusion, it was actually providing a new experience and encouraging tourists to return to Malaysia. This product development strategy would be similar to the identification of value resources described by Melian-Gonzalez et. al (2003) and Faukner et al. (1999) who both noticed the importance of identifying the country’s core resources and competing destination products; and comparing the destination and the competing destination.

Besides the four steps mentioned above, the identification of value tourism product was also based on a higher authority decision, either by the ministry or top management. Based on Veal’s (2002) discussion of policy decision-making, due to the time
constraints or for other reasons, the ministry often only considered a few options usually
determined by political interest.

Based on the above statement, it can be concluded that all steps suggested by Melian-
Gonzalez et al., (2003) and Faukner et al., (1999), concerning a higher authority
decision (Veal, 2002) are related to the steps adopted by Tourism Malaysia in creating
product capabilities. This would help Malaysia achieve destination competitiveness.

**Pricing Capabilities**

In terms of pricing capabilities, different types of pricing approach have been
considered by the TDC in order to increase international tourist arrivals and receipts.
Issues, such as developing a set of pricing policies and to develop a price that can be
accepted by tourists are needed to attain capabilities in pricing (Vorhies et al., 1999).

Tourism Malaysia realized that its marketing objectives were to increase international
tourist arrivals and receipts (TDC, 1984) by targeting the mass tourists and applying a
low price strategy (Ministry of Tourism, 2004). However, this led to overcrowding and
the problem of sustainability in the Fifth Malaysia Plan. Thus, in order to avoid being
recognized as a low-price and low-quality destination, Tourism Malaysia customised its
product and prices according to the different customer segments by emphasising high-
quality and the high spending tourists in the Sixth Malaysia Plan. The emphasis on this
strategy is congruent with Dolan (1995) who advocated the variation in perceived value
according to different customer segments.
Malaysia also identified two types of tourists-those on a package and those without a package, each of whom have their own needs, preferences and expectations. Since there was a market difference, Tourism Malaysia had to determine whether the destination product attribute should be priced individually or in a bundle. This strategy is consistent with the findings of Dolan’s (1995).

Malaysia adopted a mixed pricing strategy where larger market shares could be achieved. The benefit of a benefit strategy was discussed by Taylor (1998). With the adoption of the new pricing strategy, Tourism Malaysia was able to (1) categorize its tourism products according to the needs and preferences of tourists; (2) design promotional campaigns according to market preferences and (3) set a reasonable price with an acceptable value. The implementation of the mixed pricing strategy by Tourism Malaysia was similar to the study mentioned by Masiero and Nicalou (2011) and was used until the Ninth Malaysia Plan.

Tourism Malaysia adopted a premium pricing strategy in the Eighth Malaysia Plan due to its realization that the present strategy (mixed pricing strategy) failed to ensure Malaysia’s competitiveness and sustainability. This was because of the noncooperation from the private sector (as they still preferred to market to the mass tourists) and the problem in providing the extra value needed by the premium price segment. The need to identify the extra value that is appreciated by the consumers was mentioned by Yeoman and McMahon-Beattie (2006).
Distribution Channel capabilities

The distribution channel element is essential in capabilities as it ensures the competitiveness of the destination, especially in a time of increased competition. As mentioned by Vorhies and Morgan (2005), a distribution channel’s capabilities involve building an effective relationship with channel members, bringing efficiencies to channel members and working closely with them. An example for Malaysia is the marketing activities (such as sales missions and hospitality programmes), which involved cooperation among Tourism Malaysia, the private sector and the travel agents (local and international), which gave them ideas concerning how to improve the quality of service and to create new products that matched tourist needs and preferences. The close cooperation between the distribution channels in exchanging tourist data reflect the strategy suggested by Zhang and Murphy (2009) who regarded the key success factor for competitive destination as being better cooperation between the distribution channels through data exchange and effective communication. Zhang and Murphy also suggested that commission be given to the travel agents in terms of a discount on fees or a free tour. In Malaysia, the TDC gave incentives to their tour agents by sponsoring the local or international tour agents to visit the local attractions or to participate in sales mission activities In addition to giving an incentive, the TDC also provided promotional materials and aggressive advertising to encourage tour agents to promote package tours to potential tourists.

The eruption of the Internet broadened the distribution channel process. By the Seventh Malaysia Plan, Tourism Malaysia had set up a website that helped tourists obtain the latest information regarding the destination attraction and available facilities. Tourism Malaysia’s website was wildly successful, with a continuous update of information and
an outstanding online visibility; it was listed first in the Yahoo and Google pages with
Tourism Malaysia as a key word (05.02.2013, personnel observation). This helped the
potential tourist to obtain full information regarding Malaysia’s tourist attractions,
promotions, activities and facilities. The step taken by Tourism Malaysia to ensure the
online visibility was similar to the suggestion Smithson, Devece and Lapiedra (2011)
that outstanding visibility was essential in ensuring an organisation’s performance.

Promotion Capabilities

The second to last element of marketing capabilities was promotion where in order to
sharpen the capabilities of promotion, Tourism Malaysia needed to discover the
opportunities and problems through the marketing research before a set of programme
activities could be created. Tourism Malaysia seems to have used publicity/public
relations and advertising in promoting Malaysia as a destination. The use of both
promotional methods was because different promotions served different functions. For
instance, publicity was used as it was more cost effective (Dore & Crouch, 2003) and
had higher message credibility than other promotion tools (Loda, et al., 2005). On the
other hand, media advertising acts as a way to increase familiarity and improve
destination image, especially when the destination is still unknown to the potential
tourists (Baloglu, 2001). This strategy was used intensively by Tourism Malaysia
between the First Malaysia Plan and the Fifth Malaysia Plan due to an issue with its
vague image (Tourism Malaysia, 1995a).

However, in times of crisis, Tourism Malaysia tended to concentrate on publicity more
than advertising to counter the adverse reports published by the international media. A
distribution of information by the Malaysia embassies, travel agents, news and through the hospitality programme in the crises that escalated in 1991 to 1992 and 2001 to 2003 were all to convince the tourists concerning the safety. Malaysia’s image has also been expanded from beach, island, nature and adventure to a year-round festival and an event oriented, peaceful destination with friendly people and a unique culture (Tourism Malaysia, 1994). Other approaches taken by Tourism Malaysia were to set up a special committee (NEAC) (Sausmarez, 2004) and rebrand Malaysia’s image to be a multicultural nation (Malaysia Truly Asia) in the Seventh Malaysia Plan. The need to change the promotional strategy depended on the current situation and economy, which helped to achieve the short-term objective. The strategies applied by Tourism Malaysia were similar to the study of Avraham and Eran Ketter (2006) who claimed that the function of public relations was to reduce the impact of the crises and to project a favourable image through the promotion of special events and positive stories. A strategy that targeted a new segment that required low promotional costs with high tourism inbound within a shorter time period also helped Malaysia to survive during the crises (Tourism Malaysia, 2001).

Planning and Implementation capabilities

The last element of capabilities adopted by Malaysia is planning and implementation. The first Tourism Master Plan (created during the Second Malaysia Plan and lasting until the Fifth Malaysia Plan) was prepared under the advice of foreign consultants from Hawaii due to the lack of local expertise at that time (Khalifah & Tahir, 1997). Even though there was an exchange of information among the TDC, and the private sector and public sector within this period (Second Malaysia Plan until Fifth Malaysia Plan),
none of it had been outlined until the Sixth Malaysia Plan, when, Malaysia developed its own marketing plan. This marketing plan was also known as the National Plan, which comprised all previous information (in market segment criteria, image, product identification) gathered from the private and public sectors. This hybrid of top-down decision-making assisted Tourism Malaysia by giving reliable information and current knowledge regarding tourism matters. As stated by Gunn (1988), a process of capability of research and identification of market segments, image and differentiation from the competitors in term of geographical characteristic, tradition and resources help to ensure the competitiveness of a destination/country.

The marketing plan and long-term destination marketing strategies (1991-1994, 1995-2000) coupled with the involvement of all stakeholders, including the private and public sectors were needed for Malaysia to become the top-of-mind tourist destination by promoting it as a destination with service experience, diversified products and value for money (high-quality). An intensive research on tourist needs and wants that was conducted especially during the sales missions programme also contributed to the identification of market segments and a match of destination attractions to their selected markets (refer to Table 4.6 and Table 4.7) in the Sixth Malaysia Plan. The learning of tourists’ needs and desires created capabilities, thus fitting the theory suggested by Gunn (1988). A change of marketing plan design from international consultants to local expertise successfully increased tourist receipts by MYR 31.2 billion, an increase of more than two–fold since the Fifth Malaysia Plan (Economic Planning Unit, 1996).
Destination marketing strategies in the Sixth Malaysia Plan adequately fulfilled the marketing objectives, particularly concerning arrivals and revenue growth. However, the issue of vague image still remained unsolved (Tourism Malaysia, 1995a), especially when there was non-cooperation from the tour agents and states in promoting certain tourism products, and despite the constant discussion and assessment that had been made beforehand. The need for constant discussion and assessment is discussed by Getz (1986) who considered that without it planning became ineffective (Go, et al., 2012).

Despite having a problem in achieving effective strategy implementation among part of the private sector and state, Tourism Malaysia had no power to enforce them due to its limited role in tourism implementation. Thus, the focus was more toward solving the image problem. A new strategy was developed in the Seventh Malaysia Plan (1996-2000), which was the destination marketing strategy that concentrated on the strength of the tourism product (refer to Table 4.9 and Table 4.12), diversified tourism product and redefined market segment (Tourism Malaysia, 1995a). The design of this marketing strategy was also to cope with the economic and political crises and haze problems that occurred in this period).

The Eighth Malaysia Plan and Ninth Malaysia Plans indicated Malaysia’s efforts to sustain the tourism industry and concentrate on building the country’s image by redefining the market segment, image and product. The need to reposition the destination was because of (1) Malaysia’s inability to attract high-end tourists, which caused an environmental impact, and (2) non-cooperation from the private sector to implement the strategy (Ministry of Tourism, 2004). By the end of the Ninth Malaysia Plan, only the short-term objective was achieved.
The essential knowledge of product development, price, distribution channel and promotion are what create and develop capabilities. These capabilities should form brand image assets, as they are unique to Malaysia and have the opportunity to be further redefined in the future. However, with the lack of collaboration, planning and implementation by the public and private sectors, which appeared to have their own objectives, Malaysia was not prepared for sustained competitive advantage as shown from the unachievable long-term marketing objective of its destination image.

7.1.7 Proposition 7: What is the knowledge transfer process between Malaysia’s nine tourism plans?

A repetition learning process either between people or between people and resources (Grant, 1991) is the basis for the formation of capabilities for any country or destination. For instances, Malaysia through the alliance and sharing of knowledge among the Ministry of Tourism, Tourism Malaysia, public sectors and private sector concerning the identification of value resources, developed pricing policy so that they could offered acceptable pricing, have a close and efficient relationship with the marketing channel and concentrate on marketing opportunities and problems. The benefit of sharing knowledge concerning these four elements throughout the tourism organisation should give Malaysia a tremendous benefit as by possessing all four core resources (valuable, rare, inimitable and non-substitute), the country could expect to earn sustainable competitive advantage. The need for possessing all four core resources are mentioned by Carmeli (2004) and Grant (1991).

Sharing knowledge and skills between the organisations should lead to competitive advantage. However without the effective implementation of the planning such as
managing the interaction, allocation, organization and monitoring of the tourism process (Baker & Cameron, 2008), the competitive advantage cannot be achieve. For instance, even though the planning of the Ministry of Tourism/Tourism Malaysia included a mission, vision, objective, marketing research, market segment and capabilities (Gunn, 1988), and considered the situation (events or forces) in its planning, a lack of cooperation from the private or public sectors in implementing it, could result in good planning becoming poor planning. This might be due to the plan being considered as a guideline rather than a law (TDC, 1978).

Another example of the lack of planning and implementation skills by Malaysia is in rural attraction that began to be aggressively promoted in the Sixth Malaysia Plan. Malaysia’s government regarded rural tourism as a mechanism to reduce regional disparities between the urban and rural areas. The development of tourism programmes, such as homestay or diversified rural product concept, were introduced in the Sixth Malaysia Plan with the intention of benefitting to those who live in rural areas and due to demand (Bank Negara Malaysia, 2008) Although, Tourism Malaysia recognized the importance of rural tourism for the local community, in terms of implementing tourism planning, Tourism Malaysia was faced with failure. Rural tourism products were regarded as poor in service quality, poor in product quality and suffered from a proliferation of litter, which degraded the environment and created a bad image for the product, contrary to Tourism Malaysia’s effort to project as beautiful countryside (Ministry of Arts Culture and Tourism 2001). This finding affirms the fact that even though some destinations can flourish without any conscious planning, many have suffered serious consequences, such as environmental degradation and social adversity which affects both tourists and the local community (Mill & Morrison, 2006).
In order to transform the image of rural tourism into something unique, attractive and of high value, Tourism Malaysia formulated a Rural Tourism Master Plan (RTMP) in the Eighth Malaysia Plan. However, this plan was considered more as a guideline than a law as most of the public agencies experienced overlapping jurisdiction, thus preventing them from collaborating. For instance, jurisdiction over agro tourism/homestay programme in which the Ministry of Arts and Tourism/Ministry of Tourism (MOCAT/MOT), and the Department of Agriculture actively participated was a source of disagreement. This finding supports the study of Ladkin and Bertramini (2002), which indicated that when the roles of the public agencies are not clearly defined (overlapping duties and responsibilities), they become a barrier to the development of effective tourism. Ladkin and Bertramini (2002) also pointed out that, a slow decision process and implementation of decisions would inhibit collaboration. The overlapping of jurisdiction combined with a slow decision process has made the public agencies prefer to work independently. This indirectly indicates that ‘the developing countries are often anxious to plan but unable to govern. They too often accept the apparatus, symbols and rhetoric of planning, but lack the discipline and fore thought to carry it’ (Tosun & Timothy, 2001, p. 353).

The lack of collaboration between the stakeholders was due to the misunderstanding of the RTMP concept. The state government and MOCAT/MOT seemed to have different opinions concerning the rural tourism concept, which led to different planning frameworks in terms of budget allocation, promotion activities and infrastructure development, thus demonstrating that the state government and the MOCAT/MOT lacked a shared vision of how the rural tourism should be developed.
7.2 CHAPTER CONCLUSION

It is not possible for a country to offer a product that can outperform other destinations based on resource alone without complementary effective and efficient capabilities. Hence, it is important for a country to have resources that possess all four criteria for intangible resources (valuable, rare, inimitable and non-substitutable) in order to earn sustainability competitive advantage. In the opinion of this researcher, the ability to deploy six interdependent marketing areas (product, price, promotion, distribution channel, planning and implementation) as its capabilities will allow Malaysia to achieve its long-term objective (strong image) and sustainable competitive advantage. As mentioned by Vorhies and Morgan (2005), considering marketing capabilities separately will create resources that are more imitable. Thus it is important for Malaysia to have interdependence among all six capabilities in order to achieve sustainability.

The principle resource and capabilities of Malaysia include its natural and cultural resources, price, distribution channel and promotion; while it continues to lack planning and implementation capabilities. For instance, up until the Ninth Malaysia Plan, the public sector and private sector continuously shared their knowledge in developing the tourism mission, vision, objective, market research, identification of segment and capabilities with Ministry of Tourism/Tourism of Malaysia. However without the cooperation from these stakeholders in implementing it, the planning could not be achieved. The reason for the lack of cooperation from the public/state in implementation include overlapping jurisdiction, differences in opinion of planning concept and lack of shared vision, while the private sector was more concerned with short-term profit.
Malaysia’s lack of ability to acquire planning and implementation capabilities might be the reason for the unachieved long–term objective. For instance, even though Malaysia introduced the quality and value for money strategy to ensure the sustainability of the industry in the Fifth Malaysia Plan and continued to the Ninth Malaysia Plan, without the cooperation from the private sector that preferred to offer mass tourism, these strategies cannot be fully achieved. As a result, in terms of tourist expenditure, countries such as Thailand, Singapore and Indonesia received greater or similar tourist receipts in Malaysia even though Malaysia was ranked first in term of highest numbers of tourist arrivals in Southeast Asia (Ministry of Tourism, 2004). This also indicate that Malaysia’s other resources and capabilities such as natural resources, price, promotion and distribution channel assisted the tourism industry to increase international tourist arrivals and expenditure (refer Table 3.7) thus meeting the short-term tourism objective.

The adoption of the RBV for tourism development in Malaysia can underpin the country’s degree of competitive ability as a tourism destination. Whether intentionally or not, the evolution of Malaysia’s tourism industry can be described by the Tourist Areas Life Cycle (TALC) proposed by Butler. With the pattern of Malaysia’s development cycle mirroring TALC, Tourism Malaysia can predict and manage the destination effectively in the short and long-term with the capacity to ensure the sustainability of the industry.

The marketing strategies for extending the appeal of Malaysia as a destination involve achieving the short-term and long-term objectives. The marketing strategies (such as market segmentation, packaging, seasonality, public relations, social network, brochure and magazine, and events and festivals) that have been taken by Tourism Malaysia
indicate that Malaysia has carefully and constantly considered its core resources (such as nature and culture), created resources (infrastructure, special events, the range of available activities, entertainment and shopping), and strengthened the quality and effectiveness of the supporting resources (such as accessibility, quality of service and market ties) and capabilities. In respect of political instability, haze and economic crises, a change to the marketing planning and strategy by conducting market research on market segment (which resulted in new segments: domestic, neighbouring and unaffected market), public relations, social network, brochure and magazine, event and festivals was implemented and resulted in an increase of tourist arrivals.
CHAPTER EIGHT: CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

8.1 ACHIEVEMENT OF OBJECTIVE

This study set out to contribute to tourism marketing theory and practice by filling a gap in the literature concerning the success of Malaysia’s tourism development which before the success of Malaysia is unknown. This gap involves discerning the structural factors influencing tourism development at the country level, with a critical analysis of nine official plans for Malaysia’s tourism development covering the period between 1965 and 2010 from the lens of RBV and Butler’s development theory. By using both theories, it can provide a guideline for effective development.

As a member of the Association of Southeast Asian Nations (ASEAN), Malaysia’s tourism sector is a leading performer, accounting for almost 7 per cent of nominal GDP as of 2008, and ranking second in terms of visitor numbers. The country has been able to resist the adverse effects arising from exchange rate fluctuations, economic slowdown, fuel price volatility and health and security concerns (UNWTO, 2008a). This success may or may not be attributable to government intervention in the sector. Examining Malaysia’s official plans for tourism development over time can assist Malaysia in the elaboration of measurement for sustainable tourism development, as well as provide a blueprint to assist other countries in developing their tourism sector.
While the success achieved by Malaysia is recognized in the literature, information is lacking about the country’s recipe for success, namely regarding the role played by Malaysia’s development plans and the planning process. Borrowing its theoretical orientation from the resource based view (RBV) of the firm and from Butler’s destination life cycle model, this study conducted an extensive critical analysis of the various official plans for tourism development in Malaysia. It was found that Malaysia’s success can be traced to the country’s ability to take advantage of growth opportunities by careful administration of its unique resources, both those attributable to natural endowment, as well as man–made ones, in a measured and careful way. Moreover, while the planning process operating in Malaysia contributes to the country’s success as a tourism destination, it was found that development planning could be further enhanced by taking into account the structural factors that influenced that development.

The analysis that was conducted identified the following main findings for the study:

- Malaysia has carefully and constantly considered its core resources (such as nature and culture), created resources (infrastructure, special events, the range of available activities, entertainment and shopping), supporting resources (such as accessibilities, quality of service and market ties) and capabilities before planning its marketing strategies. This helps Malaysia to achieve the short-term and long-term objective.

- In case of political instability, haze and economic crises, a change of the marketing planning and strategy by conducting market research on market segment, public relations, social network, brochure and magazine, event and festivals have resulted to an increase of tourist arrivals.
Malaysia’s marketing capabilities for this study are derived from a set six marketing elements - product development, price, distribution, promotion, marketing planning and marketing implementation - drawn from the study of Morgan et al. (2009). For a destination to become inimitable and competitive, all capabilities are required to be interdependent. At this time, Malaysia’s strength includes four of the capabilities; the last capability, marketing planning and implementation is not reliable, due to the lack of full-cooperation from part of the private sector and public sector. The private sector being more concerned with short-term profit, and the public sector, experiencing problems with overlapping jurisdiction, different opinions of the planning concept and the lack of shared vision which resulted in an unachievable long–term marketing objective and threat to the sustainable competitive advantage.

Other factors pertaining to the lack of cooperation from the private sector in implementing the tourism planning occurred especially when the promotion, infrastructure and transportation for introducing new products were not well organised. Thus, it has been the responsibility of the federal government and the states to provide the facilities in order to encourage the private to promote and create demand. However, with the lack of funds for promoting the tourism product and jurisdiction problems between the federal government and the states, any form of promotion, facilities and infrastructure development might be delayed.
• Every plan identifies the short-term objective (1 year) for Malaysia’s tourism as (a) to increase international tourist arrivals and expenditure and (b) to stimulate the growth of domestic tourism, while the long-term objective (3 to 5 years) involves developing and maintaining a strong destination image in order to become the top destination in the ASEAN region. The analysis carried out on these areas suggests that although Malaysia has always achieved its short-term objectives, it has not been successful in respect of its image as a destination. There are strong grounds advancing the need for Tourism Malaysia to make its marketing strategy more focused on developing a tourism-product capable of meeting the needs and preferences of both actual and potential visitors’, instead of promoting an image of having everything for everybody. This finding suggests that Malaysia’s tourism planners have gained a good grasp of the merits of identifying realistic objectives grounded on the country’s identified resources, which are capable of attracting visitors in a consistent way. This may be achieved more easily if the focus is on unique or distinct resources, whether natural or man-made, but with an emphasis on the former.

• The findings also showed that the Malaysian tourism industry planning appeared to exhibit characteristics consistent with the stages of Butler’s tourism life cycle model in which Malaysia has undergone the stages of exploration, involvement and development. For instance, in the early stage of development (exploratory stage), the government play a major role in developing the basic infrastructure and facilities; while promoting numerous natural and cultural attractions. The basic amenities provided by Malaysia as a new tourist destination have successfully attracted the allocentric individual who has a criteria, such as prefer
novel and non-touristy destination; and enjoy sense of discovery (Plog, 1974). As tourism became part of national economy in the Second Malaysia Plan, an aggressive development of infrastructures and marketing strategies were developed around the near-allocentric need and preferences. By identifying the characteristics of the market segment, the government could organise and plan the resources effectively.

Later, in the Sixth Malaysia Plan (development stage), Malaysia again reassessed its market segment and identified the type and the purpose of the tourist to come to Malaysia. The market segment research resulted in the identification of eight attractions that fit mid-centric motivation to travel. However the disadvantage of having this market segment is less in spending, travelling and night of stay (Plog, 1974). This might explain the lower or almost the same tourist receipts as other countries such as Thailand, Singapore and Singapore (Ministry of Tourism, 2004). In order to solve the problem, in the Seventh Malaysia Plan to Ninth Malaysia Plan, the government revamped Malaysia’s marketing strategy by emphasizing value for money, ‘worth while holiday experience’, product diversification and redefining market segmentation from mid- to the allocentric individual.

Each stage indicates how Malaysia has governed its distinctive resources and capabilities through market segment identification in order to achieve the tourism objectives, which then lead to a sustainable competitive advantage. As mentioned by Fletcher (2005) the concept of development requires sustainability in order to achieve long-term growth.
8.2. IMPLICATIONS

8.2.1 For Theory

This section deals with the research contribution obtained from the present study.

a) Application of the adapted Model of the RBV and Butler development theory.

Previous literature on tourism planning and development did not describe in detail how the resource based view theory was used in Butler’s development theory. The integration of the RBV and Butler’s lifecycle for tourism development within a country helps to underpin the country’s degree of competitive ability as a destination.

b) Factors influencing tourism development.

Via an intensive review of secondary all factors that influence tourism destination development have been identified in this study. Among the factors are identification of resources and marketing elements in capabilities such as product, price, promotion, distribution channel, planning and implementation.

c) Malaysia’s Tourism Development Path

Unlike previous studies that only considered a few Malaysia Plans (Musa, 2000; Oppermann, 1992a; Wells, 1982; Wong, 1986), this study identified Malaysia’s tourism development from the First Malaysia Plan until the Ninth Malaysia Plan by incorporating the RBV perspective and Butler’s lifecycle. The findings from this study may help the government and researchers to analyse the historical
path and expected future development trends of the destination with the hope of enhancing competitiveness and improving the quality of the destination product.

8.2.2. For Policy Makers and Tourism Planners

In recognition of the importance of the factors influencing tourism development, the following recommendations may enhance the ability of the Ministry of Tourism/Tourism Malaysia in planning for sustainable tourism. The recommendations include:

a) It is clear that to ensure the sustainability of the Malaysia tourism industry, an endowed resources need to possess value added in order to achieve competitive advantage. Thus to become more competitive than other destinations, it is essential for Malaysia to have a share vision among all stakeholders, understand the destination’s strengths and weaknesses, developed appropriate marketing strategies which culminate in successful implementation (Crouch & Ritchie, 1999) contrary to the current lack of shared vision and implementation. The suggestion concerning a lack of vision and implementation are discussed in points d and e.

b) The study has identified that Malaysia’s resources (natural, culture and marketing) are unable to outperform other destination due to the ineffective and inefficient destination management. Thus, it is essential for policy maker and planners to complement the resources with well executed destination management (management and marketing effort) as suggested by Cracolici et al. (2008).
c) Malaysia became involved with the tourism industry later than Indonesia and Thailand. Thus as a destination that was left behind in respect of the tourism industry, Malaysia deployed the marketing capabilities concept which according to Ruiz-Ortega et al.(2008), compared to other capabilities (managerial and technical), are suitable for the late comer. The marketing capabilities also allow the destination to have a strong brand image (which is the long-term objective for Malaysia) and achieve sustainability competitive advantage.

Although each marketing element for capability can contribute toward competitive advantage (Vorhies, et al., 1999) the result will be better if all the capabilities are interdependent. For instance, the study has identified that Malaysia has a unique resources and product, price, promotion and distribution channel capabilities. It only lacks planning and implementation capabilities which without, Malaysia will not experience having resources that are more imitable and have greater competitive advantage as suggested by Vorhies and Morgan (2005). Thus point d and e will help the policy planner in solving the problems.

d) The collaboration between Tourism Malaysia and the stakeholders (the public sector, and private sectors stakeholders, such as hotelier and travel agents) concerning planning decision that have been applied since the First Malaysia Plan should reduce the noncooperation between them. However, this is not happening as some of the stakeholders have their own objectives to achieve, which includes gaining profit. Some of the potential destination products being
promoted by Tourism Malaysia are either less lucrative or not fully prepared (problem in accessibility and lack of infrastructure). This is similar to the weaknesses mentioned by Tosun (2001), in that sometimes the government has problems in noticing implementation difficulties. This must be due to the uncomprehensive and unprepared planning (2001). In order to solve the problem, Ladkin et al. (2002) urged the stakeholders to transform the system and practices that lacked collaboration and a sustainable form of tourism development into an ongoing learning process.

Others suggested a networking approach in which, it is important for the private sectors to understand and recognize the structure of the governance so that it will creates opportunities for joint actions. In other words, when the stakeholders believe in the same values and interest, they will find a productive way to work together rather than alone (Imperial & Kauneckis, 2003). This is consistent with the suggestion of Erkus-Ozturk (2010) who believed that when the planning is built around the interest of the stakeholders, they participate and become more committed to improve the industry

e) The overlapping jurisdiction between the federal and public agencies/state has cause a failure and delay in the development of the infrastructure, and thus has impacted on the development of existing and new attractions. Without proper infrastructure, most of the private sectors are unwilling to participate in promoting the site. Thus in order to evade the ineffective exercise, it is important for the policy maker to emphasise communication, information sharing and
collaboration at the administrative levels. By understanding the issues from the viewpoints of other units of government, it can help to build organisational structures and processes that are anchored in addressing fundamental issues (Dredge & Jenkins, 2003). A further view was discuss by Tosun et al. (2001) who believed that by recognising the institutional, political and development issues the decision-making process becomes more certain. It is also essential for the government to replace the rigid tourism master plan with a contemporary planning model that is more flexible, continuous, comprehensive, integrative, participatory and systematic (Tosun & Timothy, 2001)

8.3 MAJOR CONTRIBUTIONS OF THE CURRENT STUDY

This research has made several contributions to the theories and practices of the RBV, development and sustainable competitive advantage, as summarised below:

8.3.1 For Theory

a) This study validate the importance of integrating the resource based theory and development theory in underpinning the country’s degree of competitive ability as a tourism destination. This finding can be used as a guideline by other countries in planning so that the resources can be use efficiently.

b) The adoption of integrated marketing capabilities, as suggested by Morgan et al. (2009), which has previously been applied in firms is used in this study as a mean to gain a greater competitive advantage. The finding reveals that a
country (Malaysia) that possesses these capabilities individually results in a short-term advantage.

8.3.2 **For Practical**

a) The government needs to ensure continual efforts in improving the knowledge and skills of the marketing resources by developing a close relationship and cooperation with the stakeholders. By achieving these capabilities, the destination can be sustained.

8.4 **RESEARCH LIMITATIONS**

This study of the factors that influence the tourism development at the country level is not without limitations. The research limitations can be identified as follows.

a. **Access to data**

   The present research encountered a problem in terms of access to data. The study only addressed tourism development from the First Malaysia Plan until the Ninth Malaysia Plan and had to discard the Tenth Malaysia Plan because of the lack of information concerning marketing activities published in this plan. The Ministry of Tourism Malaysia usually publishes the full report of the tourism industry at the end of the plan, which for the Tenth Malaysia Plan, will be in 2016.

b. **Data transcription**

   The main problem in transcribing the data was to translate from the national language, Bahasa Malaysia into the English version, which involved a
considerable amount of slang that if translated literally could affect the real meaning of the sentence.

c. Confidentiality of the information

Some of the information gained for this study was quite sensitive especially when pertaining to political intervention in the planning process. In order to avoid future difficulties (as advice by some of the tourism planner expertises), this study will only include a basic information of planning process. As a result, not all information has been included in this thesis.

d. Data limitation

This study reliance on the published plans, newspapers and journals and have no access to other sources that may allow confirmation of the interpretation.

8.5. AREAS FOR FUTURE RESEARCH

Future research should be conducted in order to improve the findings found in the present study. Thus, the following are suggested:

a. Replication of the resource-based view (RBV) and Butler’s development theory study.

The present study shows that the RBV and Butler’s development theory are able to ensure the sustainability of the country/destination. It will be interesting to test both theories in diverse settings, such as states, rural areas, islands, national parks and resorts in a Malaysian context; there has been little or no study on this. In addition, the Malaysian government has moved
towards sustainability since the Eighth Malaysia Plan and has made continuous effort.

b. Instead of only concentrating on secondary data, future studies should consider having in-depth interviews with the public and private sectors in order to gain further understanding and clarification of the issues. In addition, the interview could provide the researcher with comprehensive and rich information.

c. Cooperative Tourism Planning

A further suggestion to extend this research is to further investigate the level of cooperation between the Ministry of Tourism/Tourism Malaysia, state, level politic, public and private sectors. The present study has mostly discussed the marketing strategy planning and decision–making, albeit by concentrating mostly on the government perspective; ideally tourism should involve broad stakeholders. It would be interesting to learn more about the involvement of all stakeholders in achieving sustainable development. At the moment, the cooperative planning has gained validity from cooperation between the private and public sector (Brohman, 1999; Inskeep, 1991).
REFERENCE


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Musa, G. (2000). Tourism in Malaysia. In C. M. Hall & S. Page (Eds.), *Tourism in South and South East Asia, Issues and cases* (pp. 144-156): Butterworth Heineman.


The Economist Intelligence Unit (1994). EIU International Tourism Reports No.2.


APPENDIX A: MALAYSIA’S CULTURE AND ETHNIC CHARACTERISTIC.

<table>
<thead>
<tr>
<th>Peninsular Malaysia</th>
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<tbody>
<tr>
<td>Malay and Bumiputera are terms used interchangeably with reference to Peninsular Malaysia as great majority of Bumiputera are Malay. In contrast, Sabah and Sarawak that have majority of indigenous ethnic group are refer as Bumiputera (Siddique &amp; Suryadinata, 1981). Bumiputera literally means the ‘son of the soil’ (Tourism Malaysia, 2009b) or the natives of the mainland of Malaya and the natives of the Borneo States (Parliamentary Debates, House of Representatives 1965, cited in Siddique and Suryadinata 1981-1982). The Malays are the main Bumiputera in Peninsular Malaysia, in Sabah, the main Bumiputera are Kadazan, Bajau and Murut, while in Sarawak they are Iban, Malay, Bidayuh and Melanau (Roslan, 2011). The Malay group is the largest ethnic group in Malaysia, accounting for and comprising more than 50 percent of the population (Tourism Malaysia, 2011b). The term ‘Malay’ refers to a person who practises Islam and Malay traditions, speaks the Malay language and whose ancestors are Malays. Their conversion to Islam from Hinduism and Theravada Buddhism began in the 1400s, largely influenced by the decision of the royal court of Melaka (Tourism Malaysia, 2009b). The embracing of Islam has permeated the country’s architecture, cuisine and lifestyle (Tourism Malaysia, 2011a). For instance, Islamic architecture and arts in Malaysia was a mixture of Arab and Malay influence. This art and architecture can be seen in mosques and administrative building throughout the country (Tourism Malaysia, 2011a). In term of festivals, the Hari Raya Aidilfitri (Eid Mubarak), which is celebrated by the Muslims at the end of a month of fasting has been commercialized by Tourism Malaysia by hosting an annual Hari Raya Aidilfitri Open House since 2003.</td>
</tr>
</tbody>
</table>
Chinese: The second largest ethnic group, the Malaysian Chinese, accounts for about 25 per cent of the population (Tourism Malaysia, 2011b). Mostly descendants of Chinese immigrants from the nineteenth century, the Chinese are known for their diligence and keen business sense. The group comprises three sub-groups, each speaking a different dialect of the Chinese language, namely the Hokkien, who live predominantly on the Northern island of Penang, the Cantonese, who live predominantly in the capital city Kuala Lumpur, and the Mandarin-speaking group who live predominantly in the Southern state of Johor (Tourism Malaysia, 2011b). Several festivals that are celebrated by the Chinese and promoted as part of the tourism events include the Moon Cake Festival, Nine Emperor Gods festival and Chinese New Year (Tourism Penang, 2011).

Indian: The smallest of the three main ethnic groups, the Malaysian Indians accounts for approximately 10 per cent of the population. Most are descendants of Tamil-speaking South Indian immigrants who came to the country during the colonial rule. Lured by the prospect of breaking out of the Indian caste system, they came to Malaysia to build a better life. Predominantly Hindus, they brought with them their colourful culture such as ornate temples, spicy cuisine and exquisite saris (Tourism Malaysia, 2009b).
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<table>
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<tr>
<th>Sabah</th>
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<tr>
<td><strong>Kadazandusun</strong></td>
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<td><strong>Bajau</strong></td>
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### Murut

The third largest ethnic group in Sabah, the Muruts or the ‘people of the hills’ make up about 3% of the state’s population. Traditionally inhabiting the northern inland regions of Borneo and living in longhouses, the Muruts were the last of Sabah’s ethnic groups to renounce headhunting. Now, they are mostly shifting cultivators of hill paddies and tapioca, supplementing their diet with blowpipe hunting and fishing. Like most indigenous tribes in Sabah, their traditional clothing is decorated with distinctive beadwork (Tourism Malaysia, 2009b). An amazing vibrant cultural heritage and the demand for cultural tourism have put the Murut culture and events such as the Dusun harvest festival, ‘Pesta Kalimaran’ into the Tourism Malaysia yearly calendar of events (Sabah Tourism Board, 2011a).
Sarawak

| Iban | The largest of Sarawak’s ethnic groups, the Iban form 30% of the States population. The Iban, who have been erroneously referred to as Sea Dayaks, were historically fishing people and pirates that migrated from Kalimantan (the Indonesian part of Borneo, south of Sarawak) to the river valleys of Batang Ai, the Skrang River, Saribas and Rajang River in Sarawak. Since they considered themselves as a warrior race, a headhunting custom was practised and the head trophies or antu pala were displayed in their longhouses. These heads mark a ritual victory and were a source of honour. Besides the headhunting, the Iban are also famous for their Pua Kumbu (traditional Iban weavings), silver craft, wooden carvings and beadwork. The tattoos that symbolise bravery among the Iban warriors are well known to the world due to the distinctive design. Although the majority of Ibans are currently practising Christians, their traditional customs and beliefs still remain. This can be shown in the celebration of Gawai Dayak (harvest festival) in which almost everyone dresses in traditional costumes while the elder perform traditional rites (Sarawak Tourism Board, 2011b). |
| Bidayuh | Peace-loving and easy going, the gentle Bidayuh of Sarawak are famous for their hospitality and tuak or rice wine. They are also expert in making intricate kesah mats, bamboo carving, rucksacks and basketry (Sarawak Tourism Board, 2011a). Making their homes in Sarawak’s mountainous regions, they are mostly farmers and hunters. In their past headhunting days, their prized skulls were stored in a ‘baruk,’ a roundhouse that rises about 1.5 metres above the ground. Originally animists, now most of them have converted to Christianity (Tourism Malaysia, 2009b). Similar to Iban, the Bidayuh celebrate an annual Gawai Padi (Gawia Sowa) festival in June (Sarawak Tourism Board, 2011a). |
**Orang Ulu**

The phrase Orang Ulu refers to the multitude of upriver tribes of Sarawak. Forming roughly 5.5% of Sarawak’s population, there are over 100,000 different Orang Ulu tribes with the major tribes made up of Kayan, Lun Bawang, Kelabit, Kenyah, Penan and Sebob or Chebob. Arguably Borneo’s most artistic people, their large longhouses are ornately decorated with murals and superb woodcarvings, utensils are embellished with intricate beadwork and aristocratic ladies cover their bodies with finely detailed tattoos (Tourism Malaysia, 2009b). The festival celebrated by the Orang Ulu people includes Belaga Regatta and Gawai Dayak. However, the festival that is highlighted by the state tourism is the Rainforest Music Festival (held since 2005) where almost all the indigenous tribes of Sarawak as well as groups from overseas gather for a three days performance (Sarawak Tourism Board, 2011c).
APPENDIX B: SUMMARY OF THE MALAYSIA PLAN (FIRST PLAN TO NINTH PLAN)

<table>
<thead>
<tr>
<th>Malaysia Plan</th>
<th>Policy Making Environment</th>
<th>Policy Demand</th>
<th>Policy Decision</th>
<th>Policy Output</th>
<th>Policy Impact</th>
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<tbody>
<tr>
<td>MP 1</td>
<td>• Tourism was put under the section of Ministry of commerce and industry.</td>
<td>• Fostering regional/rural development</td>
<td>• The government focuses on providing basic infrastructure such as highway, airport and tourist sites in every state.</td>
<td>• Increase in constructing new hotels and upgrading hotels facilities up to international standard by private sectors</td>
<td>Intended Impact</td>
</tr>
<tr>
<td>(1965-1970)</td>
<td></td>
<td>• To create an employment and country development</td>
<td>• Malaysia has invested MYR 545.3 million on transport (air, road, water and rail)</td>
<td>• Malaysia has expanded road network in East, West Sabah and Sarawak.</td>
<td>Increase in employment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• To generate foreign exchange earning</td>
<td>• ‘Open Sky’ policy- giving liberal landing rights to scheduled airline as well as encouraging charter flights into country.</td>
<td></td>
<td>Increase in number of tour operators.</td>
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<td></td>
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<td>• The government introduced provisions relating to the hotel industry in the Investment Incentive Act 1968</td>
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<td>Rose in no. of passengers embarking and disembarking at West Malaysian airport</td>
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<td></td>
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<td>Road network in west Malaysia was extended by more than 14%</td>
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<td>Intended Impact</td>
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<td>Unintended Impact</td>
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<td>Lack of funds</td>
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<td>Uncoordinated and poorly physical planning</td>
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<td></td>
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<td></td>
<td>Unstructured and basic development</td>
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<tr>
<th>Malaysia Plan</th>
<th>Policy Making Environment</th>
<th>Policy Demand</th>
<th>Policy Decision</th>
<th>Policy Output</th>
<th>Policy Impact</th>
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</table>
| MP2 (1971-1975) | • The establishment of the Tourist Development Corporation (TDC) as an agency under the former Ministry of Trade and Industry or also known as Ministry of Commerce and Industry  
• TDC role: i. to create strategies & programs directed at the development of tourism  
ii. to foster national integration | Same as above | • Developed a tourist site and facilities within each states  
• Undertaken a selective approach policy in promotion strategy.  
• Granted partial exemption of import tax on air-conditioned coaches as an incentive to local tour and transport operators | • Development of national airport to cater for short and medium range aircraft  
• Further expansion of existing airports and Malaysia Airline Berhad (MAL)  
• The construction and improvement of road transport  
• TDC identify 2 potential markets for its selective policy which was international and domestic market | **Intended Impact**  
• Increase air passenger for both peninsular Malaysia, Sabah and Sarawak  
• Increase passenger for both road and railway transportation.  
• Increase in tourist arrival by 14.4% per annum until 1980.  
**Unintended Impact**  
• The promotional campaign focus more on international market.  
• TDC face obstacle especially from the federal state government  
• Low priority by the government and limited financial allocation for the tourism industry |
Malaysia Plan | Policy Making Environment | Policy Demand | Policy Decision | Policy Output | Policy Impact
---|---|---|---|---|---
MP3 (1976-1980) | Same as above | Same as above | • Developed a tourist site and facilities within each states by TDC or joint venture with private sectors<br>• TDC want to promote Malaysia in the International market and to increase travel among domestic market by creating an awareness and attraction available<br>• Granting special provisions relating to the hotel industry<br>• TDC realize the important of proper training in hotel administration and management. | • A close collaboration between the government and private local tour operators to increase domestic tourism.<br>• Establish the tourism Regional Coordinating Committees (RCC) that consists of members from various states of government, states economic development corporations and TDC, and headed by the Chairman of TDC.<br>• TDC also established a holding company called Pempena Sdn Bhd to provide hotel, technical and management service; also marketing; sales and management studies. | Intended Impact<br>• Increase domestic and international tourists<br>• Increase employment<br>• The annual increase on marketing campaign spending has lead to a strong awareness among the tourists towards Malaysia destination.<br>• Around 79 of 150 tourist projects including hotels and resorts were provided under the incentive.<br><br>Unintended impact<br>• Has not yet create a strong image<br>• Lack of resource therefore has difficulties in allocating the fund to the respective markets.
Malaysia Plan | Policy Making Environment | Policy Demand | Policy Decision | Policy Output | Policy Impact
--- | --- | --- | --- | --- | ---
MP 3 (1976-1980) | TDC conducted a tourist Guides training courses | Domestic advertising campaign under the “Makan Angin” and “Malaysia Kita” theme that highlight the various destinations in Malaysia. | Developing a family – oriented resort facilities in order to accommodate the domestic and budget conscious tourists. | TDC took part in exhibitions and trade fair both within the country or overseas | Embark upon a survey on “how to increase domestic tourism” | TDC liaison with other relevant government department in order to smoothen the flow of visitors to the country | A concentration on the construction of international standard hotels due to higher returns accruing from room rates has cause a low level of interest in Malaysia as a holiday destination particularly among budget-conscious tourists. (As according to MP 5, 95% of the rooms was constructed for the international standard. This is due to the incentive given by the government that bias towards international standard room) | The tourism plan was seen to have problem in implementation | Shortage of rooms |
Malaysia Plan | Policy Making Environment | Policy Demand | Policy Decision | Policy Output | Policy Impact
---|---|---|---|---|---
MP3 (1976-1980) | | | | | • Bringing together the foreign and local tour operator, airline and other interested parties to package new, interesting tour programme
• TDC coordinate its marketing activities along with Malaysia Airline System and the private sectors to ensure the success of the programme.
• Due to limited fund allocated to TDC, It has adopted a selective approach.
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<th>Policy Making Environment</th>
<th>Policy Demand</th>
<th>Policy Decision</th>
<th>Policy Output</th>
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<td><strong>Malaysia Plan</strong></td>
<td><strong>Environment</strong></td>
<td><strong>Demand</strong></td>
<td><strong>Decision</strong></td>
<td><strong>Intended Impacts</strong></td>
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</tbody>
</table>
| MP4 (1981-1985)           | • To redress the adverse balance of payment position of the country  
• Source of growth and employment  
• Focus on mass tourism  
• TDC want to impediment the cause of European and medium market declining due to economic recession.  
• Reduce the electricity tariff rates for hotels so that the hotel can charge lower room rates to the budget-conscious tourist.  
• Introducing the New Investment Fund totalling about MYR 1,000 million. | • Increase spending in the development of tourism infrastructure, marketing and promotion  
• Developing and expanding a numbers of hotels.  
• Concentrate on the medium standard hotel to attract the budget conscious tourists.  
• The government provide a training programme and a short-term courses to fullfill the need for the qualified personnel  
• Expanding 2 major airports; Subang International Airport and Kuching Airport.  
• An improvement and upgrading in facilities at several state airports | **Intended Impacts** |

• Increase in domestic tourists and international tourists from ASEAN and Japan.  
• A growth of 19.4% foreign exchange earning per annum compared to the targeted figure that was 18.9% during the Forth Plan.  
• High volume overseas travel, mainly from regional  
• The increase of road network enable a balance in distribution of wealth to the state from tourism industry.  
• The improvement of flight services has increase the tourist arrivals.  
• An increase of employment by 42% |
Malaysia Plan | Policy Making Environment | Policy Demand | Policy Decision | Policy Output | Policy Impact
--- | --- | --- | --- | --- | ---
MP4 (1981-1985) | • Introduce the Tourist Development Corporation of Malaysia (Tour Operating Business and Travel Agency Business) regulation to ensure the healthy growth of the industry • Several state Governments were active in promoting the country as a holiday destination, with emphasis given to each individual state. | • The upgrade and increase of road network to reduce travel time and improve safety standard • A joint promotional activities effort by TDC, MAS, the Ministry of Culture, Youth and Sport and private sectors emphasizing on ASEAN, European and Australian market. • Domestic advertising campaign under the “Makan Angin”and “Malaysia Ku” theme that highlight the various destinations in Malaysia and ‘Vacational malaysia’ theme for international market | • The upgrade and increase of road network to reduce travel time and improve safety standard • A joint promotional activities effort by TDC, MAS, the Ministry of Culture, Youth and Sport and private sectors emphasizing on ASEAN, European and Australian market. • Domestic advertising campaign under the “Makan Angin”and “Malaysia Ku” theme that highlight the various destinations in Malaysia and ‘Vacational malaysia’ theme for international market | Unintended Impact • Malaysia was still relatively unknown as a tourist destination due to the lack of publicity • Rapid growth in the number of hotels yet a slower growth of tourist arrivals and domestic tourists. • The allocation of investment and incentive for hotel development were seen to prioritize the international standards hotel compared to budget hotel • Minimum effort by private sectors in complementing the public sector was considered as one of the reason for the less of awareness.
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<th>Malaysia Plan</th>
<th>Policy Making Environment</th>
<th>Policy Demand</th>
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<tbody>
<tr>
<td>MP4 (1981-1985)</td>
<td></td>
<td></td>
<td></td>
<td>• Bringing together the foreign and local tour operator, airline and other interested parties to package new, interesting tour programme</td>
<td>• The mass tourism strategy produce a characteristic of products that emphasis on quantity rather than quality; a homogeneous product that were not designed for customer preferences; pricing and unsustainable products</td>
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<td></td>
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<td></td>
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<td>• TDC took part in exhibitions and trade fair both within the country or overseas</td>
<td>• The Subang International airport still lagged in establishing itself as a major traffic centre</td>
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<td></td>
<td>• Sponsoring a visit by the travel writer and journalist so that they can published an articles on Malaysia.</td>
<td>• Limited capacity and frequency of direct flights from the overseas airport to other domestic airport.</td>
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<td></td>
<td></td>
<td>• Forming a Tourist Police Unit to ensure the tourist welfare, safety and security</td>
<td>• A concentration in foreign market rather than domestic market has partially resulted in an increasing number of local residents travelling abroad.</td>
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</tbody>
</table>
Malaysia Plan | Policy Making Environment | Policy Demand | Policy Decision | Policy Output | Policy Impact  \\
--- | --- | --- | --- | --- | ---  \\
MP5 (1986-1990) | • TDC was move to Ministry of Art, Culture and Tourism (MOCAT).  
• MOCAT was funded by the government and quasi-autonomous with a board of director drawn from both private and public sector.  
• Role: to formulate the country tourism policy and the overall tourism administration.  
• The policy is implemented through the state Economic Development Corporation which is also responsible for state industrial policy. | Tourism Policy during MP5:  
• To exploit the variety of services created from tourism industry by creating job potential and regional development  
• To create a better understanding of the various cultures and lifestyle of Malaysian population and becoming an effective agents for the national integration and unity | • TDC has switched its marketing concept from promoting the whole country’s attraction to focusing on one attraction in 1990.  
• The government projected Malaysia as having a vast of attractions  
• Continue developing a tourist sites and facilities.  
• Revised Investment Act 1968 | • Visit Malaysia Year 1990  
• Continue the ‘Open sky’ policy to attract and increase the international tourist to Malaysia  
• Keretapi Tanah Melayu offered a touring package with affordable price to the international tourists  
• The completion of the Langkawi Airport to accommodate a bigger aircraft.  
• Besides enhancing the development of existing destinations such as Kuala Lumpur, Kuching, Kota Kinabalu and Penang, Malaysia also focusing on island Tioman and Langkawi. | **Intended Impact**  
• The Visit Malaysia campaign generated substantial awareness and recognition among foreign holiday-makers and business tourists.  
• The enormous support received from the private sector and robust economy  
• Increase in tourists arrivals and expenditure  
• Increase in number of hotel room and occupancy rate.  
• Increase in employees
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<tr>
<th>Malaysia Plan</th>
<th>Policy Making Environment</th>
<th>Policy Demand</th>
<th>Policy Decision</th>
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<th>Policy Impact</th>
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</thead>
<tbody>
<tr>
<td>MP5 (1986-19990)</td>
<td></td>
<td>To reduce the deficits in the service account of the BOP by bringing international tourists into the country To increase the domestic travel among the Malaysian in order to reduce the foreign exchange outflow.</td>
<td>An allocation of MYR 49 million in promotion, an introduction of various tax incentives for tour promoters advertising overseas and visits by foreign journalists to Malaysia TDC has continued to cooperate with other department, MAS, foreign airline companies, tour operators, hotelier and private sector organization in promoting Malaysia to international market.</td>
<td>TDC has used “Fascinating Malaysia” as an advertising theme for both domestic and international market. Spending MYR 20 million in advertising campaign. Tailoring the promotion activities specifically to a certain market.</td>
<td><strong>Unintended Impact</strong> There was still an imbalanced distribution of infrastructure between the states. There was still lack of coordination between the public and private sector. Malaysia image was still vague. <strong>Unintended Impact</strong> There was still an imbalanced distribution of infrastructure between the states. There was still lack of coordination between the public and private sector. Malaysia image was still vague.</td>
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<th>Policy Making Environment</th>
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<th>Policy Decision</th>
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<th>Policy Impact</th>
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<tbody>
<tr>
<td>MP5 (1986-1990)</td>
<td></td>
<td>4. To stimulate growth of domestic tourism.</td>
<td>• The new investment act recognized the importance to construct both accommodation and non-accommodation</td>
<td>• Reduction of service tax by 5 to 10% on hotel and restaurants.</td>
<td>• The Investment Act 1968 also encourage the construction of medium standard accommodation</td>
</tr>
</tbody>
</table>
Malaysia Plan  | Policy Making Environment  | Policy Demand  | Policy Decision  | Policy Output  | Policy Impact  
---|---|---|---|---|--- 
MP6 (1991-1995)  | TDC was replaced by Malaysia Tourism Promotional Board (MTPB) which also known as Tourism Malaysia.  | MTPB marketing objectives and strategies:  | Due to the competition from others countries, Malaysia has developed a 3 years destination marketing strategies (1995-1997)  | Visit ASEAN 1992  | Intended Impact  
  |  | 1. to ensure steady increase of tourist arrivals  | 2. To encourage greater visitor spending  | 3. To emphasize on quality tourism  | 4. To stimulate growth of domestic tourism  
  |  | In 1992, National Tourism Policy was introduced and this policy recommended broad policies for the planning, development and marketing of tourism.  |  | The marketing campaigns apply the product based and market driven concept.  |  |  
  |  |  |  | Adopted the high-market spender strategy by creating a distinctive image or brand.  |  |  
  |  |  |  | Granting various incentives to promote investment in the tourism industry.  |  |  
  |  |  |  | Visit Malaysia 1994  |  
  |  |  |  | Accessibility by air, land and sea was improved and upgraded  |  
  |  |  |  | The 847 km North-South Highway Expressway highway linking Bukit Kayu Hitam and Johor Bahru has improved land accessibility.  |  
  |  |  |  | Rail travel was made more convenient through improvement in the schedule and service quality  |  
  |  |  |  | MAS increase its services to 92 destinations spanning 6 continents which then increased long haul tourists to Malaysia.  |  |  
  |  |  |  | Tourist receipts increases more than two-fold compared to the Fifth Plan  |  
  |  |  |  | Increase of the average length of stay and per capita expenditure  |  
  |  |  |  | Increase local vacation within the country due to various promotions.  |  
  |  |  |  | Increase long haul tourists to Malaysia  |  
  |  |  |  | The North-South Highway Expressway highway increase the tourist arrival from Singapore and Thailand; also promoted domestic tourism.  |  
  |  |  |  | Increase in tourist expenditure on shopping by more than triple since 1990.  |  
  |  |  |  | Tourist receipts increases more than two-fold compared to the Fifth Plan  |  
  |  |  |  | Increase of the average length of stay and per capita expenditure  |  
  |  |  |  | Increase local vacation within the country due to various promotions.  |  

(Continue)
<table>
<thead>
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<th>Malaysia Plan</th>
<th>Policy Making Environment</th>
<th>Policy Demand</th>
<th>Policy Decision</th>
<th>Policy Output</th>
<th>Policy Impact</th>
</tr>
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<td>MP6 (1991-1995)</td>
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<td></td>
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<td>Increase in flight and seat capacities frequencies to facilitate an increase of tourist arrivals. Increase in land accessibility and the development of the facilities along the expressway has boost up the domestic tourism and tourist arrivals from Singapore and Thailand.</td>
<td>Enhance Malaysia image as an attractive destination in the region.</td>
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<td></td>
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<td></td>
<td>Organized an annual ‘shopping carnival’ that offered a competitive prices and quality services.</td>
<td>Unintended Impact</td>
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<tr>
<td></td>
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<td>Reduce the import duties on consumer product</td>
<td>• Healthy number of tourist arrivals, but weaker in tourism receipts and expenditure per capita.</td>
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<td>Diversified product based by introducing new tourism products such as educational tourism, eco-agro-tourism, leisure and sports related activities as well as new resorts</td>
<td>• Annual average occupancy rate for budget hotels decline due to the excess of the construction and a change of consumer profile.</td>
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<td></td>
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<td>• The diversifying product based strategy and a disparate image promoted by the state and federal has cause confusion about its image.</td>
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Malaysia Plan (1991-1995)

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<tr>
<td>MP6</td>
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<td></td>
<td>Investment in hotel and tourism-related increased more than three-fold</td>
<td>Although Malaysia promote intensively yet it was not enough to cater all markets.</td>
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<td></td>
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<td></td>
<td>The construction of the medium-priced hotel in different locations to cater the budget-conscious tourists.</td>
<td>Malaysia promote its tourism products internationally before the necessary laws, management plan, facilities and manpower were set up and this cause the country was unable to deliver its promises once the tourist arrive</td>
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<td></td>
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<td></td>
<td>Mass tourism strategy focus on volume rather than value, which would be easily fatigues, and susceptical to price war.</td>
<td>Increase in Malaysian outbound to other countries</td>
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<td></td>
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<td></td>
<td>Malaysia government plan a few strategies to attract the domestic tourism such as, encouraging Malaysians to ‘buy Malaysia’, creating awareness of the product available, attractively priced tour</td>
<td>Although Malaysia claimed that the domestic tourism was important, yet the promotion and development activities are still lesser than the international tourists.</td>
<td></td>
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</tbody>
</table>
Malaysia Plan Policy Making Environment Policy Demand Policy Decision Policy Output Policy Impact

MP6 (1991-1995)   |   |   |   | packages, tourism as a subject in the school syllabus, and encouraging the local and the public sectors to utilize local destinations and venues for their MICE-oriented activities |   |
(Continue)

<table>
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<tr>
<td>MP7 (1996-2000)</td>
<td>Same as above</td>
<td>Tourism policy during MP7:</td>
<td>• Continue the destination marketing strategy (1995-1997)</td>
<td>• Increased promotional activities at market that not affected by the economic crises</td>
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<td></td>
<td></td>
<td>• Diversified into new products and services to cater for the varying demands and interests of international and domestic tourist</td>
<td>• A shift of marketing strategy from selling Malaysia as a whole to a specific product campaign also known as product based-marketing. However in 1998-1999, due to economic crises, the government had shifted its strategy from niche market to diversification market in order to help the local travel agents.</td>
<td>• Improved the KLIA (Kuala Lumpur International Airport) facilities and technology.</td>
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<td></td>
<td></td>
<td>• Ensuring more effective promotion and marketing for both the foreign and local markets</td>
<td>• Although the National Ecotourism plan was a joint collaboration between various sectors, still the main involvement was from the private sectors. The federal and the state governments on the other hand provided funds to develop infrastructure facilities at various ecotourism destinations, as stimulus to the private sector</td>
<td>• Increase of the occupancy rate by 55% in 2000.</td>
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<td></td>
<td></td>
<td>• Ensuring more effective promotion and marketing for both the foreign and local market.</td>
<td>• Continuously upgrade the quality of existing products as well as developing new products such as Hill and Resort, Shopping destination, Thematic Events, Eco-tourism, ,</td>
<td></td>
<td>Intended Impact</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>• An increase of domestic tourism trips</td>
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<td></td>
<td></td>
<td>• Increase in tourist arrivals</td>
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<td></td>
<td></td>
<td></td>
<td>• The number of hotel increase by 22.3%</td>
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<td></td>
<td></td>
<td>• Increase of the occupancy rate by 55% in 2000.</td>
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<td></td>
<td>Unintended Impact</td>
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<td></td>
<td>• The expenditure of the international tourists are less encouraging.</td>
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<td></td>
<td></td>
<td>• Due to the economic crises, The government also imposed a moratorium on the building of 4- and 5-star hotels in Kuala Lumpur and the Klang valley because of overcapacity</td>
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<td>• Increasing the involvement of the local population.</td>
<td>• On 1996, the PTPB has implemented 3 strategies 1. the consumer-focused strategies 2. Local trade focus strategies 3. Overseas trade focused strategies Allocate the resources according to market priority.</td>
<td>• To curb overseas travelling, an aggressive marketing campaign such as “Cuti-Cuti Malaysia”, giving alternative Saturday off for government servants, promotional activities and development of local tour packages by MAS and MATTA have added to the increase in domestic travelling. • Tourism promotion at the state level to boost domestic tourism • Imposed a travel exist tax for outbound domestic tourists. • Annual mega Sales Carnival • Built a factory outlet cum cultural centre project near KLIA.</td>
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<td>MP7 (1996-2000)</td>
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<td></td>
<td></td>
<td>• The official website of Tourism Malaysia was continuously updated and upgraded.</td>
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<td></td>
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<td>• The National Eco-Plan was drawn in 1996 to provide the framework for the development of eco-tourism</td>
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<td></td>
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<td></td>
<td></td>
<td>• Increase investments in hotel and tourism-related projects by 107% from MYR 8.8 billion during the Sixth Plan to MYR 18.2 billion during Seventh Plan.</td>
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<td>• A few of the tourism destinations in Malaysia were gazetted terrestrial or marine protected areas in various categories such as forest reserves, wildlife reserves, sanctuaries, wetlands and marine parks</td>
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- A sum of MYR 10 million was allocated between 1996 and 2000 to implement five ecotourism projects as pioneers.
- Considering that the ecotourism destinations such as the National Parks and wildlife sanctuaries are often located in remote places, the government provided basic infrastructure facilities such as access roads, jetties and some amenities.
- Malaysian government invested around MYR 484.2 million on tourism development program that included the restoration and conservation of historical sites, upgrading of tourism facilities and infrastructure.
Malaysia Plan
Policy Making Environment
Policy Demand
Policy Decision
Policy Output
Policy Impact

MP7 (1996-2000)

beautification of tourism sites as well as the development of medium-priced hotel. This effort has been complimented by the private sectors by which a build on hotels and tourism-related project

• an investment of MYR 150 million on promotional budget (approximately partly of the promotional budget was spent in the potential market).
MOCAT was split to create:

i. Ministry of Culture, Arts and Heritage (MOCA)

ii. Ministry of Tourism (MOT)

MOT include Tourism Division and the Malaysia tourism Centre with jurisdiction over Tourism Malaysia.

i. Tourism Malaysia was responsible for the marketing and promotional aspects of tourism.

### Tourism policy during MP8:
- Emphasizing sustainable tourism development
- Focusing on a holistic and integrated approach to tourism development
- Projecting Malaysia as a fascinating destination with year-round carnival atmosphere
- Engaging in customer-focused product development and promotions
- Enhancing human resource development

### Policy Demand
- Continue to expand and upgrade infrastructure and communication facilities.
- Continue to promote cultural and natural heritage, shopping, leisure and sport-related activities, education, medical and MICE.

### Policy Decision
- Continued to use ‘Malaysia Truly Asia’ Theme.
- Emphasis in promoting to the short-haul and regional market
- The implementation of the five-day work for public sector to encourage domestic tourism
- Launching two fund; the tourism Infrastructure Fund (TIF) totaling MYR 700 million and MYR 400 million Special fund for Tourism and Infrastructure development.
- Malaysia granting liberal traffic rights to carriers of countries offering reciprocal rights, and incentives to new entrants operating in KLIA

### Intended Impact
- Tourist arrivals into Malaysia has risen positively by more than 60 percent between 2000 and 2005
- Increase in direct employment from 84,171 in 2000 to 91,156 in 2005

### Unintended Impact
- The management of tourism in Malaysia’s natural areas was considered complicated since there is no single authority empowered to make decisions about the environment implications of tourism development.
Facilitating and increasing accessibility
- Ensuring the comfort, safety and security of tourist
- Forging strategic alliances and enhancing international cooperation.

Tourism Malaysia marketing objectives and strategies:
- To increase foreign tourist arrivals
- To extend the average length of stay of visitors to increase tourism revenue
- To stimulate growth of domestic tourism

Other strategies for air transportation included undertaking joint operations with other airline, initiating special fares and increasing cooperation with ASEAN tourism organizations to foster intra-ASEAN travel. The low cost carrier such as Air Asia also been introduce in 2002

- A slow recovery of tourist arrival due to the war and SARS outbreak
- Less investment in facilities, equipment and infrastructure lead to a less tourism receipts.

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<td>To increase the benefit obtained from the Meeting, incentives, conventions and exhibition (MICE) market</td>
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<td></td>
<td>The Rural Tourism Master Plan (RTMP) was prepared to increase visitor spending in rural areas</td>
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<td>MP9 (2006-2010)</td>
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<td>• Enhancement and preservation of the environment through eco-tourism and sustainable development. • Creatively managing tourism growth in a systematic and orderly manner by taking into consideration the needs and preferences of visitors. • Developing and inculcating a wholesome Malaysian culture for domestic tourism;</td>
<td></td>
<td>• In 2008, Zoom Malaysia campaign replace Cuti-Cuti Malaysia campaign with aim to encourage holiday locally and travel during peak hour. • In 2009, Cuti-cuti 1 Malaysia replace Zoom Malaysia campaign where Malaysia was projected as a one-stop destination that embodies a diversity of ethnic, cultures and attraction. • Upgrade transportation system. • Improvement of hassle-free travel such as online visa application and provision of multiple entry permits.</td>
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Malaysia Plan Policy Making Environment
MP9 (2006-2010) Policy Demand

- Recognition of the importance of the tourism industry to the country’s economic growth through the generation of foreign exchange and employment opportunities.