

Tracing the Malaysia Tourism Lifecycle and Strategy Assessment from the First Malaysia Plan to Ninth Malaysia Plan

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Abstract

Butler's destination life cycle pass through a predictable sequence of six stages: exploration, involvement, development, consolidation, stagnation and decline. Conceptually, each stage of the tourism life cycle is differ thus required a distinctive strategy to achieve sustainable destination. In exploring this association, an analysis of an archival data from the 1965 (First Malaysia Plan) up to 2010 (Ninth Malaysia Plan) by applying the qualitative method, as opposed to quantitative method, will help to develop an explanation of the phenomena. Based on the analysis, Malaysia is on the development stage and it was suggested that currently the strategies used to prevent the decline of destination is related to a strategic options discussed by Andriotis.

Keywords: Strategy, sustainability, Malaysia tourism, Destination life cycle.

1.0 Introduction

The essence of strategy formulation is an assessment of whether the destination is on the right track and how it can perform more efficiently and effectively in order to become competitive and achieve sustainability. In other words, "objectives and strategies should be consciously developed so that the destination know where it want to go in each stage of the lifecycle and take advantage of the rapidly changing market, product, technological and social environments relative to their competitors" (Andriotis, 2001, p. 40). The understanding of the environment, community and tourist need and want will help the destination to outperform their rivals and sustained for the future. "Regardless of a destination area's position in the lifecycle, it is never too late for those in positions of authority to formulate policy and implement management techniques that will ensure them receiving the maximum benefits from their tourism industry" (Martin & Uysal, 1990, p. 332).

It is the aim of this paper to examine the strategy use by Malaysia tourism industry for each stage of the lifecycle from the international tourist perspective. In doing so, this paper consist of five sections. Section two, reviews evolutionary stages of a destination lifecycle. Section three present strategic options for application to each stage of the tourist lifecycle, section four discuss the methodology, section five discuss the evolution of Malaysia tourism industry from the First Malaysia Plan to Ninth Malaysia Plan and finally section six provides conclusion.

2.0 Evolutionary Stages of Destination

In the eighties, Butler (1980) adopted the product life cycle model to the tourism industry and created the "tourism Area Life Cycle (TALC) model. This model help destination planner to understand not only the physical development of the destination but also can be used to examine market evolution (Cooper, 1992). The TALC concept proposes that destinations are considered to evolve in six distinct phases of exploration, involvement, development, consolidation, stagnation, and decline and/or rejuvenation where each of which is characterized by a number of identifiable features (Table 1). The exploration and involvement phase of the model signify early tourism stage, development phase represents a development stage, whilst the consolidation and stagnation phase represents for maturity stage. The end of the cycle is marked by the post-stagnation stage, which comprises decline and rejuvenation phase. A destination could initially enjoy varying levels of popularity, but over time, growth will follow an S-Shaped path with a dip at the end (Figure 1).

3.0 Strategic Options for Different Life Cycle Stages

The specific characteristic of each stage of a destination lifecycle required different strategies in order for the destination planner to maintain or gain the desired position and improve the competitive advantage of the destination.

1. Early Tourism Stage (Exploration and Involvement)

In the earliest stage of destination lifecycle, the destination product and market share are usually unknown. Thus the adoptions of correct strategies are absolutely necessary in order to forestall future issues ahead. These strategies include the following:

- Selling new product/ services to new markets.
- Expand market share and build awareness among the tourist.
By implementing both strategies, the destination hope to attain a strong market position before competitors enters (Cooper, 1992).

2. Development

The goal at this stage is to maintain existing demand, reach new customers from competitors and create new products. At this stage, Porter's (1980) three generic strategies are seen as the most appropriate due to its use in several destination literature (Andriotis, 2001; Tang, 1984).

- **Overall cost leadership strategy**
A sustainable cost advantage can be developed by destinations, over their competitors, through cost leadership. Cost leadership strategy is where the company achieves lower costs than its rivals and competes across a broad range of segments. This strategy aims is to secure a cost advantage over its competitors destinations, price the product competitively, relative to how it is perceived by customers and achieve a high profit margin (Thompson, 1997). If this applies, destinations will earn strong profits while attracting consumers at lower prices. As the result, the tourists' perceived value of the product becomes the competitive advantage (Andriotis, 2001).
- **Differentiation strategy**
Differentiation strategy is centred upon increasing the value for which the tourist is willing to pay premium prices. Thus it is crucial for the destination to ensure the cost to add value is invested in areas that the tourists perceive as important as well, it is essential to the tourist to recognise and appreciate the product uniqueness and differences (Thompson, 1997).
- **Focus strategy**
Compared to the overall cost leadership and differentiation strategies that appeal to the broad market, focus strategy is where the destination may choose to confine their products/services to particular market segment, thus concentrating only on one segment or a limited range of segments (Andriotis, 2001; Thompson, 1997). The destination "get to know the needs of these segments and pursues either cost leadership or a form of differentiation within the target segment"(Kotler, 1994, p. 85). Consequently the focus strategy serves this market better than competitor destination.

3. Mature (Consolidation and Stagnation)

The formulation of a policy at this stage is considered critical as it represent the apex of the growth curve (Brooker & Burgess, 2008). Thus, "policy at this stage should incorporate measures to retain the status quo. Tourism development is no longer growing and policy formulation should be concerned with preventing decline. This is the ideal stage to be in, and a comprehensive tourism policy should be able to prolong it" (Martin & Uysal, 1990, p. 331). Three possible strategies for mature stage:

- Selling new product/ service /services to existing markets.
- Selling existing product/services to existing markets
- Maintain market share.

4. Post-Stagnation (Decline and Rejuvenation)

A destination conceivably could restore or rejuvenate the area so as to make it more attractive to tourism. As mentioned by Andriotis(2001), there are two sub stages under post-stagnation:

Decline

Destination inability to differentiate their tourism product has lead into 'a productposition of commodity'(Gilbert, 1990). 'Within the commodity area, destinations are substitutable, very sensitive to price and economic changes, while consumers have a low awareness of any unique benefits or attributes. Thus, travellers base their decision to visit the area merely on price, while the demand for the destination is incidental and destinations are unable to attract high spenders' (Buhalis, 2000, p. 107; Gilbert, 1990).Specifically, strategic options at this stage include:

- Harvesting of the product. This strategy is recommended for products that do not have any potential to capture a large share of the tourism market. Therefore their aim is to drain the highest amount of cash before the final withdrawal of the product (Andriotis, 2001, p. 42).
- Withdrawal of the product. The best strategy to deal with a product that is poorly perform and without any future potential is by withdraw it from the marketplace. This is to reduce or prevent any further loses. However, this option is difficult to follow due to a high investment make by the destination in facilities. Therefore, they may prefer to change use of existing facilities.

Rejuvenation

The most appropriate strategies to delay any decline in the destination include:

- Extending existing product/services line to a new market. For example, a destination that attempts to attract eco-tourists may add a new activity to its existing product such as mountain climbing, bird watching or hiking. Since the market is new, there is a risk that the extension of the product will be completely unacceptable.
- Sales, revenue growth and high market share must be earned or bought which requires investment. Sales of a product will only increase, if there is appropriate expenditure on advertising, distribution and development; and the rate of market growth determines the required investment.
- The destination can do well only by changing it status from 'commodity area' to 'status area' by differentiating their product from their competitors (Gilbert, 1990) through a unique `tourist product benefit (Buhalis, 2000; Gilbert, 1990).

Summary of the above discussion regarding the stage of the destination life cycle and the propose of strategy for each stage are shown in Table 2.

4.0. Methodology

The aim of the study is to understand and explain how Malaysia's tourism development has evolved and recognising the strategies used in each phase. Given this, the characteristic of qualitative methods are considered eminently more suitable than those of quantitative. As qualitative is the root for interpretive paradigm, which recognises the significance of subjective experience and provide a wealth of depth of detailed information regarding the issues being investigated, this study has chosen bibliographic research as its research method. The published material and data were then analyse using content analysis/NVivo.

5.0 Assessment Applicability of the Life Cycle and Strategies Option

Early Tourism stage (First Malaysia Plan to Forth Malaysia Pan)

The beginning of involvement stage can be identified in the First Malaysia Plan (1966-1970), where the basic infrastructures (hotels, transportation, tourist facilities and amenities) were developed mainly in four main municipalities on the West Coast, Kuala Lumpur, Penang, Ipoh and Pahang by public and private stakeholders - as most foreign tourists flocked to these areas due to the international entry point either by air or sea. As for other undeveloped states (such as in the East Coast of Peninsular Malaysia and Sabah and Sarawak) and rural areas, the government started by develop the transportation infrastructure in order to allow the necessary access for tourism related development.

As regards to the promotion activities, it is important to acknowledge that the Department of Tourism has adopt a different promotional approach by catering separately to domestic and international consumers and to travel trade personnel (travel agents, journalist, travel writers, etc.). The tactic of distinguishing between consumers and trade personnel was suggested by the PATA Pacific Visitor Survey to ensure the success of marketing programme aimed at attracting potential tourists to Malaysia (TDC, 1970). By the end of the First Malaysia Plan, foreign tourist arrival had increase to 76,384 in 1970 compared to 23,225 in 1965.

During the Second Malaysia Plan (1971-1975), the development of tourist infrastructures and facilities were expanded to all states in Malaysia. Incentives to build new hotels and upgrade existing hotel facilities according to international standards on the East Coast were given more priority compared to the West Coast to encourage the private sector involvement in infrastructure development. However, the hotel development remained focused on urban areas. An investment on major road construction projects such as East-West highway, Asian Highway, Kuantan-Segamat Highway and Kuala Lumpur/Seremban Highway that were finished in the Third Malaysia Plan (1976-1980) will contribute to the development of areas along the highway and facilitated easy access within the region. An improvement of airports facilities and the inauguration of an 'open sky' policy also have strongly attracted foreign tourists to Malaysia an increased to 1.4 million in 1975 from 1.2 million in 1972.

A more efficient and structured marketing plan was implemented in May 1975 as a follow-up to the success of the PATA conference held a few years earlier. The structure of the plan was to ensure continued demand for hotel accommodation and corresponded by the development and diversification of tourist facilities and amenities. Combined with the development of tourist sites, hotel facilities and the transportation infrastructure within each state, attention was also given to marketing activities such as sales aids, hospitality programme, exhibitions, trade fairs, public relations, advertising (toward Malaysia major market such as Japan, the United Kingdom and Australia; and potential markets such as Germany, France and Sweden) and international offices in Hong Kong. However, the implementation of the plan was not fully achievable as the development of accommodation facilities was not always coordinated with the provision of public utilities and infrastructural development (Wells, 1982). This was because the TDC did not fully control the implementation and enforcement as each government sector (government agencies, local authorities and state government) had their own jurisdiction and hence a verity of laws to approve the establishment of tourism facilities. The uncoordinated development lasted until the Forth Malaysia Plan (1981-1985).

The concentration on two main sectors such as commodities and manufacturing from the First Malaysia Plan until Fourth Malaysia Plan is similar to the description from Weaver and Opporman(2000) who stated that a destination in the involvement stages usually characterized by an economy that is dependent on agriculture and other local sectors. Even though the dependency on these sectors gradually reduced when the recession occurred in the mid-1980s, yet it was still seen as a main economic contributor. The notion of the major sectors contribution to Malaysia economy was address in Table 3.

Development Stage (Fifth Malaysia Plan to Ninth Malaysia Plan)

The recession that hit the Asian region in the 1980's badly hurt the Malaysia economy thus, by the Fifth Malaysia Plan (1986-1990), the government started to recognize the tourism potential in generating income for the country. In order to strengthen the tourism industry, the TDC was moved to a new ministry, the Ministry of Art, Culture and Tourism (MOCAT). This ministry was funded by the government and quasi-autonomous with a board of directors drawn from both the private and public sectors. Thus it can be concluded that although MOCAT was not privatise the opinion from the private sector regarding tourism improvement was taken into consideration.

Under the new ministry, the TDC began to streamline its marketing strategy by focusing on short and medium-term planning. The division of the international market based on market selection criteria was implemented to increase the international tourist arrivals. However, the recession has decreased the major foreign tourist arrivals to Malaysia and inadvertently led to an excess of rooms for international standard hotels. In order to solve the problem, the Investment Act 1969 was revived. Instead of providing incentives to the private sector concentrating on international hotel development, the newly revised investment act catered to developers of both accommodation (medium standard accommodation) and non-accommodation development. This reflects the government's recognition of the role by the private sectors in tourism development.

The revision of the Investment Act to develop a medium standard accommodation to cater to both budget and domestic tourists in the Fifth Malaysia Plan become vital as Malaysia realised that these segments could also contribute to Malaysia's overall tourism development. This would lessen the dependency on high budget international tourists and help resolve the existing socioeconomic regional disparities that occurred due to the impact of the previous Investment Act.

Malaysia also started to upgrade and promote other tourist attractions such as historical landmark, culture, handicrafts and even national park. Since some of the attractions were located in less developed areas, there was a need for the government to improve its transport and accommodation facilities. The improvement and upgrading of the destination facilities were essential as it involved with tourist experience.

The diversification of tourism products and an investment of RM200 million for constructing tourism projects such as tourist facilities, renovating hotels and constructing budget motels throughout Malaysia in the Sixth Malaysia Plan (1991-1995) indicated Tourism Malaysia effort to attract more international tourist (either budget or high-end tourists) to visit and travel throughout Malaysia which was expected to reduce the regional imbalance that before had focused more toward the development of the west coast areas. However, the strategy to reduce regional unbalance was not fully successful as the private sector still preferred to invest (especially in hotel development) in the West Coast causing the tourist arrival in this areas reached a total of 8.6 million guests compared to 1 million for the East Coast.

By the Seventh Malaysia Plan, Malaysia tourism become more organised in planning and implementation, as shown by the diversification of destination products and services that were created to meet tourist preferences with a focus on quality and value. The concept of quality and value were expected to become part of Malaysia's new image and to separate the country from its competitors. A redefine market categorization also occurred within this plan with six factors (1. Markets past performance in terms of arrivals to Malaysia; 2. Market size in terms of population and economy; 3. Accessibility in terms of distance, travel time, airline frequencies and capacity; 4. Overseas travel propensity; 5. Market characteristics in terms of travel preferences; and 6. Potential for Malaysia) were taken into consideration. The widening of the market segment to concentrate on medium and high-spending categories together with the intensive promotion such as Malaysia Truly Asia campaign have eventually led to an increase of tourists arrivals to 10.2 million in year 2000 compared to 7.4 million in 1995.

As a result of high tourist arrival on year 2000s, Malaysia successfully was ranked first in terms of the highest number of tourist arrival in Southeast Asia. However, countries such as Thailand, Singapore and Indonesia, received greater or almost the same foreign tourist receipts as Malaysia (Ministry of Tourism, 2004). This indicates Malaysia inability to attract high spending tourists due to its focus on the mass market segment (Ministry of Tourism, 2004, p.20). Since targeting mass tourism resulted in an undifferentiated tourism product, environmental damage (requiring the government to spend more on maintenance), and uncompetitive tourism package, a positioning strategy was required.

Three major factors in positioning Malaysia internationally has been identified; market segmentation (concentrate on penetrating the high-spending market segment while continuing to promote for the mass segment); image (emphasised on a value for money and worthwhile holiday experience) and categorize tourist product and service based on theme based approach. These strategies have successfully increased both tourist arrivals and receipts by 45.7% compared to the previous plan.

The upgrading of hotels and tourist attractions continued until the Ninth Malaysia Plan (2006-2010). Based on the above situation, it can be concluded that until the Ninth Malaysia Plan, Malaysia tourism growth was similar to the development stage in Butler (1980b) as there was an enhancement of accessibility and extensive advertising. Such enhancement of accessibility was the open sky agreement between Malaysia and 81 air services, the rise of the low budget air travel phenomena that connected Malaysia with other regions, the upgrade of services at the main entry points, ensuring hassle free travel and improved accessibility by air, road or sea between gateway cities and the resorts. Whereas, extensive advertising included intensive promotional campaigns towards regions that could generate high tourism inbound within a shorter time period (Tourism Malaysia, 2001), aggressive participation in trade shows, exhibitions, sales missions and promotion were also undertaken. This finding is similar to the Review of the National Tourism Policy report which concluded that Malaysia was in the Development stage and was approaching the Consolidation stage (Ministry of Tourism, 2004). The evolution of Malaysia tourism industry can be seen in Table 4.

6.0 Conclusion

The evolution of Malaysia tourism industry can be described by the model proposed by Butler. Each stage of the cycle is characterized by distinctive pattern that reflect the changing market, product, technology and social. Since different stages require different strategies, it can be concluded that Malaysia strategy in developing its tourism industry fitted the theory suggested by Andriotis (2001).

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Appendix

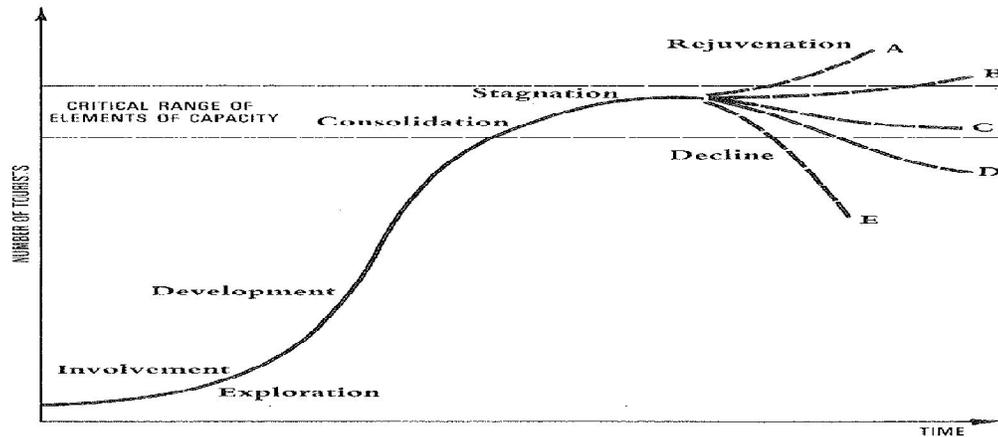


Figure 1: The destination evolution

Table 1: Butler’s Tourist Destination Area Cycle

A. Butler stages and Characteristics

Exploration: Few people visit the areas, adventurous tourist; interest in nature/culture; close interaction with local people, word-of-mouth promotion; minimal effect on social, cultural and physical environments; local facilities are used.

Involvement: Increased tourist numbers; still under local control; some advertising; start of tourist market and season; interaction stay high; some changes in social life and pressure on infrastructure; local entrepreneurs start to offer basic specialized service and facilities for tourists.

Development: Tourists’ number rapidly increase to equal or exceed local population more foreign-owned facilities, loss of local control; promotion of artificial attraction; intensive and extensive advertising; enhanced accessibility; use of migrant labour; a rapid landscape change.

Consolidation: Growth rate declines; tourism now a major economic sector; heavy advertising; some opposition to tourism due to over-crowded and high-density of tourism destination; product deterioration and abandonment of facilities.

Stagnation: Tourist capacity reached/exceeded; reliance on repeats and conventions; surplus hotel capacity and changes in ownership; focus on package tourist; social, environmental and economic problems.

Decline: Tourist market is lost; vacationers decline; reliance on weekenders and day visitors; conversions of many facilities; local resentment towards visitors

... or Rejuvenation: changed attractions; a new tourist market is found.

Source: Butler (1980a)

Table 2: Life cycle and strategic option

Destination Lifecycle	Product Options	Market Share Options	Overall Strategies
Early Tourism (Exploration & Involvement)	Selling new products	New markets, Building market share.	Growth Diversification
Development	Selling new and existing products	Maintain market share, Attract new markets	Cost leadership, Differentiation, Focus.
Maturity (Consolidation and Stagnation)	Selling new and existing products	Maintain market share.	Conservation, Status Quo
Decline	Harvest/withdraw product	Decline/Nullify	Change use
Rejuvenation	Extending existing products, Investments in product attributes, Improve quality.	New markets, Make demand international	Renovation, Move to a position of 'status area', Differentiation.

Source: Adopted from Andriotis (2001)

Table 3: Malaysia's Top Foreign exchange earners by Items (1985-2010) (RM Billion)

Item/Year	1985	1990	1995	2000	2005	2010
Manufacturing	12,153	46,654	NA	NA	NA	486
Petroleum	8,698	10,109	NA	11,880	8,970	NA
Palm oil	3,957	4,312	9,660	10,129	19,351	45
Rubber	2,872	3,128	4,180	2,631	5,787	9.2
Sawn Logs	2,748	4,200	2,326	2,515	2,464	NA
LNG	2,300	NA	3,097	9,702	20,790	38.1
Tin	1,648	800	525	462	935	NA
Sawn Timber	973	NA	4,122	3,118	3,471	NA
Tourism	1,543	4,473	9,175	17,335	31,954	56.5
Ranking among major exports	8	3	3	2	2	2

Table 4: Stages of Tourism Development in Malaysia.

Malaysia: Stages and Characteristic

Early Tourism stage (Involvement phase)

First Malaysia Plan (1965-1970): Basic infrastructures were developed mainly in four main municipal, adopted a different promotional approach for domestic tourist, international tourist and travel trade personnel

Second Malaysia Plan (1971-1975): The development of tourist infrastructure and facilities were expanded in all states, to build international hotels, improved airport facilities and an open sky policy, having a more efficient and structured marketing plan and increase marketing activities.

First Malaysia Plan-Fourth Malaysia Plan (1981-1985): Economy concentrates on two main sectors such as commodities and manufacturing.

Development stage (1986-2010)

Fifth Malaysia Plan (1985-1990): Recognize tourism industry as part of foreign exchange earner, new marketing strategy, developed both accommodation and non-accommodation development, include new market segment- budget tourist and promote other tourist attraction.

Sixth Malaysia Plan (1991-1995): Invested more toward tourism projects to attract more international tourists.

Seventh Malaysia Plan (1996-2000): Diversification of destination product and services, emphasis on quality and value, redefine market categories, widening market segment and intensive promotion.

Eight Malaysia Plan (2001-2005): Concentrate on market positioning

Ninth Malaysia Plan (2006-2010): Upgrade of hotels and tourist attractions, extensive advertising and improved accessibilities