

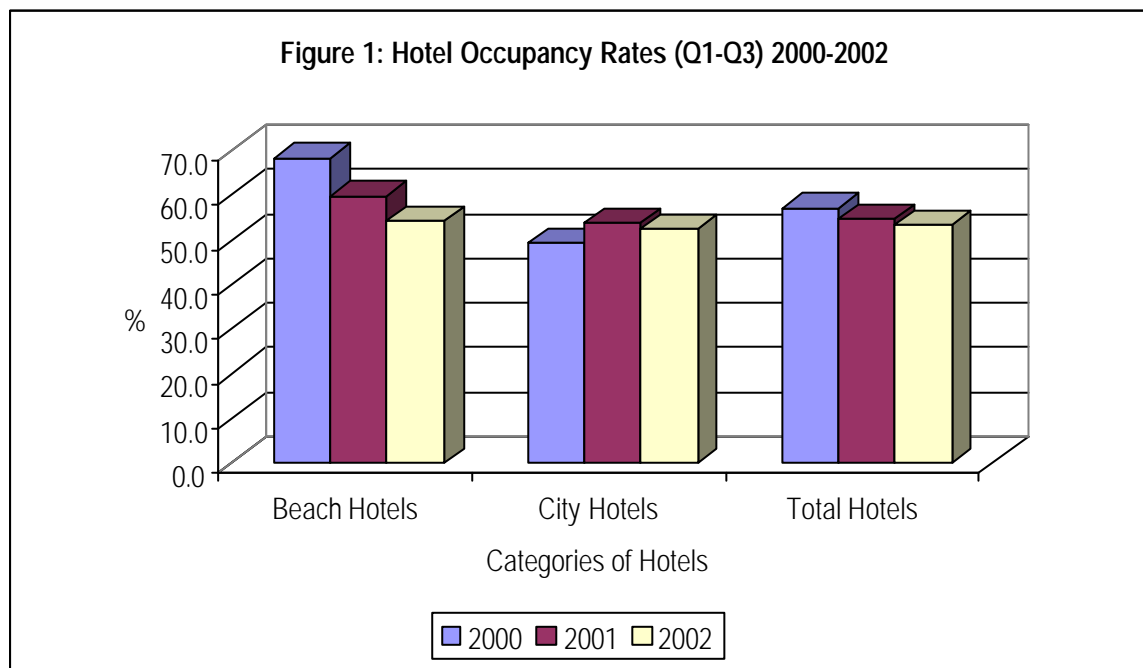


Tourism Industry In Penang: Reflections & Improved Dimensions

Introduction

The year 2002 saw a decline in terms of tourist arrivals as well as hotel occupancy rates in Penang. Total tourist arrivals for the first three quarters of 2002 declined by 6.05 percent over the same period in 2001. This is mainly the result of a double-digit contraction (-15.6 percent) in terms of foreign tourist arrivals against the 2001 figures, although domestic tourist arrivals registered a growth of 6.15 percent over the same period.

Average hotel occupancy rate for Q1 to Q3 was the lowest in 2002 compared with that in 2000 and 2001. The drop in occupancy rate was recorded particularly among the beach hotels (Figure 1). This indicates that leisure holidays in Penang have reduced significantly while business holidays remain. On the other hand, this could also mean a change in the market mix, namely the tourists are looking for other products such as heritage buildings and trails rather than the beaches.



Source: Derived from DCT Consultancy Services Sdn Bhd

If the trend in tourist arrivals and occupancy rates continues, in addition to an increasing pool of tour destinations against a static pool of demand, the heydays of Penang as a food, beach & shopping paradise will be history. The increasing pool of tour destinations pose a challenge, threat as well as competition for Penang. These destinations do not comprise only the neighbouring countries and fast emerging China but also destinations within Malaysia. A clear example of competition within Malaysia is the push by the Federal Government to make KLIA (Kuala Lumpur International Airport) the gateway to Malaysia, thus inhibiting direct flights to other major destinations like Penang.

There is also a general lack of focus on the part of the Federal Government to promote tourism in Penang. Although the Malaysian Tourism Promotion Board (MTPB) has offices all over Malaysia, each state is competing for the tourist dollar. The tour packages are being sold based on a single destination. For example, of the seven (7)



packages available from the Tourism Malaysia website (<http://www.tourism.gov.my>), Penang is featured only in Package 5 for Pulau Aman and Package 7 for Fruit Farm & Heritage Tour. These packages are promoted under the 'high adventure' theme. Other themes include 'wild life' (package 1), nature (package 2), fascinating attraction (package 3) and splashing retreats (package 4) but Penang is not featured in any of them. The Penang packages are for 2 days-and-1 night. These packages will not help to increase the hotel occupancy rates nor will they help to increase the tourism revenues for the state.

At the international level, the possibility of a US attack on Iraq, the recent bombings in Bali and fear of similar assault in the near future have created adverse impacts on the tourism sector in Penang. This issue is further aggravated by the sense of insecurity among western non-Muslim travellers.

Tourist Products & Services

Penang lacks focus in its tourism industry. Penang has been promoting a multifaceted image and offers a variety of tourists' attractions and products. This may in fact be a disincentive for tourists who are looking for specific products. For example, an eco-tourist will not pick Penang if he has the choice of visiting Sabah or Sarawak. Likewise, a beachcomber would pick Pulau Pangkor or Langkawi rather than Penang.

The low quality tourists' products that lack maintenance as well as low quality service rendered also pose a threat to Penang's tourism sector. It is a norm for companies and operators to emphasise profits and improve their business rather than emphasising maintenance and human resource development during the boom years. This has adversely affected the quality of tourists' products and services. As such, efforts should be placed on upgrading the tourists' products and services. To do so, there is an urgent need to identify resources in management, marketing, sales and promotion.

In addition to the provision of adequate supply of quality accommodation, infrastructure and services, Penang should continue to develop and promote its existing attractions such as MICE (Meeting, Incentives, Conventions & Exhibitions); heritage; agro-cum eco-tourism as well as shopping and food. It is also important for the tour operators and owners of tourists' products to take note that tourists and travellers do not comprise only the younger generation and those who are able-bodied. Tourists and travellers around the world also comprise the elderly as well as the physically disabled. The lack of disabled friendly facilities and infrastructure are barriers to travellers and tourists in this group. The government is promoting the 'silver-hair' programme to entice the elderly from developed countries to our country. However, the lack of appropriate facilities and infrastructure for this group will impede the government's efforts to attract them.

Currently, the MICE market in Penang consists of small groups. Although Penang aspires to serve the large-scale regional and international MICE markets, it has yet to tap on these markets. This is mainly due to the limited supply as well as capacity and size of MICE facilities and infrastructure in Penang. MICE facilities and infrastructure in Penang cannot be compared with the more superior facilities and infrastructure in Kuala Lumpur, Singapore and Bangkok. In addition to the size and carrying capacity of the MICE facilities, the present physical infrastructure in Penang is unable to cater for large groups. These include logistics and transportation such as direct flights and tour coaches. For example, the Penang International Sports Arena (PISA) is the largest convention-, exhibition-cum sports facility in Penang. However, the bulk of the accommodation facility is not there. There are only three hotels in the vicinity to serve the PISA crowd.

The main concern of MICE operators is the maintenance of the existing facilities. In addition, there is a general lack of management and marketing skills amongst local owners of MICE facilities as well as events managers such as professional conference organisers (PCOs). Considering its limitations, it would be more appropriate for Penang to host small- to medium-sized conventions and exhibitions, accommodating a crowd of not more than a thousand people.

Penang is a state rich in culture and history. Founded in 1786 by Francis Light, Penang was the first British trading post in the Far East. Within a few decades, Penang had attracted more than 10,000 settlers and traders, including



Malays, Sumatrans, Indians, Chinese and many others. The names of the roads and streets in Georgetown, for example Burmah Road, Acheen Street and India Street depict the country of origin of the early settlers. The historical and cultural legacy in Penang has created an opportunity for Penang to be a destination for heritage tourism. The living culture along the streets in Georgetown's inner city has attracted the long haul markets. The possible inclusion in the UNESCO World Heritage List will give Penang a further boost as a heritage destination.

One of Penang's strengths is the proximity of its various tourists' attractions. Agro-tourism sites are just across the Penang Bridge to Mengkuang Titi or thirty minutes away by boat ride to Pulau Aman or thirty minutes drive from city centre to Kampung Seronok. Likewise eco-tourism sites such as Kerachut Beach and the recreational forests in Penang are equally accessible. However, the agro-tourism sites are still underdeveloped and unable to generate additional farm income. This is mainly due to poor safety standards, poor maintenance and low standard of hygiene, issue of cleanliness, lack of signage to the sites as well as inadequate and inappropriate accommodation.

Issues such as cleanliness; traffic congestion; poor public transportation; limited new products; apathy particularly from the public sector; as well as a general lack of cooperation within the tourism sector are impediments to further growth in Penang's tourism sector. The lack of direct flights to and from Penang also deters tourists from making Penang their first-stopover in Malaysia. This situation is further aggravated by the lack of language tour guides.

Marketing & Promotion

Marketing and promotion is essential in selling any product. However, Penang lacks publicity as a tour destination. A clear example is the Exotic Penang website (<http://www.exoticpenang.com.my>). Although the website is currently being revamped, its content is very much inferior to that of the Sarawak Tourism Board's. People in Penang, in general, are more computer savvy, but the website by the Sarawak Tourism Board (<http://www.sarawaktourism.com/>) carries more comprehensive information on tourist products and facilities in Sarawak. In addition, the website also looks dynamic and vibrant. Furthermore, it is also interactive, allowing room reservations via Internet as well as links to the various hotels and tour & travel agencies in Sarawak.

Billboards along the North-South Highway are good publicity for tour destinations, especially if the travellers have yet to decide on their destination. However, these billboards mainly publicise locations such as Langkawi, Pulau Pangkor and even Thailand, but not Penang. Cost is deemed as a major factor contributing to the lack of publicity. As such, it is very important to inculcate the 'Penang Spirit' through collaboration among the various expertise namely marketing, promotion, advertising and ICT (information & communication technology) as well as between the public and private sectors to jointly promote Penang as a destination of choice for both domestic and foreign tourists.

In the quest to promote and market Penang as the destination of choice, it is also important that Penang possesses the ambience. For instance, promoting Penang as a heritage destination does not mean having only heritage buildings but also the living culture as well as the traditional trades. Likewise, marketing Penang as a MICE destination also means that Penang is well equipped with the hard- and soft-facilities.

Today, it is more crucial for Penang to adapt and cater to the demands and needs of the tourists compared with in the past. This is mainly because the tourists have higher demands today, coupled with an abundant supply of tourist destinations around the world. In addition to quality tourist products and infrastructure that meet the demands of the tourists, it is also very important be a destination that offers quality service.

It is important to enhance marketing and promotion efforts to promote Penang as a tour destination, irrespective of the market segment. If emphasis is placed on heritage tourism, then additional efforts should be made to include Penang into the UNESCO World Heritage List. On the other hand, if MICE tourism is emphasised, a mechanism should be established to bid for conferences that are of international standards. It is important to build good



relationships with international destination management companies (DMCs), professional conference organisers (PCOs) as well as professional exhibition organisers (PEOs) in order to attract the foreign MICE markets. In addition, the tourism sector in Penang should establish a strong advocacy group to lobby and market for international tour groups and events.

Lastly, building a long-term and distinctive image for Penang would be advantageous for the tourism sector. This would help travellers and tourists around the world to link with Penang. For example, 'Amazing Thailand' is well known and travellers and tourists could immediately link this expression with tourism in Thailand. Although Penang is renowned as the 'Pearl of the Orient', is the name still convincing? If Penang is to be made the point of entry for the northern region of Peninsular Malaysia, then is "Penang the Northern Gateway" more appropriate? On the other hand, if Penang is to be marketed as a destination that suits tourists with differing demands and needs, would "Penang the Wholesome Destination" be more appropriate? As such, it is crucial for both the government and the tourism sector to build the appropriate image for Penang in order to market and promote Penang as the destination of choice.

Conclusion

The public and private sectors should cooperate to develop the tourism industry in Penang. It is important to emphasise the development and enhancement of five key areas, namely marketing; products, services & accommodation; information & communication technology (ICT); human capital as well as institutional.

Marketing

It is important to note that different market segments have different expectations. By recognising the needs and expectations of the tourists, it is easier to build and develop the appropriate tourists' products.

In addition to recognising the expectations of the different market segments, information dissemination is equally important. This will allow tourists and travellers easier access to information on the various tourists' products. Information dissemination could be in the form of magazines, brochures, pamphlets, billboards, Internet, television as well as radio.

It must also be noted that Penang cannot promote and market itself without adequate and appropriate networking, namely with partners from other parts of the world, particularly from the targeted market segments. As such, operators of tourists products as well as the relevant authorities should link up with overseas partners to enhance the marketing efforts.

Products, Services & Accommodation

A short-term measure is to look into ways to increase room nights and occupancy rates of Penang hotels. The authorities should not be approving and endorsing plans to build new hotels as well as convention facilities during the current economic downturn. However, both the government and private sector operators of tour and tourists' destinations should emphasise maintenance as well as upkeep of tourism infrastructure. The government could assist through the provision of funds for repairs and maintenance of deserving tourism projects, such as the restoration and conservation of heritage buildings.

As heritage tourism has been identified as the niche product for Penang, the government should encourage the landlords to revise the rental rates of pre-war houses, which were formerly under the Rent Control Act to make these houses more affordable to the tenants, thus preserving the living culture in those affected areas.

Lastly, it is important to maintain quality service and cleanliness in addition to providing easy accessibility as



well as disabled- and elderly friendly tourism infrastructure, facilities and amenities at all destinations regardless of the target market segments.

Use of ICT

ICT (information & communication technology) is increasingly being used as a tool for communication as well as to facilitate database management, general administration, etc. As such, the tourism sector in Penang should adopt and adapt to the usage of ICT in the marketing and promotion efforts such as information dissemination; room reservations; registry of hotel guests as well as other financial and administrative management.

It would be advantageous for the tourists if they can have access to information on Penang from computerised information booths. This does not only reduce the need for additional manpower to manage the booths but also to provide standard information to the tourists and public in general. The computerised information booths should not only be located in areas like KOMTAR but other places of interests and tourists destinations in Penang. The information for the public and tourists should include a directory of places of interests; transportation routes in Penang; general statistics on Penang; a directory of hotels & other accommodation facilities as well as food outlets and restaurants; a directory of places of importance such as hospitals, immigration offices, police stations, places of worship etc; as well as roadmaps of Penang island and mainland Penang.

Lastly, it is very important to constantly update the information provided either through websites or computerised information booths. In addition to providing updated information, the system (hardware & software) used should also be up-to-date.

Human capital

Human capital is a very important element in all sectors of the economy. Tourism is a hospitality industry and thus the human resources involved in the tourism industry should possess good interpersonal and communication skills, in addition to the knowledge of their respective jobs and fields.

As such, human resource development is crucial in creating a pool of labour force with the right knowledge and skills. While the organisations in this industry are currently providing training and skills upgrading programmes for their own workers, they have yet to collaborate to have joint training activities. Collaboration in training and skills upgrading activities will allow the companies to maximise and optimise resources because most of the training syllabus is generic for all companies in this sector.

Institutional

It is important for Penang to benchmark itself with competing destinations. This will enable Penang to gauge its position against the other destinations. Thus, allowing the government and private sector, mainly the owners of tourists' products and tour operators to improve on their products and services.

The State Government should also support the 'Penang Spirit' campaign and work in collaboration with the private sector to enhance Penang's image as well as to promote and market Penang as the destination of choice for both the international, regional and domestic tourists.

Lastly, there are Malaysians who are currently staying abroad because of various reasons such as work, studies or even families. Most of these Malaysians are still proud of being Malaysians and would willingly promote their country/state to their colleagues, friends and neighbours. As such, it would be beneficial if these Malaysians, especially Penangites, are appointed as "Tourism Ambassadors" for Penang. These people would be the best people, who could relate the many wonders of Penang to a potential tourist. **§ Anna Ong**

The Hotel Industry in Penang: An Assessment

The year 2002 was a challenging period for the hotel industry in this region and Penang was no exception. Already struggling to recover in the aftermath of the 911 incidents in September 2001 while fighting hard to keep afloat in the midst of the world economic slowdown, the industry was hit again by the terrorist attack in Bali in October 2002. In the wake of these downside factors, it is timely to take a close look at where the hotel industry in Penang stands currently.

For the latest assessment of the performance of hotels in Penang, data for the fourth quarter for year 2001 and 2002 were obtained. Based on the comparison of average occupancy rate (AOR), it can be concluded that the performance of hotels in Penang has picked up slightly in Q4 2002 compared to the same period in 2001, despite the Bali bombing (Table 1). On average, the AOR for 4-star hotels was better than the rest of the hotels; it was recorded at 57.20% compared to 45.22% for 5-star and 45.10% for 3-star hotels.

The effects of the Bali bombing were felt only in the first few weeks immediately after the incident. In fact, there was a marginal gain soon after as the industry experienced diversion or 'spill-over' effects as some visitors who initially planned to travel elsewhere in this region decided to switch their destination to Penang. For safety reasons, local visitors also diverted their overseas trips to domestic resorts.

Unlike what the foreign media has portrayed, security is generally not felt as an issue in this country, at least not by the hotel operators. Working hand in hand with the government, the Penang International Hotels Association (PIHA) has countered the fears generated by the Bali incident with facts and figures, asserting that Malaysia is a peaceful country and that the government has taken the effective steps to counter the activism and networks of terrorists in the country. Penang is also traditionally seen as a multi-cultural and multi-religious state, the spirit of tolerance and co-existence of major religions in the world having always been a way of life for its people.

As far as market segmentation is concerned, there has been a decline in traditional markets in recent years; however, the industry also experienced an upsurge in new markets such as those from Middle East and China. The outbound markets were dampen while there is an increase in domestic market, thanks to the *Cuti-cuti Malaysia* promotions and the twice a month longer weekend break initiative. The Human Resource Development Fund (HRDF) was also a boost factor for convention packages. Under the HRDF programme, companies are required to allocate 1% of their total revenue in compulsory staff training, the amount of which can then be claimed from the Human Resource Council. Although the HRDF has been in existence for sometime, it was only in the recent years that companies, especially from the smaller and medium scale, started to realize the importance of training and tapped into it. The hotel industry felt that this programme has helped to widen their corporate clientele.

On the prospects of promoting Penang as a MICE (Meetings, Incentives, Conventions and Exhibitions) destination, there are mixed of feelings of optimism and apprehension from the industry. It was felt that in order to excel as a MICE destination, there are several key factors that need to be considered. Firstly, Penang needs critical mass, i.e. the combination of top facilities and infrastructure, such as PISA, KOMTAR dome, transportation, a string of 5-star hotels, etc. There is no need to build new facilities (or they will become white elephants). Instead, the upgrading and maintenance of the existing facilities need to be prioritized.

Members of PIHA felt that Penang has no problem being promoted as a 'Conference' and 'Meetings' destination, but perhaps not so much as 'Incentive' destination as Penang is still lagging behind in the choice of preferred international travel destination. As regards 'Exhibition', the apprehension is that Penang is still not considered a hub for long hauls, compared to neighbouring Kuala Lumpur and Langkawi. It is interesting to note that while there is much enthusiasm among industry players in promoting Penang as a MICE destination, the recent PATA report commented that it is best to continue promoting Penang as primarily a leisure rather than MICE destination since this could produce more immediate results; perhaps in the ratio of 90% leisure and 10% MICE.¹



In term of skills demand and job opportunities, unlike the export oriented manufacturing industry, the hotel line is considered steadier in terms of staff turnover. In fact, during recession and economic downturn, it tends to receive abundant and quality labour from other sectors such as manufacturing. There has been a steady flow of trained skilled workers, primarily due to the recent booming of private colleges that offer various related courses. To tap this fertile manpower resource, the hotels are sponsoring some of the training programmes and providing industrial placement for college students.

One area of concern highlighted in the recent PATA assessment is that the "hotel industry does not function as a cohesive unit". PIHA's response to this is that it has been active in promoting the welfare of its members, but there is generally lack of effective communication with the government, for instance, in understanding new policies and in the transparency of funding allocation. There is also minimal coordination with other players in the industry, as they are relatively weak or reticent. Thus, there is an urgent call for better coordination and communication with all stakeholders. Furthermore, unhealthy 'price war' within the industry has contributed to this lack of cohesiveness. It is a direct result of the shrinking market but unless and until members of the association come out with a solution to address the issue, it is definitely a 'lose-lose situation' for the operators in the long run.

The survival of the hotel industry in Penang is entirely dependent on the sustainability of the island as an international travel destination. However, in the past decades, the attraction of the 'Pearl of the Orient' has declined. Back in the 70s, when Bali and Phuket were just secret hideaways, known only to a handful of backpackers, Penang was basking as one of the world's most famous beach resorts. But stiff competition in the last ten-twenty years from newly established destinations such as Bali, Phuket, Ko Samui, or even Langkawi, has proven a great challenge to the travel and hotel industry in Penang.

Internally, there is still plenty to be done. Generally it was felt that there is an urgent need for more affective 'destination management', i.e. upkeep of tourists spots, curbing of illegal operators, and pollution control. It was perceived that some of these issues are caused by lack of political will, loose enforcement and poor coordination, for example, in regulating and controlling illegal operators and hawkers. While the more established hotels have to comply with strict environmental standards, waste from illegal operators is left flowing to the sea untreated. This has contributed to sea pollution and mushrooming of jellyfish, as reported in the media recently. In terms of publicity and promotional strategies, more care and sensitivity is needed in eliminating 'negative' publicity. For instance, when we boast of the Longest Beach Clean-up, does it imply that Penang is a dirty place? In terms of 'destination marketing', one of the most important factors in selling Penang is to redirect as many inbound and transit flights to Penang. Currently, this poses a major threat as many flights are now stopping in KLIA as it is an international hub.

While some of the issues are beyond our control, there is still much left to be done in upgrading tourism products and facilities as this would directly affect the hotel occupancy and performance, which is an important contributor to the state economy. Once again, quoting PATA's assessment report, all stakeholders in the hotel industry should cooperate with the state government to 'reform, repair, renew, regroup and reprioritize' in the industry. §
Lim Poh Im

Endnote

PATA Task Force, *Tourism Assessment in Penang*, April 29 – May 7, 2002, Penang, Malaysia, pg. 21.

Table 1: Average Occupancy Rate for Quarter 4 in year 2001 & 2002.

Star Rating	Name of hotel	Number of rooms	Average occupancy rate % (Q4 2001)	Average occupancy rate % (Q4 2002)*
5	<i>Equatorial Penang Hotel</i>	662	30	39.96
5	<i>Evergreen Laurel Hotel</i>	368	38	42.84
5	<i>Mutiara Beach Hotel</i>	438	32	30.37
5	<i>Shangri-La Hotel</i>	445	56	47.44
5	<i>Shangri-La's Rasa Sayang Beach Hotel</i>	514	48	52.66
5	<i>Sheraton Penang</i>	237	68	70.74
4	<i>The Bayview Beach Resort</i>	366	44	40.95
4	<i>Berjaya Georgetown Hotel</i>	323	46	101.11
4	<i>Copthorne Orchid</i>	318	51	53.53
4	<i>Crown Prince Hotel</i>	280	51	56.77
4	<i>The Feringgi Beach Hotel</i>	345	40	46.51
4	<i>Holiday Inn Resort</i>	368	28	35.06
4	<i>Paradise Sandy Bay</i>	243	46	49.27
4	<i>Penang Park Royal Beach Resort</i>	326	56	54.24
4	<i>Shangri-La's Golden Sand Beach Resort</i>	395	59	62.91
4	<i>Hotel Vistana</i>	238	54	87.19
4	<i>Cititel Penang</i>	451	53	55.73
3	<i>Sunway Hotel Penang</i>	240	49	51.57
3	<i>Casuarina Beach Resort</i>	176	79	72.18
3	<i>The City Bayview Hotel</i>	320	60	40.56
3	<i>Grand Continental Hotel</i>	192	54	48.59
3	<i>Hotel Tg Bungah</i>	200	NA	38.39
3	<i>Central Hotel</i>	138	NA	18.60
3	<i>Hotel 1926</i>	96	NA	18.83
2	<i>Hotel Malaysia</i>	126	79	73.81
2	<i>Oriental Hotel</i>	97	40	41.53
2	<i>Hotel Seri Malaysia</i>	150	54	40.53
2	<i>Hotel Continental</i>	194	84	61.01
2	<i>Hotel Midtowne</i>	96	48	23.36
1	<i>Hotel Bellevue</i>	12	83	48.78
1	<i>Hotel Gallant</i>	64	28	32.83
1	<i>Hotel Golden City</i>	121	17	15.09
1	<i>Lone Pine Hotel</i>	50	100	73.47
1	<i>Waldorf Hotel</i>	52	NA	67.37
NR	<i>The Northern All Suite Penang</i>	142	72	82.21
NR	<i>The Gurney Hotel</i>	315	64	67.83
NR	<i>Eastern & Oriental Hotel</i>	101	NA	12.77
NR	<i>Agora Hotel</i>	98	34	31.47
NR	<i>Naza Hotel</i>	126	NA	10.68
4	<i>Sunway Hotel Seberang Jaya</i>	200	60	52.37
3	<i>Pearl View Hotel, Bkt Mertajam</i>	180	74	56.10
NR	<i>Summit Prescott Hotel, Bkt Mertajam</i>	157	49	40.00

Source: Valuation and Property Services Department, NAPIC.

* Data has yet to be published by NAPIC Headquarter.

Rows in italics represent hotels that are members of the Penang International Hotel Association (PIHA).