

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Overview of the Tourism Industry in Malaysia**

Tourism has become an increasingly important industry in Malaysia. It has contributed significantly to the national economy in terms of foreign exchange, employment and economic growth. According to the Eighth Malaysia Plan, the total number of tourist arrivals is expected to reach 14.3 million in 2005. The foreign exchange earning from tourism is envisaged to increase to RM29.5 billion in 2005, from RM9.9 billion in 1995.

Realizing the great potential of the tourism industry, the Government established the Tourist Development Corporation of Malaysia (TDC) under the Ministry of Trade and Industry on August 10, 1972. The establishment of TDC manifested the seriousness of the Government in developing and promoting the tourism industry in the country. Subsequently, the growing importance of the tourism industry led to the formation of the Ministry of Culture, Arts and Tourism in 1987.

In May 1992, the Tourist Development Corporation of Malaysia Act was replaced by the Malaysia Tourism Promotion Board Act (MTPB). With this change, the Malaysia Tourism Promotion Board (MTPB), more popularly

known as “Tourism Malaysia”, was established to promote Malaysian tourism locally and abroad.

The functions of MTPB according to the Malaysia Tourism Promotion Board Act 1992 are as follows:

- To stimulate and promote tourism to and within the country;
- To stimulate, promote and market Malaysia as a tourist destination in the international and domestic arena;
- To co-ordinate all marketing and promotional activities relating to tourism conducted by any organization, government or non government agencies and;
- To recommend to the Minister as to the adoption of appropriate methods, measures and programmes to facilitate or stimulate the development and promotion of the tourism industry in Malaysia; and to implement or assist in the implementation of these recommendations.

(Source: <http://www.sibexone.com.my/tourism-malaysia/history.html>)

In line with the Board's function as a promotional organization, the objectives of MTPB are:

- To increase foreign tourist arrivals;
- To extend the average length of stay of tourists thus increasing tourism revenue;
- To stimulate the growth of domestic tourism; and
- To increase benefits from the Meeting, Incentive, Convention and Exhibition (MICE) market.

(Source: <http://www.sibexone.com.my/tourism-malaysia/history.html>)

Among the promotional activities held by Tourism Malaysia may be mentioned the Mega Sales in December 2001 and March 2002. These were the major grand sales throughout the whole country.

Investment in the tourism industry increased substantially during the last two decades. In the Mid-term Review of the Sixth Malaysia Plan (1991-1995), approved budget for the tourism industry totalled to RM5.6 billion, covering investments ranging from luxury and budget-type accommodation to recreational, cultural and entertainment services and facilities. These investments have contributed to direct hotel employment, which increased from about 67,214 workers in 1995 to 78,671 workers in 2000.

Within the framework of the overall economic development of Malaysia, tourism continues to remain an important industry to the national economy. With her wealth of natural scenic attractions, her warm and friendly people, and an amenable climate, Malaysia is poised to attract more tourists.

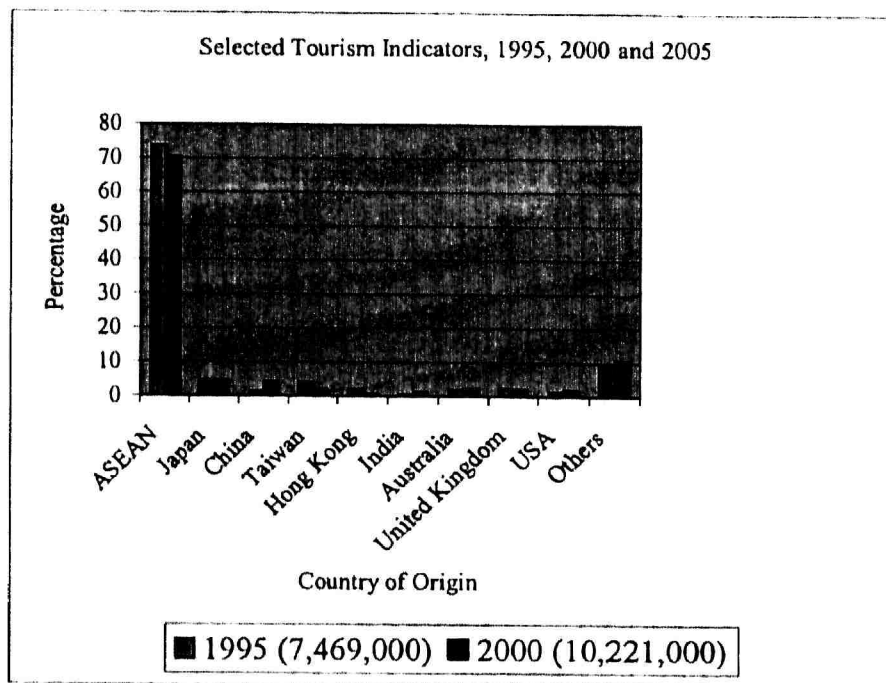
Before independence in 1957, the tourism industry flourished only in the major gateway cities and its benefits had not spread to other parts of the country. Today, many new destinations have been discovered and developed by the Government and local entrepreneurs. For example, in the early 1980's, Langkawi Island was an island developed as a shopping paradise and its beautiful beaches attracted many tourists from all over the world. Its annual event, LIMA (Langkawi International Maritime and Air-show), has attracted

not only local tourists but also foreign tourists to come to Malaysia to participate in the event. Various infrastructure projects such as the Kuala Lumpur International Airport, Westport, Tanjung Pelepas Port, express highways, and the mushrooming of hotels and convention centres have facilitated the development of the tourism industry. The extensive publicity resulting from event-based activities like the 16th Commonwealth Games (SUKOM), Sports and Recreation Year, International Golf, Formula One Grand Prix in Sepang, World Cup Hockey and other international events has made Malaysia better known to foreign tourists, stamping its mark in the world tourist destination map.

During the Seventh Malaysian Plan (1996 - 2000), tourist arrivals increased at an average rate of 6.5 per cent per annum. However, tourist arrivals declined in 1997 and 1998 mainly due to the occurrences of haze, localized outbreaks of Nipah and Cocksackie viruses as well as the Asian financial crisis. The number of tourist arrivals to Malaysia declined by about 13 percent in 1997 and 10.6 percent in 1998. However, the tourism industry responded well to the measures taken to revitalize the industry, which included increased promotional efforts targeted at markets not affected by the economic crisis such as China, India, the Middle East, Australia and Europe. As a result, the tourism industry recovered quickly as reflected by the rapid increase in the number of tourists to 7.9 million in 1999, an increase of 43.6 percent over the 1998 figure. In 2000, a record of 10.2 million tourist arrivals was achieved, surpassing the target by 3.7 million tourists. This resulted in a

sharp increase in tourism receipts amounting to RM18.7 billion in 2000 (as shown in Figure 1.1). The major tourist revenue generating market was from the ASEAN region, particularly Singapore and Thailand as well as China, Japan, Australia and United Kingdom (see Table 1.1).

**Figure 1.1: Percentage distribution of tourist arrivals 1995 and 2000**



In terms of the tourist expenditure pattern, accommodation has remained the biggest source of revenue, increasing from 32.0 percent in 1995 to 32.8 percent in 2000. In line with efforts to promote Malaysia as a shopping paradise, shopping expenditure represents the second largest source of revenue from tourism, increasing from 21.0 percent to 23.1 percent during the same period. With the continuous improvement in tourism products and services, marketing and promotion, infrastructure as well as an institutional

and regulatory framework, Malaysia is well placed to reap the gains in tourism industry (Eighth Malaysia Plan).

**Table 1.1: Tourist Receipts by Country of Origin of the Tourists, 1995 and 2000 (RM million)**

Country	1995	2000
ASEAN	5,456.1	9,582.0
Japan	682.0	1,029.5
Taiwan	630.7	469.0
United Kingdom	323.0	646.4
China	171.9	1,226.4
Australia	251.7	644.1
Hong Kong	280.1	164.5
Others	1,379.4	3,573.5
Total	9,174.9	17,335.4

Source: Eighth Malaysia Plan

During the Eighth Malaysia Plan period (2001-2005), efforts to promote the tourism industry will be intensified for it to play an even greater role in stimulating the growth of the economy. Tourist arrivals are expected to grow at an average rate of 6.9 percent per annum to reach 14.3 million by 2005. Tourism receipts are targeted to grow at an average annual rate of 9.5 percent to reach RM 29.5 billion in 2005.

The overall policy in the Eighth Malaysia Plan is to thrust the tourism sector to achieve sustainable growth in order to realize the full potential of employment and income generation at the national, state and local levels. Towards this end, tourism development will be prioritized and focused to achieve the optimal impact of the resources allocated. The strategies for

achieving these goals as stated in the Eighth Malaysia Plan (2001-2005) are as follow:

- 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
- Facilitating and increasing accessibility
- Ensuring the comfort, safety and security of tourists; and
- Forging strategic alliances and enhancing international cooperation

Malaysia has seized the opportunity and the advantages she has in developing the tourism industry. Today, the tourism industry has overtaken traditional industries like agriculture and forestry in contributing towards the GDP.

In recent years, the growth of the tourism has been hampered by external factors such as the haze and economic slowdown in the region. However, the potential of this industry is yet to be fully realized since Malaysia is well endowed with natural resources and scenic spots. Tourism development is being emphasized as one of the strategies of the National Economic Recovery Plan to boost the national economy.

The economic slowdown and the attendant falling value of the Ringgit make Malaysia an inexpensive destination for foreign tourists. The number of foreign tourists visiting Malaysia has increased from year to year. In 1999, a total of 6 million foreign tourists had visited Malaysia and the number had increased to 6.5 million in 2000 (Immigration Department of Malaysia, K.L., 2000). Between 1998 and 1999, the revenue from tourism increased by 42.9% to RM13.452 billion.

The rapid economic development in the early 1990's boosted the development of the tourism industry. Accommodations and tourist destination areas have witnessed tremendous developments. With growing affluence, more and more Malaysians are desirous of visiting places. However, the existing tourist spots are competing to attract tourists. Thus, in the formulation and creation of tourist structure for the country, organized planning, regulations and control measures and effective guidelines become necessary.

Expenditures of domestic tourists contribute substantially to Gross Domestic Product. While the domestic tourists will not add as high a dollar value to the national economy as compared to foreign tourists, they do improve the balance of payment, by stemming the currency outflow from the country. Moreover, tourists' expenditures are an important source of income of local tour operators.



Domestic travel in Malaysia will continue to grow because of the continuing improvement in the standard of living. With increasing affluence, more and more Malaysians will be visiting places within the country with their families during school holidays, festive seasons and longer weekends to seek leisure with their family. Furthermore, modern technology has opened up new frontier to the marketing of the tourism products. For example, the internet has provided easy access to the information regarding tourist destinations, hotels, transportation etc.

The financial crisis that started in 1997 has created new opportunities in this industry. It has affected the way Malaysians travel. Consequent upon the economic downturn, fewer Malaysians are now spending their holidays overseas. On the other hand, more and more Malaysians are opting to spend their holidays within the country.

In promoting domestic tourism, several major activities were held since 1998, and these include “Know Malaysia My Destination” (through advertisement, especially electronic media), tourism expositions, event promotion and sponsorships, and other special interests and events. Such promotion also involves information dissemination through updating Malaysia's homepages on the internet from time to time, producing videos of special interest, and updating tourism collateral, including trade brochures, souvenirs, etc.

Given the potentials of domestic tourism, concerted efforts should be made by the relevant authorities and those involved in the tourism industry to cater to the needs of domestic tourists. Research in this field is vital in providing the necessary inputs for the formulation of policy and programmes to develop the industry.

## **1.2 Research Objectives**

This study is aimed at examining the characteristics of the domestic tourists, the pattern of domestic travel among the various sub-group of the population, the purpose of visits and the popular destinations. Specifically, this research will:

- (a) analyze the patterns of domestic tourism from August 1997 to July 1998
- (b) examine the popular destinations among domestic tourists
- (c) analyze the travel patterns and characteristics of domestic tourists of different socio-economic groups
- (d) put forth some recommendations to improve domestic tourism.

## **1.3 Literature Review**

There is a dearth of research on the tourism industry in Malaysia. Among the earlier research on Malaysian tourism may be mentioned a qualitative study using Focus Group Discussion technique conducted by Research and Marketing Analysis Sendirian Berhad, on the behalf of Tourist Development Corporation (Malaysia Tourism Development Plan, 1975). This was followed by a testing of four print advertisements and a storyboard for

television (Malaysia Tourism Development Plan, 1975). The respondents selected for this study were students and their families. The study shows that the peak period for vacation is November through December, which coincides with school holidays, festivals and other public holidays.

In 1988, the Mara Institute of Technology (ITM) conducted a survey on the characteristics of domestic tourists, focusing on travel patterns and the duration, the purpose of visit and destinations, the types of transportation, travel companion and main activities of the visit (ITM, 1988).

In 1995, Khor (1996) carried out an evaluation of the promotion strategies of MTPB through informal interviews with TDC's officers and the use of secondary data. In the same year, MTPB conducted a study on 303 households in the Klang Valley. That study provided the general framework for a larger survey research in 1997/98 (MTPB, 1996).

In 1997, MTPB commissioned the Bureau of Consultancy, Universiti Kebangsaan Malaysia to carry out the Domestic Tourism Study. The respondents selected for this study were the residents in Malaysian major towns with a monthly household income exceeding RM750. The survey covering a total of 4,236 households was conducted between August 1997 and July 1998. The main purpose of the survey was to provide some insights on the travel patterns and characteristics of domestic tourists. The survey elicited information on place visited, average length of stay, purpose of visit,

type of accommodation, travel arrangements and expenditure patterns. Simultaneously, a study on outbound travel in Malaysia was also carried out based on the 4,236 selected households.

#### **1.4 The Future of Tourism Industry**

Malaysia has been and is still experiencing rapid social and economic changes and such changes have affected the lives of all Malaysians. Significant technological changes and easy accessibility of information on tourist destinations would have profound impact on an individual's perspectives towards travelling. People can travel or communicate from one end of the world to another end within a short period of time.

The travel pattern will be affected by the world economy. Countries that are affected by the economic crisis tend to see an increase in the number of the foreign tourists on account of the weakening of the currencies, which makes them attractive to foreign tourists to spend their holidays. However, the number travelling abroad from these countries will be reduced because of the relatively high cost and travel restrictions.

The domestic tourism industry in Malaysia is affected by the competition posed by neighbouring countries such as Singapore, Thailand and Indonesia. According to the survey on the outbound travel between August 1997 and July 1998, majority of outbound travels was to Singapore, Thailand and

Indonesia. This may be explained by the fact that travelling to the neighbouring countries is relatively cheap since the economic downturn in certain parts of Asia. In view of the competition posed by our ASEAN neighbours, it is necessary for Malaysia to continue to promote the tourism industry since it contributes an important source of revenue.

Changes in demographic and social structures, the increasing affluence along with the dwindling family size means that more people will have the means to travel. The number of young adults and retirees going for travelling will also be increasing. The retirees tend to seek recreation activities focusing on health, culture and education whilst the young adults tend to seek more exciting and adventurous activities. As for the middle-aged group, the demand for travel depends more on the travel products. This group has more time constraints associated with careers and family commitments. Therefore, in planning for leisure time, many will rely on reliable information and efficient services (Universiti Kebangsaan Malaysia, 1999).

## **1.5 Organisation of this Report**

This report will be divided into five chapters. The data source and methodology will be discussed in Chapter Two. Chapter Three examines the patterns of domestic tourism such as percentage that have gone on domestic tours by month, the frequency of domestic tours by month. The favourite

destinations by month will be discussed in Chapter Four. Chapter Five concludes the report with some recommendations.