



UNIVERSITI PUTRA MALAYSIA

**Malaysian Tourism Marketing and Promotion
A Comparative Study**

Mohanan Nair

GSM 1997 36

Malaysian Tourism

Marketing and promotion

A Comparative Study

Course MBA -UPM-YPM

Mohanan Nair

(Matrik No 45110)

This dissertation is submitted to the Faculty of Economics and Management, University Putra Malaysia in partial fulfilment of the requirements for the degree of MBA



Problem Statement

Malaysia's greatest strength is its tourism product diversity. From tropical islands with endless stretches of sun-soaked beaches to mountain resorts, and even jungle adventures for the intrepid, the destination has got it.

In addition, the country's population is a potpourri of various races- Malays, Chinese, Indians, Kadazans Ibans, to name a few. Hence, it offers a melting pot of cuisines and cultures. But Malaysia's product diversity has proven to be a stumbling block.

Malaysia has so far failed to cut a distinct image in the international tourism arena. In fact, Malaysian Tourist Promotion Board (MTPB) has to date failed to find a marketing handle which focuses clearly on the country's attractions.

Its advertising slogans have been so far been ambiguous: Beautiful Malaysia, Only Malaysia, and most recently, Fascinating Malaysia. This lack of a concise image is one of the reasons why Malaysia has yet to set on fire the imagination of international tour wholesalers

Objective of the study

- * One of the objectives of the study is to encourage domestic tourism whilst attracting increasing numbers of international visitors to the country as well as inducing them to stay longer and increasing their expenditures.
- * Challenges faced by the tourism industry domestically and internationally
- * policy recommendations for the future growth of the industry

ACKNOWLEDGEMENTS

I would like to thank a number of people for their unique perspective and expertise.

A very special thanks to Prof (Dr) Mohd. Ismail Ahmad for his help and encouragement.

SCOPE OF STUDY

Malaysia' tourism sector has everything going for it. It has a good tourism infrastructure over the last decade, capital city Kuala Lumpur and the various principal towns of Penang, Malacca, Kuantan and Johor Bahru have rapidly developed into modern, thriving metropolises. The road system linking the Peninsular's northern and southern state, east and west coasts is excellent. Its electronic and media communication is excellent. Malaysia can proudly say that it has got some of the region's finest hotels and resorts.

Despite the successful conclusion of **Visit Malaysia Year 1990**, Malaysia is still a long way from being a top of mind destination...to retain its fragile hold on the fleeting and fickle-minded travelling public, the country's tourism promoters will have to zealously continue targetted and sustained promotional activities. The study examines the marketing and promotional activities carried out by the Malaysian Tourism Promotional Board (MTPB) and the New Zealand Tourism Board (NZTB). NZTB is chosen because of its long involvement in tourism.

The first chapter deals with an overview of tourism in Malaysia. It shows the importance of tourism to the Malaysian economy. Tourism Policy is discussed in second chapter. Chapter three discusses the marketing strategies employed by MTPB. Promotional programmes are discussed in Chapter five. An overview of Tourism in New Zealand is discussed in Chapter six. Chapter seven deals with marketing New Zealand as a visitor destination. Market Research is discussed in Chapter eight. SWOT analysis is carried out in Chapter nine. Conclusion and recommendations are discussed in Chapter ten.

	CONTENTS	PAGE
Chapter 1	Tourism in Malaysia	1-4
Chapter 2	Tourism Policy	5-6
Chapter 3	Marketing Malaysia	7-9
Chapter 4	The 1997 Campaign	10-17
Chapter 5	Promotional Programmes	18-21
Chapter 6	Tourism in New Zealand	22-25
Chapter 7	Marketing New Zealand	26-31
Chapter 8	Market Research	32-36
Chapter 9	SWOT Analysis	37-47
Chapter 10	Conclusion and Recommendations	48-55
References		56
Appendices		57-67

CHAPTER 1

Tourism in Malaysia- an overview

In 1996 tourism was the second largest foreign exchange earner after manufacturing, for the country. It contributed towards 4.2% of the GDP of the country and directly employed an estimated 134,990 persons¹ in the industry. The travel account is the main subsector apart from other transportation that has a surplus in the services account of the Balance of Payments. The travel account has been on an increase from RM 632 million in 1990 to RM 4.9 billion in 1996.

From a modest record of tourists arrivals in the 1980's, the tourist arrivals have been on an uptrend.(Appendix1). Malaysia has had two promotional years i.e. visit Malaysia in 1990 and Second Visit Malaysia in 1994. These two promotional years have reaped dividends for the country with 7.4 million tourists arrivals and RM 4.5 billion tourist receipts recorded in 1990 while 7.2 million tourist arrivals and RM 9.9 billion tourist receipts were recorded in 1994. These promotional years have given Malaysia a high profile in the global tourism market. Malaysia ranked eighteenth in the world's top tourism destinations in 1995² and accounted for 1.4 % of the market share of the world tourism market.

¹ Direct employment in the tourism industry includes manpower in accommodation, tour and travel agencies, airlines and others.

² World Tourism Organization 1995 International Tourism Overview.

Last year, Malaysia also saw a double digit increase in average per capita expenditure by tourists. Average per capita expenditure of a Swiss tourist in Malaysia increased by 59.7 per cent from RM1,815 in 1995 to RM2,900, Japanese by 39.5 per cent from RM2,062 to RM2,877, New Zealander by 33.5 per cent from RM1,716 to RM2,292, Chinese by 34.8 per cent from RM1,666 to RM2,247 and South Korean by 10.4 per cent from RM1,972 to RM2,177. (Source :Malaysian Tourism Promotion Board 1997)

An estimated RM 11.2 billion tourism receipts was recorded in 1996 from the combined earnings from the various categories of travellers, namely international tourists and excursionists. The total arrivals of 7,214,359 foreign tourists drawn from its top tourist generating markets of Singapore, Thailand, Japan, Taiwan, Indonesia, United Kingdom, Hong Kong, Australia. China and the USA, has made Malaysia a popular destination. (Appendix 2). Malaysia ranked as the third, after China and Hong Kong in the top Fifteen Tourism Destination, in East Asia/Pacific and South Asia in 1995 and accounted for 8.6% of the market share of total East Asia/Pacific and South Asia³ However in terms of the top fifteen tourism earners in East Asia/Pacific and South Asia it ranked eighth and accounted for 5.2% of the market share of the region.

The hotel sector in Malaysia has experienced a robust growth. There are 1,289 hotels in Malaysia in 1996 with a supply of 85,514 lettable rooms compared to 1220 hotels with 76,373 lettable rooms in 1995. The occupancy rate of hotels in 1996 was 62.3% The per capita expenditure increased to RM 1,444.4 (1995:RM 1,228.40) due to an increase in the length of stay of tourists per visit from 4.8 nights in 1995 to 5.4 nights in 1996. (Appendix 3).

³ WTO: Tourism Trends and Prospects Worldwide and in Asia/Pacific: Challenges and Opportunities.

Domestic Tourism

In 1996 the number of hotel stays by domestic guests was 9.3 million compared with 7.8 million for foreign guests. Domestic visitors also accounted for 44% (514,740) of the total 1.2 million visitors to Langkawi in 1996. The government is promoting domestic tourism by undertaking improvements in the infrastructure such as the North-South Highway, electric train system, affordable accommodation, more tourism products to cater for domestic tourists eg. theme parks and encouraging more domestic tour packages. In this respect the national carrier and the railway authorities have contributed by offering special packages like MAS Golden Holidays and special discounts for pensioners and senior citizens. Domestic tourism is important to the economy as it will help to stabilize the economy by reducing the dependency on foreign tourists as well as to curb the large outflows of foreign exchange by outbound Malaysia, a trend that has been increasing due to affluence of the people.

Investment in Tourism

The government's role in the tourism sector is reflected in the increased expenditure to the amount of RM 696.6 million for the Seventh Malaysia Plan period for investment in facilities and infrastructure, cultural product development, tourist accommodation, preservation of national/historical heritage, beautification/cleanliness programmer and environment protection. The development of tourism in the country has been facilitated by the massive government expenditure incurred for infrastructure and utilities to the tune of RM 15,482.2 million during the Seventh Malaysia Plan. (Appendix 4)

Incentive

The supportive role of the government is also seen in the wide range of incentives given to the tourism sector. The tourism sector enjoys the same treatment as the other sectors of the economy. In terms of incentives the following activities are eligible for pioneer status/investment tax allowance namely;

- i. Establishment of hotel;
- ii. Expansion/modernization/renovation of hotel/accommodation projects;
- iii. Establishment of tourist projects (include cultural and handicraft centers, theme parks recreation camps and convention centres) and
- iv. Expansion/modernization of tourist projects

CHAPTER 2

Tourism Policy

Tourism has been promoted as an important industry contributing to the creation of new sources of growth required for socio-economic development. The National Tourism Policy (1991-2000) has set the directions for the growth of the tourism industry. The policy has set a target of 12.5 million tourist arrivals by the year 2000 and RM 8.3 billion tourism receipts. The target in terms of tourism receipts was revised upwards to RM 15.7 billion, as in 1994, six years ahead of target, RM 9.0 billion receipts were earned.

The main thrust of the National Tourism Policy is towards the achievement of the following objectives;

- * Generate foreign exchange
- * Encourage equitable economic and social development throughout the country
- * Promote rural enterprise
- * Generate employment
- * Accelerate urban/rural integration and cultural exchange
- * Encourage participation in the sector by all ethnic communities
- * Create an improve image of Malaysia internationally. and
- * Foster national unity

During the Seventh Malaysia Plan (1996-2000) the public sector will continue to provide various infrastructure and promote Malaysia as an attractive tourist destination through the relevant agencies, the private sector is expected to take the lead in the provision of adequate and quality tourism products and services. Private sector capital investments in hotels from 1986 - 1996, (Appendix 5).

For the Seventh Plan, tourism development will focus on expanding the range of activities, products and markets, thereby contributing further to foreign exchange earnings and savings. Distributive trade will continue to be modernized and rationalized in line with changing consumer preferences and taking into account increasing foreign investment in this sector. The Seventh Plan will improve upon existing strategies as well introduce new ones which will enhance the **Image of Malaysia** as highly diversified and competitive tourist destination in the part of the world. The strategies include:-

- * diversifying into new products and services to cater for the varying demands and interests of international and domestic tourist.
- * ensuring more effective promotion and marketing for both the foreign and local markets
- * encouraging private sector investment and participation in innovative tourism products as well as special projects and events.
- * increasing the involvement of the local population, especially small entrepreneurs, in the development of distinct and localized products and services
- * improving and facilitating access into and within the country

CHAPTER 3

Marketing Malaysia

The Tourism Development Corporation of Malaysia (TDC) was formed on 10th August 1972, by Parliament Act under the former Ministry of Trade and Industry. As of May, the TDC Act 1972 was repealed and replaced with the MTPB Act 1992 which gave birth to the Malaysia Tourism Promotion Board or Tourism Malaysia.

The marketing and promotion of Malaysia as a leading tourist destination is entrusted to Malaysia Tourism Promotion Board (MTPB), which is the marketing arm of the Ministry of Culture, Arts and Tourism, The Board has 18 overseas offices worldwide to implement the marketing and promotional activities in the respective market areas, as well as the support of 5 regional branch offices and 15 Tourist Information Centres/counters at strategic entry points within the country.

MTPB is a fully integrated promotional body and its functions are;-

- a) To stimulate, promote and market internationally and locally, Malaysia as a tourist destination
- b) To coordinate marketing and/or promotional activities in relation to tourism conducted by any government department or government agencies or organizations; and
- c) To recommend to the Ministry of Culture, Arts and Tourism the methods, measures and programs to be adopted to facilitate and stimulate the development and promotion of the tourism industry in Malaysia.

Tourism Malaysia's goal for 1977 are:-

- * **8.6 million tourist arrivals**
- * **Average length of stay 4.85 nights**

The Strategic Framework

The 1997 Marketing Plan spelt out the basis of Tourism Malaysia's marketing campaign concept as being "product-based" (8 destinations), to be carried out over a period of at least 3 years. 1997 will be the third year of implementation of the strategic "product based" destinational campaign.

Industry's Perspective

A review of Malaysia's current tourism environment indicate that its marketing strategy needs to be redefined, in the light of the following scenario:-

- * Substantial increase in hotel rooms by 1997
- * No special events in 1996-1997
- * Set target of 12.5 million arrivals by year 2000
- * Efforts to fulfil Kuala Lumpur International Airport carrying capacity
- * Economic recovery in key long-haul markets still sluggish

The tourism industry has so far been able to successfully achieve the targeted arrivals set for each year. Given the above scenario, a plan which not only ensures a steady growth but a "jump" in tourist arrivals to fill up additional beds will need to be considered. As the lead marketing agency with limited resources, the option taken is to implement a focussed "market-specific" marketing programme that could generate greater arrivals from selected markets with the capacity to expand and could trigger immediate response to a tailored strategy.

This strategy suits to address the fact that many generating markets are inundated by too much information, leading to delayed decision-making amongst the consumer. In 1997, Tourism Malaysia's strategy and resources will be re-aligned and adjusted to focus on selected market areas, markets which are able to boost the tourist arrivals. In other markets, efforts will be concentrated on quality tourism and niche segments.

CHAPTER 4

The 1997 Campaign

The 1997 campaign will continue Malaysia's marketing slogan to ensure consistency and identity:-

* Campaign Slogan	MALAYSIA FASCINATING DESTINATION
* Focused Subject	8 DESTINATIONS (PRODUCT BASED)
* Focused Markets	REGIONAL AND TRADITIONAL AREAS (7 MARKETS)
* Campaign Target	OPTIMUM ARRIVALS (8.6 MILLION)

The 1997 strategy implementation is divided into 3 categories i.e. focused strategies laid for the consumers, the local trade and overseas trade:-

CONSUMER-FOCUSED STRATEGY

- * Development of selected marketing programmer (consisting of all mix) to position Malaysia as a "must visit" destination as well as value-for-money destination.
- * Production of informative and attractive collaterals to facilitate the translation of consumer's desire to actual travel to Malaysia.
- * Publicity on relevant Malaysian events and activities with good lead time to ensure greater publicity and success of event-based holidays and tours
- * Application of tactical media exposure and publicity to trigger travel to Malaysia.

- * Cooperative tactical campaign with establishments which have specific target segments and readily available consumer database eg credit cards companies, airlines etc.

LOCAL TRADE FOCUSED STRATEGIES

- * Encourage involvement in joint promotional activities
- * Encourage the packaging of specific events/destinations targeted at identified segments in selected markets.
- * Regular dialogue with the local trade to ensure an effective and coordinated approach in overseas marketing

OVERSEAS TRADE FOCUSED STRATEGIES

- * Joint tactical promotional strategies with selected trade leaders to expand campaign effectiveness.
- * Encourage the marketing and selling of Malaysian travel products by assisting with activities such as product educationals, product launches and collateral production.
- * Continuation of effective educational programmer to increase foreign travel trade knowledge, awareness and interest on Malaysia as a destination
- * Working with key Meetings, Incentives, Conventions and Exhibitions (MICE) market leaders in identified markets to promote Malaysia as an incentive and convention destination.

MARKET FOCUS AND PRIORITIZATION

Tourism Malaysia's general market classification is as follows;-

- * PRIMARY
- * SECONDARY
- * POTENTIAL

For 1997, however, Tourism Malaysia will be placing special emphasis on selected markets which have been termed as "focus market"

THE PRIMARY MARKETS

These markets have been Malaysia's main contributors over the past years. Increase from some markets however, has been marginal and in some markets inconsistent. The primary markets are:-

- * SINGAPORE
- * THAILAND
- * INDONESIA
- * JAPAN
- * AUSTRALIA
- * UNITED KINGDOM
- * GERMANY
- * USA (WEST COAST)
- * TAIWAN
- * HONG KONG

Most of the primary markets are represented by Tourism Malaysia offices which will be required to intensify promotional activities with allocated funds and resources.

SECONDARY MARKETS

These markets display relatively satisfactory demand and certain market have shown accelerated growth. Conversion factor may still be limited due to factors like accessibility. Secondary markets are:-

*	ITALY	*	SPAIN
*	BENELUX	*	SWITZERLAND
*	CANADA	*	SCANDINAVIA
*	FRANCE	*	NEW ZEALAND
*	SOUTH AFRICA*		AUSTRIA
*	BRUNEI	*	USA (EAST COAST)

POTENTIAL MARKETS

Potential markets are being considered for their size, economic growth, and improving standards of living. Malaysia's presence in these market areas has been through cultural and food promotional activities, trade fairs and limited trade servicing.

The markets which are considered as potential are:-

*	CHINA	*	INDIA
*	RUSSIA	*	SOUTH AMERICA
	AND CIS	*	GCC

THE FOCUS MARKETS

Malaysia's tourism industry perspective for 1997 and 1998 require some adjustment in market prioritization and a further shortlist of focus markets has been identified from its primary markets.

The focus markets show historical evidence of being the main generator of arrivals, consistent arrival growth and good revenue returns. Seven markets which have the capability of shouldering the anticipated "lull" period in the next two years are:-

- * SINGAPORE
- * THAILAND
- * ♦ INDONESIA
- * JAPAN
- * AUSTRALIA
- * UNITED KINGDOM

MARKET APPROACH

The categorized markets require specific approach and servicing in order to maximize the impact of marketing efforts.

FOCUS MARKETS

The strategic approach in the seven focus markets will be as follows:-

- * Emphasis on consumer publicity
- * Offering innovative and captivating tour packages directed at targeted segments

- * Close coordination with the trade for Malaysian products to be put on the shelves in more distribution outlets
- * Continuous product update for trade and the media
- * Optimizing promotional resources through cooperative marketing activities with consumer based establishment i.e. card companies, airlines etc.

PRIMARY MARKETS

Strong trade linkages in these markets is reflected by high level of consumer awareness. Continuous consumer and trade enhancement activities will be emphasized:-

- * Publicity and exposure through effective media.
- * Enhancing trade product knowledge and development via educational,
 - networking and support for the promoting of Malaysian products.
- * Strengthening relationship with the local media
- * Constant monitoring of marketing activities to ensure cost-effectiveness

THE SECONDARY MARKETS

The following will be employed:-

- * Widen the trade linkages and networking
- * Facilitate and influence the media to participate in educational programme.
- * Work with multiplier agents (clubs, student groups, citizen's associations) to gain better publicity mileage.
- * Create consumer understanding and awareness of Malaysia
- * Cooperate with the trade, especially airlines, to introduce variety packages.

POTENTIAL MARKETS

The following strategies will be used to handle the potential markets:-

- * Identify cities, with highest travel propensity.
- * Cultivate trade linkages and identify key players.
- * Educate trade via educational programmes deemed appropriate.
- * Create general awareness on Malaysia via mass media.
- * Evaluate potential segments and geographical areas for future penetration.

To translate the objectives, MTPB continues to undertake innovative marketing campaigns on a sustainable basis applying the marketing mix known to the industry. Several promotional activities were undertaken as part of the Board's functions to promote Malaysia's image as an attractive tourist destination and to generate tourists arrivals. At the forefront of these efforts was the launching of the 8 Destination Campaign in early 1995. In general, the campaign was aimed at showcasing the unique aspects and attractions of the destinations. The purpose was to expose the selected destinations to targeted groups and tourist segment preferences. Four more destinations were added in 1997, making a total of twelve destinations that are marketed overseas. Globally, the Board emphasize its marketing efforts on potential markets through its network of overseas offices and appointed marketing and PR agents.

The "product based" destination campaign will be maintained in the 1997 marketing plan. The strategy implementation will be divided into 3 focussed strategies namely **consumer, local trade and overseas trade**. MICE marketing will focus on the consideration of resources in identified key markets and intensification of bidding efforts. The twelve destinations and their unique selling points that are marketed overseas are as follows:

Kuala Lumpur	shopping
Penang	food
Langkawi island	resort
Pangkor beach	resort
Malacca	history
Taman Negara	adventure
Kinabalu	nature
Sarawak	culture
Kenyir	recreations and adventure
Johor Bahru	recreational,shopping,entertainment and spot.
Tasik Bera	wetland based ecotourism
Danum Valley	orest ecology-based ecoturism

CHAPTER 5

The Promotional Programmes

Tourism Malaysia's promotional activities are aimed at enhancing and strengthening trade linkages and alliances as a mechanism for increasing consumer interest and desire to travel to Malaysia.

For 1997, selection of promotional programme will be based on those with highest probability of converting into sales and with potential of enhancing Tourism Malaysia's presence abroad. Each programme will see the participation of appropriate Malaysian trade practitioners to reflect the industry's commitment to a particular market area. In some instances, Tourism Malaysia will be a partner in promotions initiated by other related organizations, e.g. MAS, other airlines and MATRADE.

Sales Missions

Sales Missions are conducted to encourage, develop and strengthen trade linkages and networking through product update sessions and to increase the range of Malaysian products offered overseas. When appropriate, sales missions will be three-pronged, that is, incorporating general trade sessions, MICE promotion as well as consumer awareness creation.