

Chapter 3

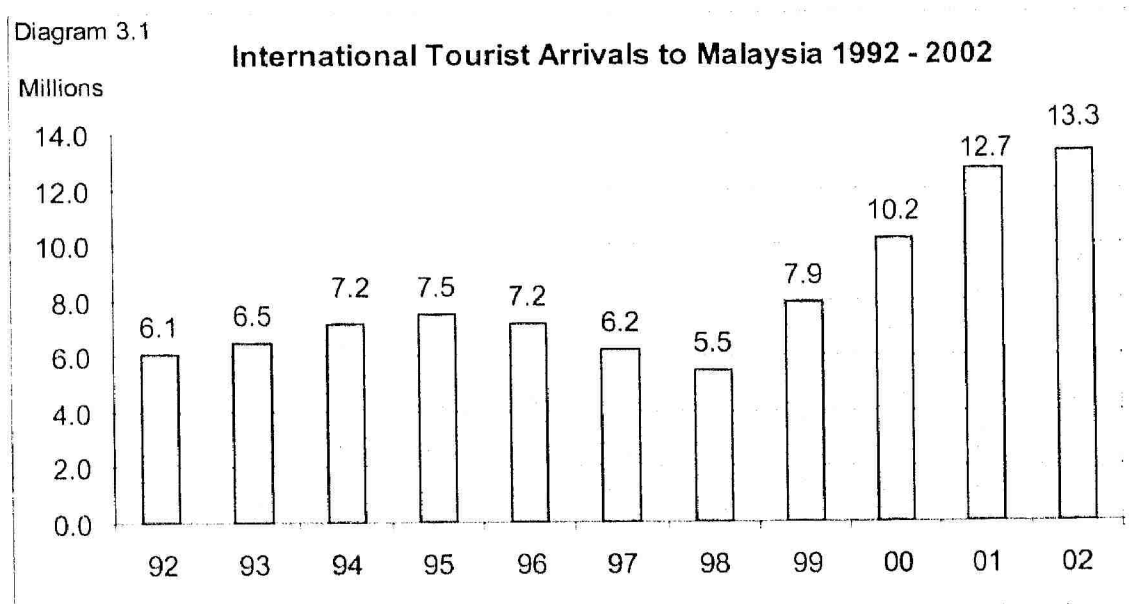
Analysis of Major Tourist Markets for Malaysia

3.1 Overview

Chapter 3 focuses on demand side analysis to understand the characteristics of international tourists visiting Malaysia. These characteristics include arrival data, purpose of visit, spending patterns and local qualities that attract international tourists to Malaysia. In addition, the potential of key tourist markets will be assessed. Specifically, the tourist market will be segmented using four parameters: Geographical, Socio-demographic, Psychographic and Behavioral (Weaver and Lawton, 2002,).

Chapter 3 explains that tourist arrivals to Malaysia has increased substantially, and the main arrivals are from neighboring Asian countries (Singapore, Thailand, Indonesia) where growth in per capita income over the 1990s is allowing greater number of people to travel for business and leisure. The trend of traveling abroad for business and leisure is a global phenomenon, fueled by declining costs of international travel, relaxation of international travel regulations and higher disposable income.

3.2 Inbound International Tourists



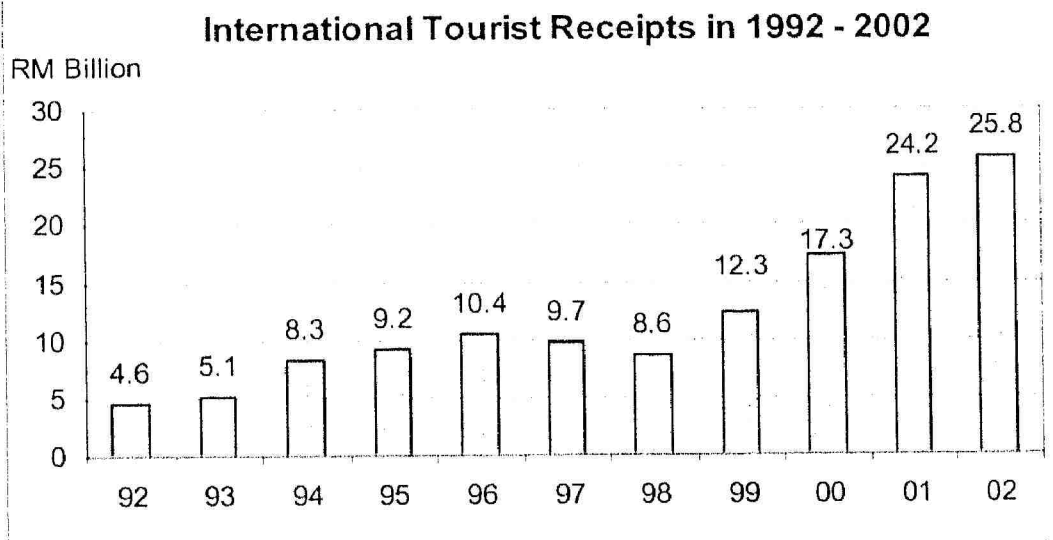
Source: Malaysian Tourist Board, Ministry of Culture, Arts and Tourism, Malaysia

The number of inbound tourists to Malaysia has risen significantly over the past 11 years from 6 million in 1992 to more than 13 million in 2002 (see Diagram 3.1). With an average of one million visitors a month for 2002, there has been substantive growth, averaging 11 percent per annum over the past 11 years, although the most significant growth occurred during the period 1999 - 2002. For the years 1999 - 2002, average annual growth in tourist arrivals was 16.9 percent. Data collected by the Malaysian Tourist Board indicates 66.1 percent of inbound tourists are repeat visits primarily from Singapore and Thailand. The only time when the growth trend was reversed temporarily was in 1997 and 1998 due to a series of mishaps, namely the coxsackie virus outbreak, cholera, the haze and the Asian financial crisis⁶.

⁶ World Travel and Tourism Council (2001), "Malaysia - The Impact of Travel & Tourism on Jobs and the Economy", London, United Kingdom, p 15

Over the same period 1992 - 2002, tourist receipts have grown from RM4.6 billion in 1992 to RM25.8 billion in 2002 (see Diagram 3.2). This is equivalent to more than RM2 billion a month for 2002. The average growth per annum in receipts is 41.9 percent per annum for the period between 1992 and 2002.

Diagram 3.2



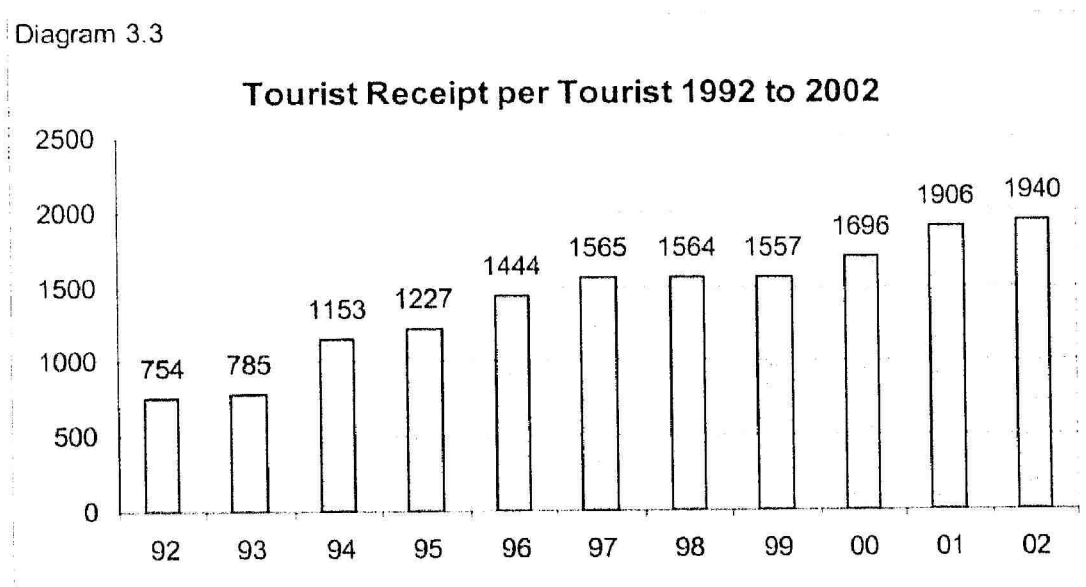
Source: Malaysian Tourist Board, Ministry of Culture, Arts and Tourism, Malaysia

The per capita tourist receipt (total spending of each tourist during the entire stay) also increased over the period from RM 753 per tourist to RM 1941 per tourist (see Diagram 3.2). The impact upon the tourism industry is therefore magnified since not only are more tourists coming to Malaysia, but each tourist is spending more in Malaysia, in nominal terms.

The average growth in per capita tourist receipt for the period is 14.3 percent. This growth is partly accounted for by higher average length of stay. The average length of stay by tourists visiting Malaysia has increased marginally from 4.8 days to 5.6 days between 1990 and 2001. It should be noted that between 1992 and 2002, certain categories of tourists

have increased their length of stay, such as those from Thailand (4.4 nights to 13.7 nights) and India (7.7 nights to 11.5 nights). The overall average does not reflect this since the bulk of international tourists are from Singapore, where length of stay has not increased by any material percentage.

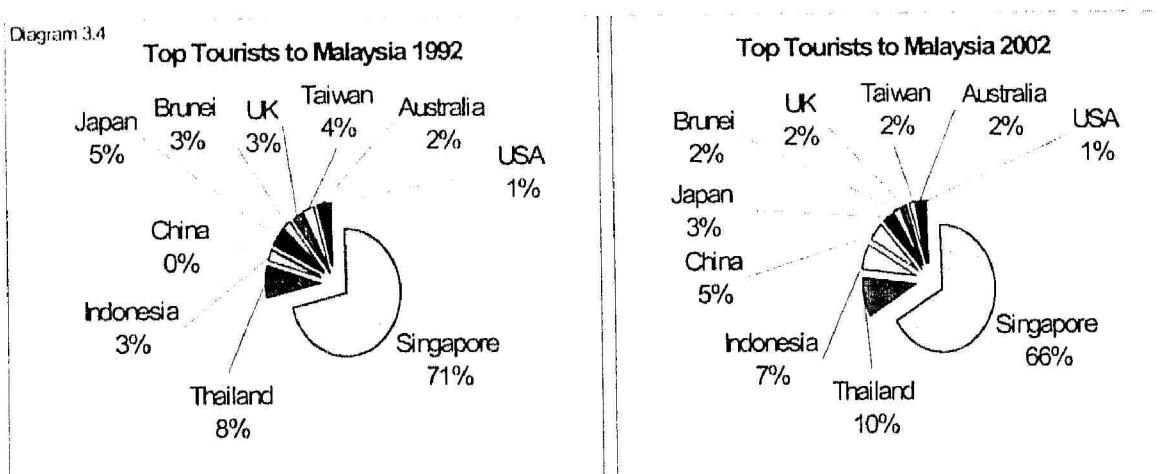
Diagram 3.3



Source: Malaysian Tourist Board, Ministry of Culture, Arts and Tourism, Malaysia

Singapore, Thailand and Indonesia have consistently been the main sources of tourists. The number of tourists from the top ten countries of origin increased from 5.3 million in 1992 to 11.4 million in 2002. This represents an average annual increase of 10.5 percent. It

Diagram 3.4



Source: Malaysian Tourist Board, Ministry of Culture, Arts and Tourism, Malaysia

should also be noted that the growth in tourist receipts overall for the same period registered an average annual growth of 41.9 percent (see Diagram 3.3), suggesting that

Malaysia is not only capturing more tourists, but even more important, is capturing a higher amount of tourist spending.

Singapore distorts the data because of its extremely large share of the top tourist traffic (see Diagram 3.4). This is an important factor from a tourism economics perspective because firstly, the Singaporeans are coming from just across the border and contribute significantly to various retail businesses in Malaysia; and second the impact of a change in the number of tourists from Singapore would have a significant impact upon the general analysis of tourism growth and prospects.

It is interesting to note that Indonesia has registered strong growth in tourists to Malaysia (rising from 153,737 in 1992 to 769,128 in 2002). The growth in demand from Indonesian tourists reflects the increased capacity for travel, despite the general economic malaise suffered by the country for the past few years, particularly since the Asian financial crisis of 1997.

The most striking trend is that of tourist from China. Since China has begun the process of economic liberalization, and relaxed its rulings on travel into and out of China, the data provides strong evidence supporting the predictions that China will be a huge market for the global tourism industry.

The trend for tourists from Europe, Japan and USA has not changed very significantly even though each sector has registered growth in absolute terms. It would appear that the

Visit Malaysia Year promotions has had greater impact within the Asian region, as travelers are attracted by special events and lower priced packages.

Diagram 3.5 (a)

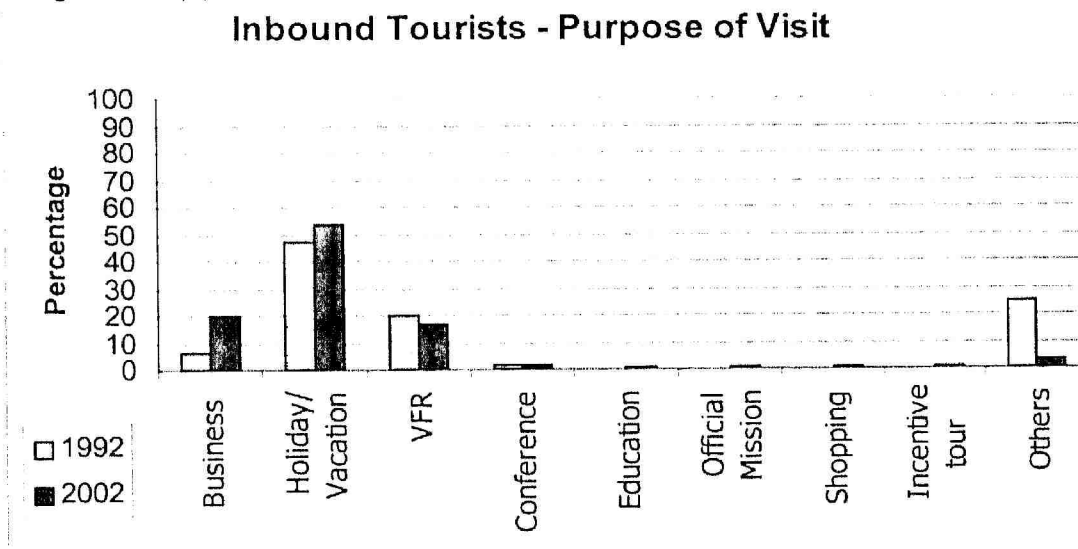
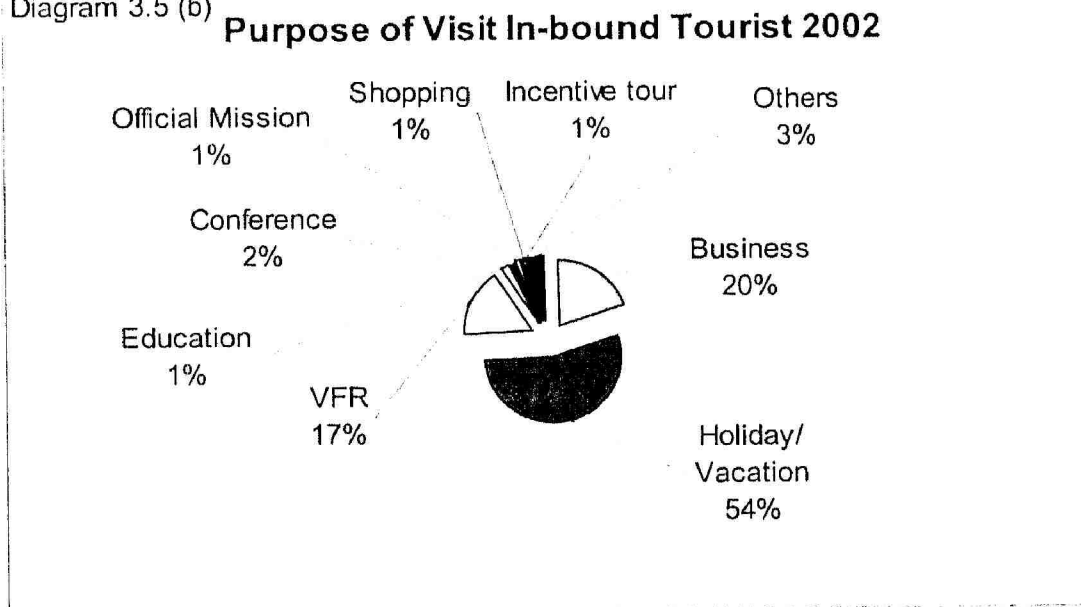


Diagram 3.5 (b)

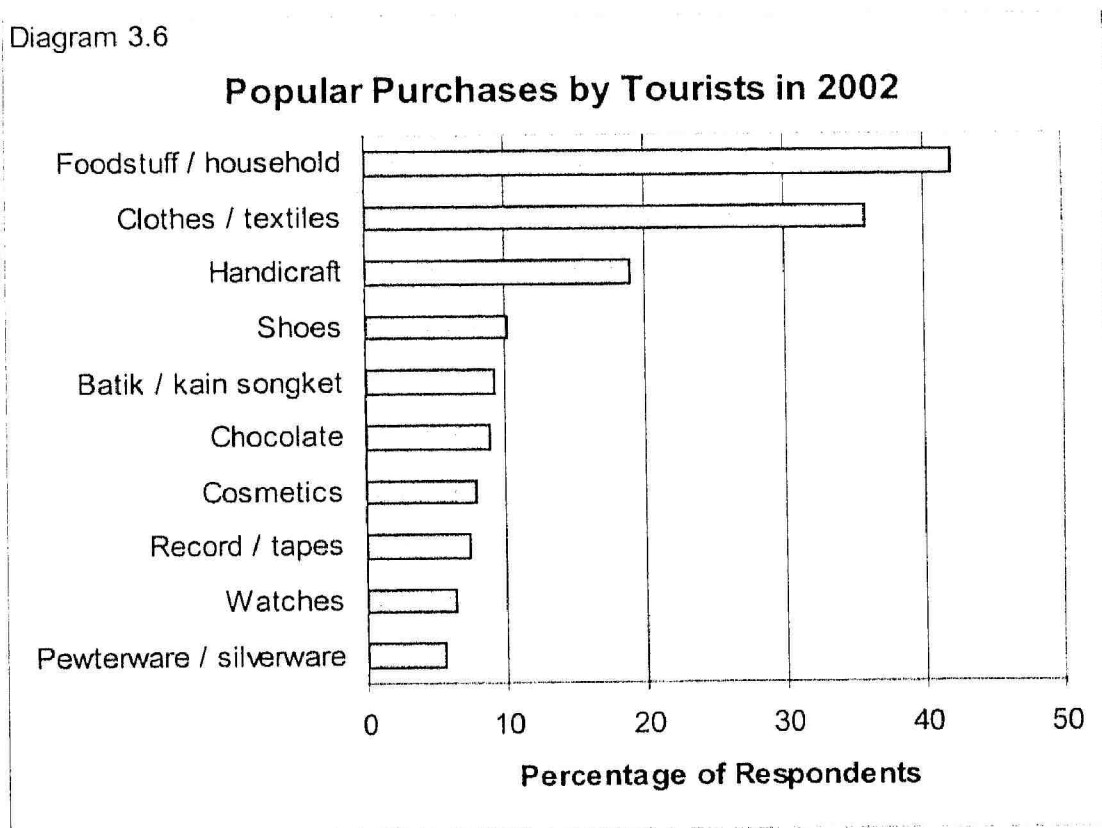


Source: Malaysian Tourist Board, Ministry of Culture, Arts and Tourism, Malaysia

Since 1992, the Malaysian Tourism Board has expanded its list of indicators of 'Purpose of Visit', and consequently comparison between the data of 1992 and 2002 has to be done with care (Diagram 3.5). Holiday / Vacation is the main purpose for in-bound tourists.

Business and VFR (Visit Friends and Relatives) account for almost the rest of in-bound tourist. Several new sub-categories, such as education, official mission and shopping were generally classed as Others in 1992. Interesting trends include a significant increase in Business travelers to Malaysia. These trends are worth noting since business and conference visitors generally spend more money than visitors on holiday. For instance, the data collected in relation to the Sydney 2000 Olympics revealed that business travelers spent about nine times more than leisure travelers (Weaver & Lawton, 2000). The growth of Business travelers contributes significantly to 4-star and 5-star accommodation facilities.

Diagram 3.6



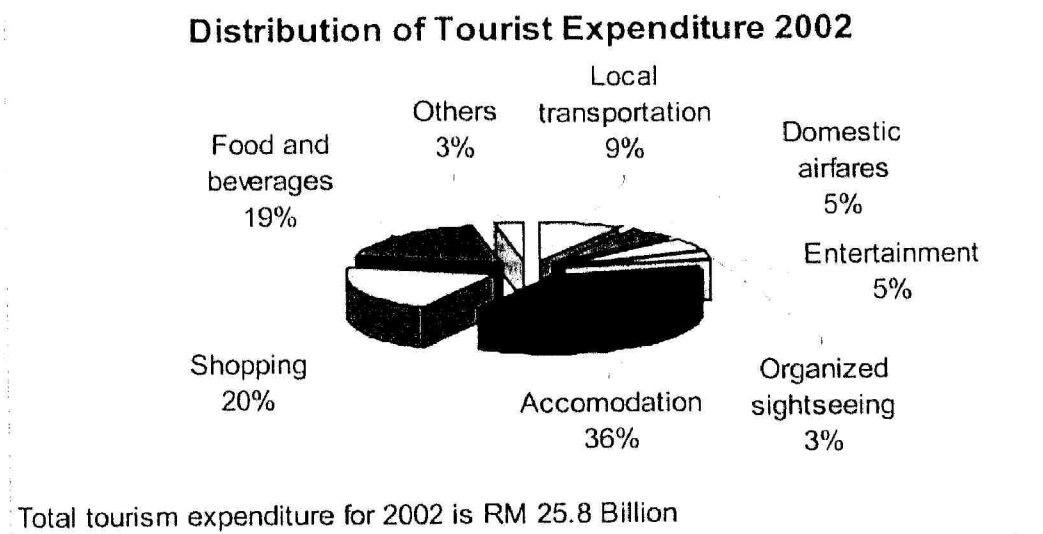
Source: Malaysian Tourist Board, Ministry of Culture, Arts and Tourism, Malaysia

The data on popular items purchased by inbound tourists in 2002 reflect contributions to the domestic economy (see Diagram 3.6). The main beneficiaries are the retail sector for foodstuff, followed by the textiles industry. The handicraft and pewter industries are local

industries that benefit from international tourist arrivals. The value chain for the retail sector includes direct economic activities such as employment of sales staff, management staff, transport services, storage facilities, import agents, rental of retail outlet space and advertising. Indirect activities of the retail sector include construction, supply of cement and building materials, employment of manual labor and a wide range of financing, legal, accounting and administration services.

3.3 Spending by International Inbound Tourists?

Diagram 3.7



Source: Malaysian Tourist Board, Ministry of Culture, arts and Tourism, Malaysia

The largest component of international tourist expenditure within the country is accommodation followed by shopping and food. These three components accounted for 75 percent of tourist expenditure in 2002. This distribution has been reasonably constant based on the data going back to 1992. Consequently the main areas to focus on in terms of economic impact would be the hotel sector, food and beverages sector and retail shopping sector.

Based on data pertaining to Occupational Group and Age Group for 2001 from the MTB (see Diagram 3.8), certain general conclusions can be drawn about inbound tourist to Malaysia. The average international inbound tourists are working professionals, in their 30s and generally without children, with the exception of Singapore and Indonesia, where frequently the visitors come as a family. The gender data for 2001 indicates 70 percent of inbound tourist to be male. It can be inferred that the Holiday / Vacation group that comprises more than half of inbound tourist are young couples or single males. The data suggests that Malaysia is not yet seen as a popular destination for family holidays. Tourist spots like Australia, Europe and USA have many attractions for family vacations, such as theme parks. Malaysia needs to develop such attractions in order to cater for family vacations (Chon, K.S. 'Tourism in South East Asia, 2000).

Diagram 3.8 (a)

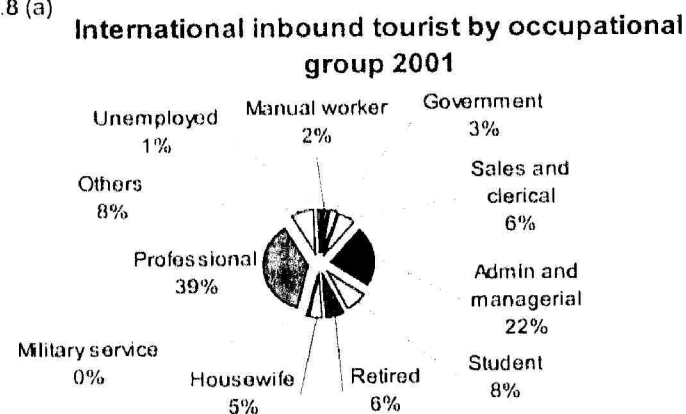
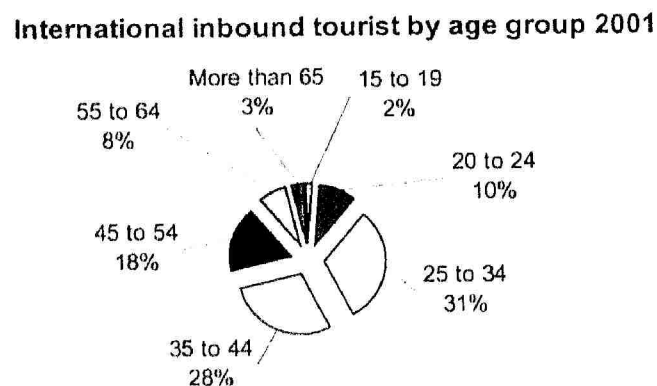


Diagram 3.8 (b)



Source: Malaysian Tourist Board, Ministry of Culture, Arts and Tourism, Malaysia

3.4 Major International Tourist Markets

Tourism market is defined as the source of inbound tourist. Based on the earlier discussions, the main international tourist markets for Malaysia are Singapore, Thailand, Indonesia, China and Japan. The next cluster of tourist markets includes Australia, Brunei, Taiwan, UK and USA. Emerging markets include the Middle-East, India and South Africa.

In this part of the paper, each tourist market will be briefly discussed according to four segmentation parameters, namely Geographical, Socio-demographic, Psychographic and Behavioral⁷. **Geographical** segmentation refers to place of origin. Country is one example, but others include regional segmentation such as South East Asia, Europe, the Americas, West Asia, the African continent and so forth. **Socio-demographic** segmentation includes variables such as gender, age, family lifecycle, education, occupation and income. **Psychographic** segmentation refers to an individual's personal preferences or interests. Examples include appetite for adventure, risk, racial integration, ethnic integration, religious integration, comfort and so forth. Psychographic factors often act the primary motivator for choosing one destination, as opposed to another. **Behavioral** segmentation refers to actions taken during the tourism experience, such as travel occasion, length of stay, activities and repeat patronage.

Data for the analysis in this section of the paper is drawn from the Malaysian Tourism Board's publication entitled 'Profile of Tourists by Selected Markets 2001'.

⁷ Weaver, David; and Lawton, Laura. (2nd Ed) (2002), "Tourism Management", Wiley Australian Tourism Series, Chap. 6

3.4.1 The Singapore Market

Since the mid-80s, when Malaysia initially identified tourism as an important industry for economic growth, Singapore has been the largest source of tourists. The average Singaporean spent RM 1673 per capita and spends an average of 2.7 days in Malaysia in 2002. The average length of stay has increased slightly over the years as resort attractions in Melaka, Langkawi and Genting Highlands have made it worth spending an extra night. Based on 2002 statistics, approximately 33 percent of Singaporeans come on vacation, 35 percent on business and 25 percent to visit friends & relatives. The main expenditure items were accommodation (28.7 %), food (25 %) and shopping (22 %).

With a per capita income of over US \$ 23,000, Singaporeans enjoy a very high standard of living, and find Malaysia a relatively cheap place to visit. The figure of almost 7 million arrivals from Singapore (population 3.5 million) for 2001 indicates that many Singaporeans visit Malaysia more than once in a year. 47 percent travel alone, and 35 percent with family or friends, while 10 percent come with their spouses. Shopping is the main activity, followed by visiting beaches. Almost all visit one of three states in Malaysia, namely Penang, Kuala Lumpur and Johor. Visits outside the main urban zones are very minimal. Main shopping items are clothing and foodstuff.

a) Geographical Segmentation

The availability of direct road and rail linkages between Malaysia and Singapore makes it very convenient, cheap and safe for Singaporeans to visit Malaysia. There are also more than 200 flights per week between Singapore's Changi Airport, and Malaysia's KLIA⁸. Any other destination would entail longer preparation time, air travel and substantially

⁸ Malaysian Airlines Online Flight Schedule (<http://malaysia-airlines.com>)

higher travel costs. From a geographical segmentation perspective, Malaysia enjoys a strong advantage relative to other neighboring countries in attracting Singaporeans to visit Malaysia.

b) Socio-demographic Segmentation

The average Singaporean visiting Malaysia is a family person, aged between 30 and 45 and a middle-income professional. The spending pattern suggests the tourist on vacation is looking for a reasonably cheap holiday, a change of scenery and an opportunity to relax. Such a tourist is not likely to spend time at 'tourist attractions' such as museums, heritage sites or areas of special interest. Beach resorts, casino attractions and family oriented sites will be the main focus. The per capita income in Singapore dollars has increased by 88 percent between 1990 and 2000, (Sg 22,389 to Sg 42,188). This clearly suggests that Singaporeans have the financial means to travel and have holidays abroad. And over the years, Singaporeans have increased their spending, with the per Diem rising from RM 133 in 1992, to RM 450 in 2001, a growth of more than 20 percent per annum.

c) Psycho graphic Segmentation

Singaporeans cite shopping, sightseeing and visiting beaches as the main activities of interest. Combine this information with the proximity of Singapore, and we could reasonably infer that Singaporeans are very much an extended part of domestic tourism. The similarities between Singaporeans and Malaysian tourist traveling in Malaysia are striking.

d) Behavioral Segmentation

Singaporeans could be described as Malaysian tourists, with more money to spend. The deciding factor is 'value for money' with respect to tangible factors, like accommodation, food and shopping. This differs from the conventional foreign tourist where the value proposition includes memorable experiences, safety, diversity in places to visit and efficiency of the tour agents. In terms of timing, the school holidays are peak periods for Singaporeans visiting Malaysia.

3.4.2 The Indonesian Market

The Indonesian market has been growing steadily over the 1990s as the middle-income group gradually expands in size. Per capita income in Indonesia has increased by 408 percent between 1990 and 2000. Correspondingly more Indonesians are traveling abroad for holidays, with the number visiting Malaysia increasing from 153,737 in 1992 to 777,449 in 2002 (an increase of 405 percent over the 11 year period). It is likely that the number of tourists from Indonesia will continue to climb as the middle and upper income groups continue to expand.

a) Geographical Segmentation

Malaysia and Indonesia are linked by air travel, as well as shipping routes. During 2002, Malaysian Airlines and Indonesia's Garuda airline together offered more than 100 flights per week between Kuala Lumpur and major airports in Indonesia, namely Jakarta, Surabaya and Denpasar⁹. Given that Indonesian is an archipelago of several thousands of islands, air travel is not avoidable. Malaysia, Singapore and Australia are the closest

⁹ Malaysian Airlines Online Flight Schedule (<http://malaysia-airlines.com>)

destinations, and Malaysia the cheapest of the three in terms of accommodation, food and shopping.

b) Socio-demographic Segmentation

The average Indonesian visiting Malaysia is a family person, aged between 30 and 45 and a middle-income professional. The spending pattern suggests the tourist on vacation is looking for a reasonably cheap holiday, opportunity to shop for personal accessories and interesting places to visit. Such a tourist would be interested in some of the 'tourist attractions' such as museums, heritage sites or areas of special interest. Beach resorts, casino attractions and family oriented sites will be the main focus for those on repeat visits. The per capita income in Indonesian rupiah has increased by 408 percent between 1990 and 2000. This clearly suggests that more Indonesians have the financial means to travel and have holidays abroad. Also, if the trend continues, the potential market size is very large since Indonesia has a population of 210 million. This can be seen in perspective by considering the fact that Malaysia has attracted seven million tourists from Singapore, which has a population of four million, because of repeat visits.

c) Psycho graphic Segmentation

Indonesian tourists share many similar traits to their Singaporean counterparts, being mainly interested in shopping and beach resorts. Average per Diem for the Indonesian tourist in 2001 was RM 128, far less than the average Singaporean tourist's per Diem of RM 450. Indonesian tourists on the whole are less likely to visit expensive hotels or dining areas. Indonesian's spent 15 percent of their budget on food, compared to 20 percent for Singaporeans.

d) Behavioral Segmentation

Malaysia is another Islamic country, a friendly and prosperous country – the type of place Indonesians would be happy to call home. 77 percent of Indonesians that visited Malaysia in 2001 were repeat visitors. This suggests that Malaysia has a competitive advantage in attracting Indonesian tourists.

3.4.3 The Thailand Market

The Thailand market has grown substantially between 1992 and 2002, by approximately 170 percent, and in terms of growth is second after Indonesia. Thailand's economic reforms and success in attracting foreign direct investment under the leadership of Prime Minister Thaksin Shinawatra indicates Thailand's per capita income may increase further, and expand the potential market of tourists to Malaysia. In 2001, 1,018,797 tourists from Thailand visited Malaysia.

a) Geographic Segmentation

Thailand is linked to Malaysia by road, rail, sea and air routes. Currently, there are more than 60 flights per week between Malaysia and Thailand, as well as regular daily services by buses and deluxe coaches. The Thailand market includes transit visitors, en route to Singapore.

b) Socio Demographic Segmentation

The average Thailand tourist is a working male, traveling alone and the median age is 35 years. Less than 10 percent of Thai tourists fall into the family category of tourists. The

main purpose for visiting Malaysia is vacation, with over 70 percent visiting Kuala Lumpur, especially Genting Highlands.

c) Psycho graphic Segmentation

More than 80 percent of Thailand tourists are repeat visitors. When coupled with the socio demographic profile, we have a pattern of young males, visiting Kuala Lumpur. The main activity is sightseeing and shopping. But the declared per Diem is very low, and has been consistently low since 1992. The per Diem for 1992 was RM 43, and for 2001 was RM 60. The biggest expense is accommodation, followed by food.

d) Behavioral Segmentation

The tourist profile of working males, traveling alone, returning often and with a low declared per diem suggests that the tourist has very specific behavior patterns. One possible hypothesis is that these tourists are gamblers at Genting casinos, and are given free or cheap accommodation. Also, the declared per diem spending is possibly much lower than the actual amount spent by the tourist. It is unlikely that such tourists would be interested in other tourist attractions, such as cultural tourism or eco-tourism.

3.4.4 The China Market

The China market is very new, and quite different from the Singapore and Thailand markets. Ten years ago the number of tourists from China was negligible, but in 2001 some 453,246 tourists visited Malaysia. Most of them come as part of tour package, which includes some combination of Malaysia, Singapore, Thailand, Indonesia and Hong Kong. The per capita income in China has increased significantly over the past few years. The

professional middle-income group is growing rapidly, and represents an enormous potential market for tourism..

a) Geographic Segmentation

There are more than 30 flights per week between Malaysia and China's main airports, as well as over 70 flights from Malaysia to Hong Kong, which acts as a gateway to China. The distance is sufficiently short to be a short-haul destination, with direct flights available for any given day.

b) Socio demographic Segmentation

The rising income levels as well as the relaxation on travel rights by the Chinese government have created a new and untapped market for vacation tourism. The average Chinese tourist is married, working professional, in the thirties, traveling with spouse or friends and visiting Malaysia for the first time. Very few are traveling with children. The per Diem is RM 438 for 2001 (RM 565 for 2000), which is on the higher side relative to most other tourists visiting Malaysia. In terms of average per capita spending, the amount is RM 2628. Unlike the Singaporean and Thailand tourist, the spending of the Chinese tourist is more varied, to include domestic airfares, sightseeing tours and miscellaneous expenses.

c) Psychographic Segmentation

The Chinese tourist wants to see different places and demonstrates an interest in local cultural themes. Substantial numbers visited Pahang, Melaka, Penang, Sarawak and Sabah as part of their travel itinerary. These destinations focus more on cultural sights, historic sites and 'local flavors'.

d) Behavioral Segmentation

The Chinese tourists are largely vacationers, interested in tourist attractions and shopping. Popular purchases include handicrafts, clothes and jewelry. Almost 40 percent of Chinese tourists come on packaged tours, and activities are determined to a large extent by the tour operators. The average length of stay is 6 days.

3.4.5 The Japan Market

The Japanese market is not very new, but in 2001 about 55 percent of the tourists were first time visitors to Malaysia. The Japanese have high purchasing power. Most of the Japanese are independent travelers, but visits to Malaysia are often part of a round trip that includes Thailand and Singapore. In 2001, 397,639 Japanese tourists visited Malaysia.

a) Geographical Segmentation

Japan is an island nation, and air travel is the main mode of travel into and out of Japan. There are some 50 flights per week between Japan and Malaysia, with flight time of approximately six hours. Although not quite a long-haul journey, the time spent on travel is almost one day, inclusive of pre and post flight procedures.

b) Socio demographic Segmentation

The average Japanese tourist to Malaysia is male, traveling alone or with other male companions, in their mid-thirties and looking for a comfortable, even luxurious holiday. The per capita expenditure has been above RM 2000 even from 1992, with more than 30 percent going towards accommodation. Per capita expenditure for 2001 was RM 2,498.5. Shopping includes expensive souvenirs, cosmetics and branded products. However,

relative to their purchasing power, Japanese tourists do not spend a lot of money in Malaysia. Their spending is roughly on par with tourists from China.

c) Psychographic Segmentation

The Japanese tourist wants to see different places and demonstrates an interest in local cultural themes. However, there is a marked preference for big city offerings, with only a small number venturing towards Pahang, Sabah and Sarawak. Kuala Lumpur and Penang are the favoured destinations.

d) Behavioral Segmentation

Japanese tourists spend on average five to six days in Malaysia, mostly sightseeing and shopping. Although Japanese are independent travelers, they rely on travel books and local guided tours to move around largely due to the fact that most cannot converse in a language other than Japanese.

3.4.6 The European Market

The main European tourist market for Malaysia is United Kingdom, comprising 40 percent of tourists from Europe. In total 1,131,912 Europeans visited Malaysia, including 262,423 from the United Kingdom. The average per capita spending by Europeans for 2002 was RM 2078 (RM 2540 for 2001), and tourists from UK were higher at RM 2904 (RM 2872 for 2001). The per Diem spending by Europeans is not very high, ranging from RM 220 to RM 270 over the past 10 years. UK tourists spend slightly more. The average length of stay has increased slightly from 8.2 to 10.2 over the past 10 years. The total receipts from European and UK tourists for 2002 amounted to RM 1.5 billion (RM 1.8 B for 2001; RM 1.5 B for 2000). One important point about the European market is the 'backpacker'

tourist. The backpacker tourists are mostly young singles or young couples, traveling on a relatively low budget. This is one of the main reasons for the lower per Diem and per Capita spending recorded by European and UK tourists. It is very likely that if the backpackers were treated separately, the average European tourist would show a significantly higher per Diem and per Capita spending, and represent a valuable tourist market with potential for further growth.

It should also be noted that as of 2003 the repercussions of the World Trade Center bombing on September 11, 2001, the subsequent Middle-East war, and more recent bombing in Bali, Indonesia, has given rise to an exaggerated view of Muslim countries being associated with terrorism. Malaysia has been the recipient of more than one travel warning in recent years by various international agencies, including the World Travel Organization. Consequently, the challenge to attract Western tourists has become much more difficult.

3.4.7 The Australian Market

The Australian tourist market contributes just under two percent of total international arrivals, with total receipts of RM 543 million in 2002 (RM 601 M for 2001; RM 644 M for 2000). In 2001, a total of 222,340 Australian tourists visited Malaysia. Per Diem spending was RM 364 for 2002, and average length of stay was 7.7 days. Flight time between major destinations in Australia and Malaysia varies from 5 hours to 7.5 hours. The Australian market offers considerable potential for growth. Australians prefer the typical 4 S holiday – Sea, Sand, Sun and Sex – making Bali one of Australia's favorite destinations. Malaysia has excellent beach resorts, and could easily attract more Australian

tourists. However, most Malaysian beach resorts do not radiate the type of festive atmosphere to be found at Bali (Travel Insight Pocket Guide).

3.4.8 The West Asian Market

The West Asian market has shown strong growth, especially in the last two years since the traditional destinations in Europe and the United States of America were seen as not practical after the September 11th terrorist attacks upon the World Trade Centre in New York. As a progressive and modern Muslim country, Malaysia succeeded in attracting more visitors from West Asia. The number of arrivals is still small, accounting for less than one percent of total international arrivals. In 2001, there were 114,776 tourists from West Asia, a substantial rise from 2000 which saw 53,370 tourists from West Asia. The per diem spending was RM 321.4, and per capita spending was RM 3,278.2. Tourists from West Asia typically stay for long, averaging 10.2 days. The market offers huge potential for growth.