

## Navigating the New Normal – Thai Tourism in 2003

ALTHOUGH SARS and the Iraq war blew a huge hole in visitor arrivals for the Asia Pacific region in 2003 – more than 18.5 million lost visitors, a 6.7% decrease – a more rigorous analysis of the data for Thailand, one of the region's top visitor-attracting countries, shows some surprising shifts in the way markets performed. While some of the widely-known trends were confirmed, other new trends have emerged, along with some warning signs about where the travel and tourism industry might be headed in future. All these factors need to be taken into consideration in what is being labelled the 'new normal' in an era of 'total tourism'.

The Thai example is apt for several reasons: Data collection is continuous and meticulous; the country itself is geographically located in the heart of Asia, surrounded by China (PRC), India and the ASEAN countries and sits on the Kangaroo Route between Europe and Australia. It has one major international airport and five smaller ones, and a number of overland border crossings. Visitors also arrive by sea. Hence, it has a good balance of regional and international tourism by various means of transport. Not over-reliant on border-crossings, Thailand has an emerging middle class and a growing outbound market.

Thailand's relatively even balance of factors allows it to

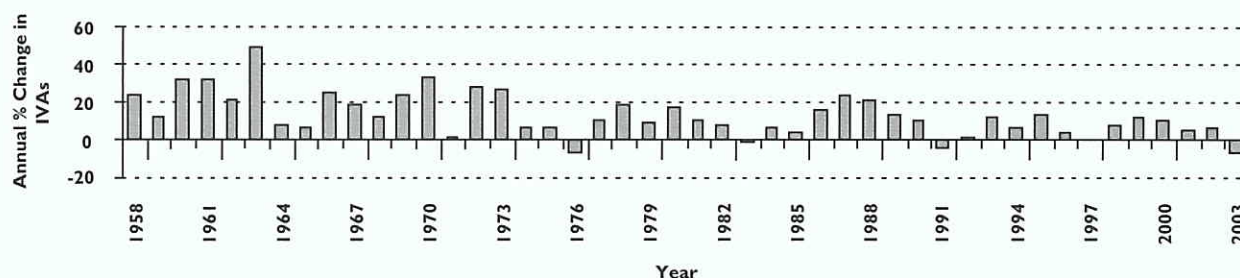
become a good weather-vane for spotting regional and global trends. The country's recently-completed 2003 statistics for visitor arrivals trends and expenditure patterns shows clearly how shifts may be panning out globally.

Although in 2003 Thailand experienced its worst drop since it officially began promoting tourism in 1960, many of its source markets and key market segments resisted the downturn, others bounced back remarkably quickly while others remained down for months. The 'reactions' of these markets and segments can serve as a guide as to where opportunities may lie when handling crises to come.

Thailand just barely managed to remain above the 10 million mark for international visitor arrivals (IVAs) in calendar year 2003 – 10,004,453. The overall drop in arrivals of -7.27 % exceeded the previous declines in 1976 (-6.92%), 1983 (-1.24%) and 1991 (-4.0%). (It is quite an achievement to have year-on-year growth for 42 of the last 46 years.)

The 2003 contraction, however, illustrates the changing nature of threats to tourism. In 1976 and 1983, it was due to internal and regional military/political conflicts. In 1991, it was due to the first Iraq war. Today's conflicts have broader global ramifications, that are compounded by such threats as disease and terrorism.

Chart 1: Annual Percentage Change in IVAs to Thailand, 1958-2003



## BREAKDOWN INDICATORS

**Shorter recovery periods.** The crises in 2003 lasted about four months, with April and May being the worst-hit months. Although crises are occurring more frequently these days, there is evidence that the travel bug has become irresistible, and that people return to the road at the earliest possible opportunity.

Hong Kong SAR, for example, was arguably the worst-affected by SARS, yet Hong Kong people left the country in droves after the SARS all-clear was flagged. The rise was as sharp as the fall. In fact, the bounce-back was so sharp that Thailand ended 2003 with a massive 23.17% increase in total arrivals from Hong Kong SAR, to 657,458<sup>1</sup> (see Charts 2 and 3 below).

Chart 2: Percentage Change (Year-on-Year) by Month, IVAs to Thailand 2003

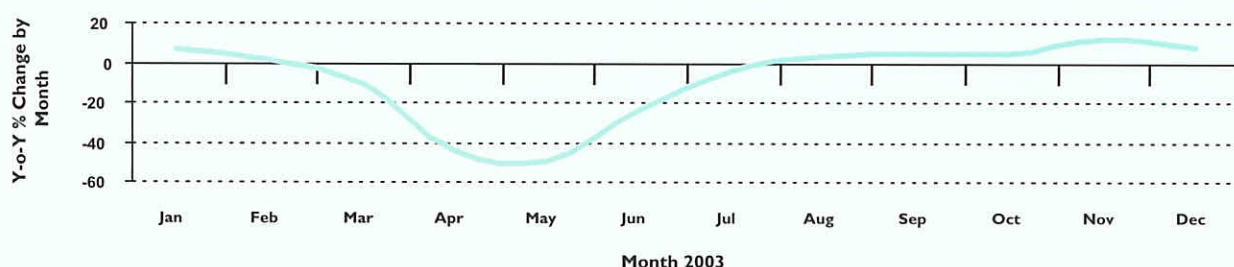
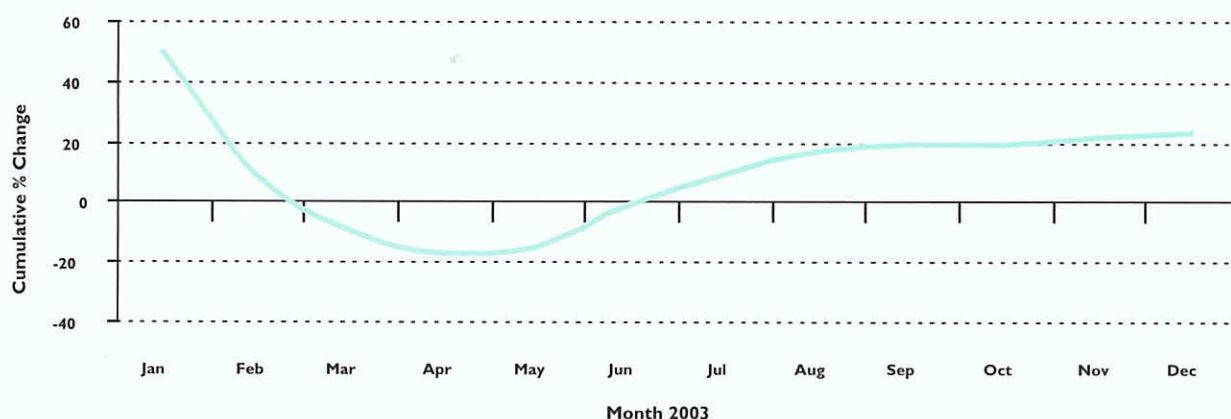


Chart 3: Cumulative Percentage Change (Year-on-Year), Arrivals From Hong Kong to Thailand, 2003



**Intra-regional surges.** PATA has for several years been tracking the growing shift towards more intra-regional tourism within Asia Pacific. This became stronger in 2003. Arrivals from Europe, North America and Oceania plunged across the board, with the sole exception being Russia. But new markets emerged, as can be seen in the following table:

Table 1: Arrivals to Thailand from some key productive markets

By country of residence	2003	% change over 2002
Bangladesh	57,788	+ 40.05
Vietnam	135,543	+ 37.67
Russia	90,722	+ 31.44
Brunei	17,694	+ 24.77
Sri Lanka	38,354	+ 18.02
Lao PDR	104,576	+ 11.08

**Inelastic business travel.** Postponing a vacation may be possible, but postponing business travel is more difficult. Total arrivals for business in 2003 were up 3.46% to 853,494. Countries showing major increases are listed in Table 2.

Table 2: Business travellers to Thailand

By country of residence	2003	% change over 2002
Malaysia	86,084	+ 27.23
Vietnam	13,841	+ 21.44
Korea (ROK)	41,064	+ 13.97
UAE	3,714	+ 11.40
India	29,446	+ 10.21
Philippines	18,689	+ 10.05
Germany	27,445	+ 8.40
France	19,691	+ 7.30
Japan	122,644	+ 4.69

<sup>1</sup> Note: Arrivals as measured by country of Residence NOT Nationality



**Table 10: Top spenders (per person per day)**

Country	Per person per day	
	THB	US\$
Saudi Arabia	5,338.64	128.67
Brunei	4,841.16	116.68
Hong Kong SAR	4,630.93	111.62
UAE	4,568.01	110.10
Korea (ROK)	4,559.50	109.89
Indonesia	4,338.88	104.58
Chinese Taipei	4,300.57	103.65
India	4,279.17	103.14
Egypt	4,269.90	102.91
Myanmar	4,269.48	102.90
Kuwait	4,268.39	102.88
Bangladesh	4,252.95	102.51
Sri Lanka	4,247.33	102.37
Singapore	4,187.52	100.93
Japan	4,186.30	100.90
Cambodia	3,994.75	96.28
Philippines	3,970.84	95.71
Malaysia	3,897.74	93.94
USA	3,829.54	92.30
Vietnam	3,785.27	91.23

### DON'T FORGET THE LOCALS

Another lesson learned from tracking Thai visitor arrivals figures through 2003 was that local domestic traffic became more important in-as-much as it helped keep the tourism industry open and functioning. Meanwhile, inbound arrivals and outbound departures (and their corresponding economic contributions) both fell in relative terms through 2003<sup>2</sup>. As seen from Charts 4 to 6 (back page), Thai domestic travel remained quite bullish during a difficult period for international travel.

Growing evidence from other Southeast Asian nations suggests that domestic travellers may be better economic contributors than once thought. Some operators were amazed at finding that many spent more than their international counterparts, but this varies from product to product and region to region. Either way, domestic travellers may well be worth a re-think, at least in the larger picture of total tourism. In Chiang Mai, domestic travellers spend almost the same as international visitors (18.9 million baht versus 19.4 million baht). During 2003, the value of the domestic spend in Chiang Mai increased 15% while international revenues decreased -8%.

**Table 11: Lowest spenders (per person per day)**

Country	Per person per day	
	THB	US\$
Sweden	2,945.56	70.99
Germany	3,055.82	73.65
Argentina	3,110.62	74.97
France	3,111.99	75.01
Belgium	3,123.98	75.29
Austria	3,133.21	75.52
Denmark	3,193.72	76.98
Lao PDR	3,226.53	77.77
Norway	3,255.33	78.46
Finland	3,265.95	78.72
Spain	3,269.20	78.79
Canada	3,316.17	79.93
Israel	3,332.00	80.31
Switzerland	3,389.65	81.70
United Kingdom	3,417.91	82.38
Nepal	3,452.01	83.20
Russia	3,473.35	83.72
Brazil	3,481.20	83.90
Italy	3,492.96	84.19
Australia	3,554.30	85.67

### EFFECTIVE MEASURES

If the above analysis yielded some interesting statistics, it is because Thailand makes good use of the valuable data generated by its Immigration E/D (Embarkation/Disembarkation) cards. Well compiled and analysed, the data can be used to track visitor arrivals, measure the effectiveness of marketing plans and fine tune them accordingly.

At a time when marketing costs are skyrocketing, customer profiles are fragmenting, demographics are changing and new travellers are emerging, getting more 'bang-for-the-buck' is becoming more important than ever. And that means keeping good, timely and accurate data on who is coming to a country, from where, when and how.

The science of keeping, managing and analysing statistics is now known as 'data-mining'. But as any miner of data or any other resource knows well, a lot of mud has to be sifted through before finding that valuable nugget. Asia Pacific destinations need to work harder at upgrading the quality of their arrivals data. Better research and data analysis can help them conduct precisely targeted marketing campaigns and save them millions of dollars in precious foreign exchange. And this is particularly important during a crisis, a time when fast and effective promotions are critical.

<sup>2</sup> Based on an Index of Arrivals and Spend with 1997 being the base year and equal to 100

older people emerging in the developed economies of East Asia. That they continue to arrive during a "crisis" year possibly reflects their more realistic sense of perspective.

**Table 7: Retirees travelling to Thailand**

By country of residence	2003	% change over 2002
United Kingdom	34,785	+4.61
Malaysia	20,230	+61.59
Hong Kong	12,197	+50.14
Australia	12,000	-22.37
Germany	11,840	+15.90
Singapore	11,096	+18.75
Japan	9,847	+48.88
China(PRC)	8,155	+6.84
Sweden	6,004	+9.70
Chinese Taipei	4,296	+31.02
Korea (ROK)	3,470	+102.45
Switzerland	3,323	+8.84

**Youngsters stay put.** On an annualised basis, travel by young people to Thailand last year was severely and negatively affected (Table 8).

**Table 8: Visitors to Thailand aged 15-24**

By country of residence	Age 15-24	% change over 2002
East Asia	483,175	-18.10
Europe	215,577	-16.16
The Americas	49,496	-16.15
South Asia	37,215	-7.97
Oceania	36,426	-28.54
Middle East	27,886	-33.55
Africa	5,351	-31.29
<b>Grand Total</b>	<b>855,126</b>	<b>-18.35</b>

### VALUING VISITS

The rush to track visitors, however, often tends to obscure a far more important statistic: foreign exchange earnings. And here is some cause for concern. Although Thailand's earnings in the local currency, the baht, have been rising since 1993, earnings in foreign exchange have not recovered even to 1996 levels. This means that while the country is paying its loans, import bills, management fees and marketing costs in precious foreign

exchange, the falling value of the home currency keeps tourism earnings in foreign exchange perpetually low.

Hence, the phrase 'value for money' can be deceptive. Visitors from strong-currency countries are getting better products more cheaply, even as the host countries pay ever increasing amounts to deliver them. This is not sustainable over the long-term.

**Table 9: Revenue from tourism**

Year	Receipts	
	THB	US\$
1993	127,802	5,014
US\$1 = THB 25.49	+ 3.79 %	+ 3.83 %
1994	145,211	5,762
US\$1 = THB 25.20	+ 13.62 %	+ 14.93 %
1995	190,765	7,664
US\$1 = THB 24.89	+ 31.37 %	+ 33.01 %
1996	219,364	8,664
US\$1 = THB 25.32	+ 14.99 %	+ 13.04 %
1997	220,754	7,048
US\$1 = THB 31.32	+ 0.63 %	- 18.64 %
1998	242,177	5,934
US\$1 = THB 40.81	+ 9.70 %	- 15.81 %
1999	253,018	6,695
US\$1 = THB 37.79	+ 4.48 %	+ 12.83 %
2000	285,272	7,112
US\$1 = THB 40.11	+ 12.75 %	+ 6.23 %
2001	299,047	6,731
US\$1 = THB 44.33	+ 4.83 %	- 5.36 %
2002	323,484	7,530
US\$1 = THB 42.96	+ 8.17 %	+ 11.87 %
2003	309,269	7,454
US\$1 = THB 41.49	- 4.39 %	- 1.01 %

If a 'quality' tourist is defined as a high-spending tourist, expenditure figures contain a few surprises. Europeans, Americans and Australians tend to be lower spenders (on a per diem basis), possibly because of their strong currencies, while Arabs and Asians figure much more prominently as big spenders.



**Government manoeuvring.** Another growth sector in times of crisis is travel by government officials, invariably to attend the many crisis meetings that take place. Thailand is also the Asian headquarters of the United Nations, which generates huge income for the country. The total number of government official arrivals rose 9% in 2003 to 44,128. Among the key generators of traffic were the neighbouring countries of ASEAN and the Greater Mekong Subregion (Table 3).

**Table 3: Government officials visiting Thailand on official trips**

By country of residence	2003	% change over 2002
Vietnam	2,477	+91.87
Cambodia	2,984	+89.46
Korea (ROK)	4,770	+58.47
Malaysia	5,768	+51.35
Hong Kong SAR	4,817	+28.21
China (PRC)	2,207	+25.04
Lao PDR	14,246	+12.21
Indonesia	1,687	+9.19
Germany	2,107	+9.06

**First-time fears.** In times of crisis, it is often the first-time visitors who tend to stay at home. This proved to be a reality for Thailand in 2003; first-time visitors to Thailand totalled 4,469,319, a historic fall of -18.60%. Key source markets Japan, China (PRC) and Australia reported major declines in first-timers, as follows:

**Table 4: First-time visitors to Thailand**

By country of residence	2003	% change over 2002
Spain	16,092	- 47.58
Israel	27,701	- 45.31
Australia	99,887	- 32.86
Japan	414,474	- 29.65
Chinese Taipei	356,376	- 28.14
France	92,375	- 25.15
Switzerland	30,702	- 23.84
China (PRC)	482,178	- 22.23
USA	158,116	- 19.49

**Groups stay away.** As first-time visitors often travel in groups, it was not surprising to see a corresponding -19.51% decline in group tourists to 3,969,182. Table 5 lists some of the contributions in group travellers by country of residence.

**Table 5: Visitors to Thailand travelling as part of a group tour**

By country of residence	2003	% change over 2002
Israel	10,023	- 57.81
Spain	9,619	- 55.64
Egypt	823	- 53.40
Italy	21,335	- 51.84
Australia	36,118	- 41.07
New Zealand	7,542	- 38.02
Switzerland	17,062	- 33.73
France	59,727	- 33.05
South Africa	6,736	- 32.13
Japan	415,445	- 31.03
USA	78,641	- 29.78
U.A.E.	8,685	- 29.19
Chinese Taipei	345,833	- 28.07
China (PRC)	445,930	- 24.27
United Kingdom	88,696	- 23.47
India	75,981	- 20.15
Germany	72,814	- 19.61

**Repeaters return.** While first-timers become nervous about travelling, experienced travellers take to the road as soon as possible. Repeat visitor numbers to Thailand rose 4.27% to 5,535,134 and comprised 55% of total visitors. The list of countries reporting major increases in repeat visitors also contains a few surprises:

**Table 6: Repeat visitors to Thailand**

By country of residence	2003	% change over 2002
Bangladesh	37,233	+ 38.21
Russia	36,319	+ 33.01
Vietnam	57,290	+ 31.68
Malaysia	866,222	+ 28.22
Brunei	12,074	+ 25.89
Hong Kong SAR	340,385	+ 23.60
Indonesia	96,999	+ 23.34
Sri Lanka	23,596	+ 19.41
Philippines	86,549	+ 13.22
Cambodia	54,539	+ 12.71
Austria	30,677	+ 10.21

**Retirees keep coming.** The number of retirees travelling to Thailand was up 11.48% in 2003 to 224,029, a clear reflection of the ageing societies in Europe as well as the large numbers of

Chart 4: Index of International Arrivals and Revenues, 1997=100

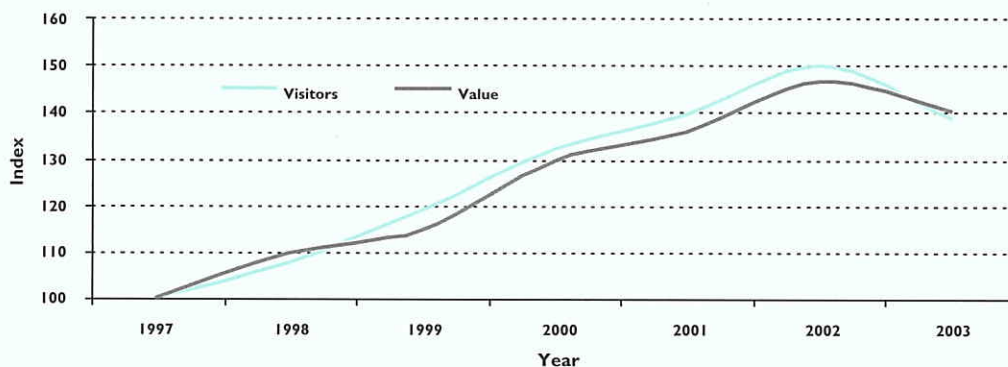


Chart 5: Index of Thai Outbound Travel, Numbers and Revenues, 1997=100

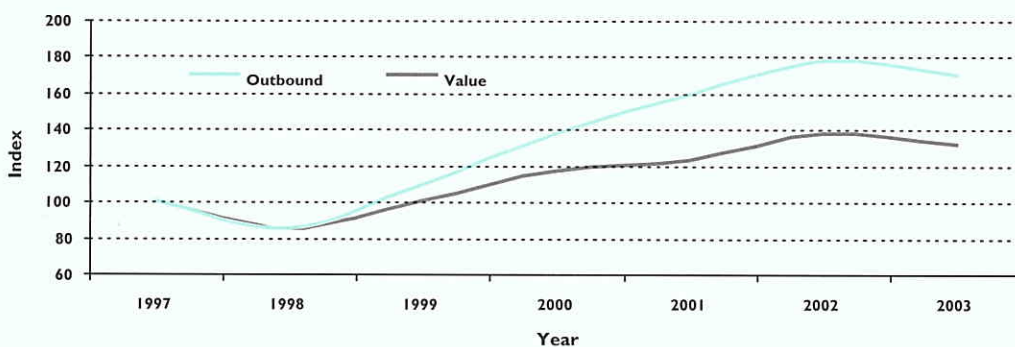
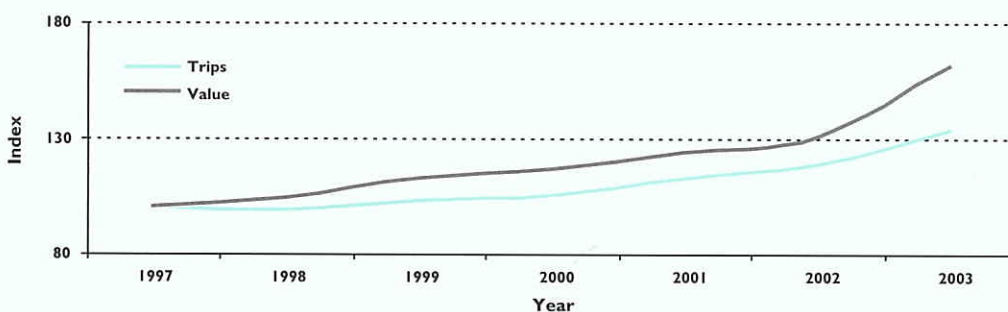


Chart 6: Index of Domestic Travel In Thailand, Trips and Revenues, 1997 = 100



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