

ASEAN's New Marketing Focus

CITIZENS OF the world's most populous countries, China (PRC) and India, have been visiting member nations of the Association of Southeast Asian Nations (ASEAN) in ever-greater numbers. As this has coincided with a slow-down in arrivals from traditional European markets, ASEAN destinations may decide to refocus their marketing strategies – very quickly if war with Iraq, which at writing had just started, takes longer than expected. In any case, there are clear indications that many in ASEAN are pondering what could be a significant and long-lasting shift in source market demand.

European visitor arrivals to ASEAN first began to slow after the attacks of September 11, 2001, and took another downturn after the Bali bomb blasts of October 12, 2002. Marketing plans to re-ignite visitor arrivals were somewhat affected by travel advisories issued by European governments and a cutback in airline connections. European arrivals to Malaysia, the Philippines, Indonesia and Singapore have fallen, although Thailand continues to do well. There were 2,475,319 Europeans visiting Thailand in 2002, an increase of 6.34% over 2001. Thailand's gains have helped neighbouring Cambodia, which is reporting big increases in arrivals from Europe.

Exceptions aside, the days when Europe was a top priority market for Pacific Asia destinations may be ending. A rush to new pastures has seen ASEAN destinations begin to tap the Chinese and Indian markets, similar to how the Japanese market was "discovered" in the 1980s and 1990s. These are not isolated efforts but part of a much wider objective to build strong and integrated economic, cultural and political relations among the Pacific Asia countries.

ASEAN countries plan to work with China (PRC), India, Japan and Korea (ROK) in the coming years, to set up a free-trade zone, reduce taxes and tariffs and build transportation, communication and infrastructure links. This will mean more intra-regional travel.

On average, ASEAN countries already receive 60-65% of their total arrivals from within the Pacific Asia region, followed by 25-30% from Europe and 10-15% from rest of the world. Pacific Asia can expect to generate up to 65-70% of total international arrivals in the future.

Arrivals statistics from the following three countries seem to confirm this trend:

SINGAPORE

In 2002 visitor arrivals grew 0.6% to reach 7,566,237, the second highest record in the history of Singapore's tourism. Chinese visitor arrivals totalled 670,070 (+34.7%), rising from 5th to 3rd position as a source market, overtaking Malaysia and Australia. Arrivals from India totalled 375,634 (+10.5%), rising from 9th to 7th position, overtaking the USA and Korea (ROK). By contrast, arrivals from the largest European market, the UK, were down 0.3% to 458,466. Arrivals from the USA fell to 327,618 (-4.7%), from Australia to 538,354 (-2.2%), from Japan to 723,350 (-4.3%) and from Germany to 157,499 (-5.17%).

Visitor Arrivals to Singapore by Country of Residence 1998-2002

Country of Residence	1998	1999	2000	2001	2002
China (PRC)	293,295	372,881	434,223	497,323	670,070
India	243,691	288,383	346,279	339,739	375,634
Japan	843,729	860,662	929,670	755,401	723,350
Korea (ROK)	99,261	242,226	354,101	358,999	371,024
Germany	159,206	167,856	169,362	166,932	157,499
Europe	982,748	1,049,993	1,127,240	1,114,110	1,110,761

Source: Singapore Tourism Board.

Note: ASEAN countries are Burma, Brunei, Cambodia, Lao PDR, Vietnam, Thailand, Singapore, Malaysia, Philippines and Indonesia.

MALAYSIA

Visitor arrivals during 2002 totalled 13,292,010, 4.04% higher than in 2001. India was the third fastest growing source market (after Kuwait and Bangladesh), recording 27.7% more visitors to 183,360. China (PRC) was the fourth fastest growing market, up 23% to 557,647 visitors. On the other hand, a number of long-standing markets recorded declines: Germany (-22%), the United Kingdom (-8.8%), Japan (-10.8%), Australia (-12.8%), and the USA (-12.3%).

Visitor Arrivals to Malaysia 1998-2002

Country of Residence	1998	1999	2000	2001	2002
China (PRC)	159,852	190,851	425,246	453,246	557,647
India	33,751	46,537	132,127	143,513	183,360
Japan	252,178	286,940	455,981	397,639	354,563
Korea (ROK)	21,741	41,650	72,443	66,343	64,301
Germany	50,583	43,316	74,556	70,401	54,645
Europe	363,377	306,060	581,599	697,332	631,230

Source: Malaysia Tourism Promotion Board

THAILAND

Chinese visitor arrivals surged between 1998 and 1999 after Thai authorities relaxed visa regulations. However, arrivals then dropped for two years as Thai and Chinese authorities cracked down on zero-cost tours. Arrivals are now on the rise again. In 2002, Chinese visitors to Thailand rose 9.83% to 763,708. Indian visitor arrivals were up 22.72% to 253,475. In 2002, Thailand opened a marketing office in Beijing and this year is planning to open one in New Delhi. By contrast, German visitors have shown little growth in the last four years. Moreover, the increase in visitors from Europe as a whole is less than the increase in visitors from Korea (ROK).

Visitor Arrivals to Thailand

Country of Residence	1998	1999	2000	2001	2002
China (PRC)	571,061	775,626	704,080	695,372	763,708
India	147,579	163,980	202,868	206,541	253,475
Japan	986,264	1,064,539	1,197,931	1,179,202	1,233,239
Korea (ROK)	202,841	338,039	447,798	553,441	717,361
Germany	378,566	375,345	378,562	407,353	412,968
Europe	1,888,673	1,990,449	2,168,996	2,327,680	2,475,319

Source: Tourism Authority of Thailand.

THE PROMISE OF CHINA (PRC) AND INDIA

Numerous factors indicate why the Chinese and Indian markets will continue to grow:

STRONG ECONOMIES: China (PRC)'s entry into the World Trade Organization is expected to give a major boost to the country's economy. Foreign investment is pouring into the Chinese and Indian economies to take advantage of labour costs and large markets. There is a growing middle class in both countries, and a sizeable number of millionaires.

CULTURAL LINKS: Large Chinese and Indian communities are scattered throughout Southeast Asia. They have had active business and social contact with each other and with contacts in China (PRC) and India. China (PRC) and India as well as Chinese and Indian communities in Southeast Asia will flourish further in a freer trade environment, which will lead to more travel and tourism. Local tour operators know how to handle the specific needs of these markets, especially their dietary requirements.

NO ADVISORIES: Unlike European and other industrialised countries, the Chinese and Indian governments do not issue travel advisories against Southeast Asian countries every time there is a political problem. Unrealistic travel advisories are irritating Southeast Asian countries. They feel that millions of dollars worth of marketing money invested in Europe is wasted every year due to negative advisories.

TRAVELLING DISTANCE: Most Southeast Asian destinations can be classified as short- and medium-haul markets, within a flying range of two to six hours, from most Chinese and Indian cities.

STEPPING STONE TO OCEANIA: Australia and New Zealand are also stepping up their marketing efforts in India and China (PRC). Because Southeast Asia is located mid-way between Oceania and India and China (PRC), a stopover en-route adds to the appeal of the trip.

INCREASING FLIGHTS: Flights are increasing significantly between the cities of China (PRC), India and Southeast Asia. Regular flights now link Chinese cities such as Beijing, Shanghai, Guangzhou and Xian to the capital cities of Southeast Asia. Flights also link India's main cities of Mumbai, Chennai, Kolkata and New Delhi to the Southeast Asian hubs of Bangkok, Singapore and Kuala Lumpur. Secondary Indian cities like Bangalore, Hyderabad, Cochin and Thiruvananthapuram are following suit. India's highly protected aviation market is yet to liberalise. Dozens of secondary airlines have emerged in India and Southeast Asia and are waiting for the required traffic rights.

BETTER RETURN ON INVESTMENT: The huge market size, untapped potential and relatively stable currencies of China (PRC)

and India mean that Southeast Asian countries can get much better returns from the two nations than they can from Europe. At a time when marketing dollars are relatively scarce, it is also much cheaper to operate a marketing office in India and China (PRC) than in Europe.

ASEAN+3: ASEAN + CHINA (PRC), JAPAN AND KOREA (ROK)

Tourism Ministers of the ASEAN+3 countries met for the second time on January 24, 2003 in Phnom Penh, Cambodia, in conjunction with the ASEAN Tourism Forum 2003. They agreed to boost tourism cooperation in the following areas:

MARKETING

- Conduct a consumer survey in China (PRC), Japan and Korea (ROK) on ASEAN tourism
- Collaborate in educating citizens and the travel industry on the pitfalls of zero-cost tour packages
- Encourage exchange trips in the fields of culture and sports

INVESTMENT

- Disseminate information on tourism investment opportunities in ASEAN countries to potential investors in Japan, Korea (ROK) and China (PRC)
- Develop a list of potential investors in Japan, Korea (ROK) and China (PRC) who may be interested in investing and developing new tourism projects in ASEAN
- Organise ASEAN tourism investment seminars in the respective countries
- Explore the possibility of funding and support from Japan, Korea (ROK) and China (PRC) for tourism investment promotional brochures, ASEAN tourism investment seminars and the ASEAN tourism investment Web site

HUMAN RESOURCE DEVELOPMENT

- Expand the ASEAN Tourism Training and Education Network Directory to include training and educational institutions in China (PRC), Japan and Korea (ROK)
- Invite China (PRC), Japan and Korea (ROK) to become members of the Editorial Board of the *ASEAN Journal on Hospitality and Tourism*
- Encourage tourism scholars from China (PRC), Japan and Korea (ROK) to work with ASEAN researchers in the fields of tourism and information technology
- Conduct annual workshops to increase the awareness of hospitality in tourism
- Set up an ASEAN+3 Centre for Tourism Resource Management to enhance the quality of tourism through capacity building

ASEAN-INDIA TOURISM COOPERATION

India and the ASEAN national tourism organisations held informal consultations on July 12, 1998 in Chiang Rai, Thailand. They discussed possible cooperation in the fields of marketing, investment, travel industry networking and human resource development.

Although the two sides agreed to meet once every six months, there was no follow-up until November 5, 2001 when the 1st ASEAN-India Summit was held alongside the 7th ASEAN Leaders Summit in Bandar Seri Begawan, Brunei Darussalam. There, the leaders adopted the creation of an India-ASEAN Regional Trade and Investment Area as a long-term objective.

Tourism cooperation is set to get a major boost as the plan follows similar initiatives to ASEAN+3. Proposed is the creation of a business visa to facilitate trade contacts, investment promotion, tourism capacity building and human resources development. ASEAN is also considering inviting Indian tourism authorities to participate in the ASEAN Tourism Forum on January 2004 in Lao PDR. There are also plans to convene an ASEAN-India meeting of national tourism organisations soon.

OBSTACLES

A number of hurdles still need to be overcome for there to be seamless exchanges of travellers and trade between China (PRC), India and ASEAN:

VISAS: Indians and Chinese citizens need visas for most Southeast Asian countries, which are under pressure to adopt more liberalised procedures to facilitate tourism. It is a delicate balancing act because the main problem is how to differentiate a genuine tourist from the thousands of illegal labour migrants who may come looking for work.

'ZERO-COST' TOURS: This is a significant problem. These are tours that are sold at 'zero-cost' by tour operators in ASEAN countries to wholesalers and travel agents in China (PRC). The tour operators make their money by taking tourists to jewellery shops that sell poor-quality products at inflated prices. This practise has led to complaints and spoiled the image of destinations. Authorities are trying to do something about it, with limited success.

WHAT WILL IT ALL MEAN FOR EUROPE?

Now, Thailand, Vietnam and Cambodia are the only countries recording strong growth in arrivals from Europe. They are likely to continue their marketing and promotions in Europe. Thailand, for example, had 113 companies exhibiting at this year's ITB, up from

104 in 2002. There are danger signs ahead, however. Thailand is suffering from cutbacks in capacity by European airlines, mainly because it does not have a strong outbound market and its devalued currency means lower yields for the high-cost European airlines. Some European airlines are reducing their frequencies and going into code-sharing arrangements with Thai Airways International.

Vietnam is being particularly aggressive, using ITB 2003 as a launch pad for its new World Heritage Road product. Vietnam Airlines is also planning to start direct flights from Ho Chi Minh to Berlin. Indonesia is trying to re-establish the European market to Bali after arrivals fell significantly following the October 12, 2002 bomb attacks. Garuda Indonesia scaled back its capacity and diverted a lot of attention to its new flights to Shanghai. Malaysia says it is planning no increase in marketing expenditure in Europe, but will "maintain" levels. On March 20, following commencement of hostilities in Iraq, Singapore Airlines suspended 65 weekly services globally, including Europe.

Nevertheless, Europe will remain important to ASEAN countries in the near future for the following reasons:

AVERAGE LENGTH OF STAY: Europeans, when they arrive, stay longer. This is important because when converting that into room nights, Europe remains well ahead of Pacific Asia markets.

Average Length of Stay of visitors to Thailand 1998-2002

Country of Nationality	1998	1999	2000	2001	2002**
China (PRC)	6.63	6.38	6.37	5.78	6.12
India	10.74	9.32	8.33	6.38	7.18
Japan	6.55	6.16	5.91	7.12	6.22
Korea (ROK)	6.34	5.15	4.82	5.05	5.02
Germany	16.21	15.84	15.66	14.20	16.14
Europe	12.89	13.05	12.89	13.57	13.53

Source: Tourism Authority of Thailand. ** Note: Jan-Oct

However, European visitors spend half as much as their Asian counterparts. Each time the Euro or the pound strengthens against Pacific Asia currencies, or vice versa, European tourists get more 'value for money,' meaning that they can spend less and get more.

SOPHISTICATED MARKET: Europeans are more environmentally aware and seek holidays that are both sophisticated and niche-oriented. The Indian and Chinese markets generally

prefer sightseeing and shopping. That could, of course, change in the future.

CRITICAL WINTER SEASON: While the Indians and Chinese tend to travel more during the summer months, in line with school holidays, Europeans like to escape the cold of winter.

LONG CONTACTS: Many Pacific Asia marketers have long established contacts with European tour operators and are familiar with their ways of doing business.

CONCLUSION

Following hostilities in Iraq, Pacific Asia destinations may subsequently take a very close look at where they spend their marketing dollars. Indeed, many of them are making it clear that they will focus more on source markets closer to home, as confirmed in a recent survey of PATA members.

Another development to watch will be the ASEAN Tourism Agreement signed by ASEAN leaders at their summit in Phnom Penh in November 2002. A primary objective of this agreement was to facilitate intra-regional travel. ASEAN tourism ministers agreed in January 2003 to make ASEAN countries fully visa-free for ASEAN citizens by 2005. This would make it possible for ASEAN citizens to cross borders as easily as Europeans cross theirs.

Indications are that although ASEAN tourism was founded based on strong European source markets, that is likely to change radically in the years ahead.

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