

Divulging the Challenges Faced by Urban Based Tour Operator in Malaysia

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ABSTRACT

Information and communication technologies (ICTs) have been transforming tourism globally and undoubtedly changed business strategies and practices. Research trend in ICTs are mostly related with its adoption and models such as technology to performance chain and unified theory of acceptance, use of technology and theory of diffusion of innovation, etc. Still there is a need for research studies regarding intermediate players, specifically tour operators in the tourism industry about adopting the changes of information and communication technology to enhance the efficiency in service delivery towards business resilience. In this paper, we discuss the internal and external challenges of tour operators in Malaysia. Internal challenges are grouped into staff and financial types, while external challenges include customer demand and expectation, competition through globalization, deregulation, growth of technology and government support. The literature discussed the ability of tour operators and travel agents to sustain their competitiveness or remain in business due to the rapid changes in technologies. The findings of the study indicate that tour operators face a plethora of internal and external challenges upon updating the ICTs changes in ensuring business resilience.

Keywords: Challenges, Urban, Tour Operators, Tourism, Information and Communication Technologies (ICT)

1. 0 Introduction

Information and communication technologies (ICTs) have been transforming all fields of life and generate a new paradigm for developing all business and industries processes. Recently in 2015, the World Telecommunication and Information Society Day with the theme “Telecommunications and ICTs: Drivers of Innovation” emphasis on digital innovation in all over the world. According to digital communication plan of 2013-2014, Malaysia is moving towards a developing nation in 2020, where the digital community needs to be empowered to reap maximum benefit from using the internet services (Rahim, 2015). Since the field of tourism is one of the most significant and large categories for e-commerce and economic globalization (Yusoff, 2015), advancements of ICTs in the e-commerce field is crucial for a business to explore the potentials of technologies. Lack of knowledge and illiteracy to understand the ICTs greatly minimize the competitiveness and efficiency of business (Hashim, 2007).

ICTs may bring business changings, depending on business attitude associated with technologies awareness such as the capability of business, and relates with a new application of knowledge (Immink & Executive, 2013; Mihajlovis, 2012). When travel services are being offered through a variety of channels and different devices, the dramatic usage of convenient technology services will therefore leads to changes of business strategies and consumer behavior. According to Oever (2015), Malaysian travelers use online services slightly more than offline services or touch points. This is because the online services are available through various medium such as online travel agencies, agents' websites, mobile commerce applications, airline websites and application, travel advisor engines, blogs, social media Facebook travel pages, met search websites, forums and etc. Due to such available services and rich contents, the tourism market is becoming more complex day by day.

Traditionally, the functions of tour operators in the travel industry are as intermediaries players that serve inbound and outbound services to the customers. However, with the changes of ICTs and consumer behavior, they could penetrate the business due to availability of online services since customers could avail the online services for travel plan and services. Figure 1 illustrates the number of tour operators and agencies in Malaysia as verified by Malaysian Association of Tour and Travel Agent (MATTA) and the number of license cancelation cases as recorded by the MOTAC (Ministry of Tourism and Culture Malaysia). In Figure 1, there are approximately 4,691 registered travel agencies and tour operators in Malaysia with the most located in Kuala Lumpur. While Figure 2 reveals that both Negeri Sembilan and Terengganu record the highest number of tour agencies' and operators' license cancelation. Although there are unclear causes of registration cancelation, one possibility could be the technologies turbulence that has affected their traditional routine of services and delivery operations.

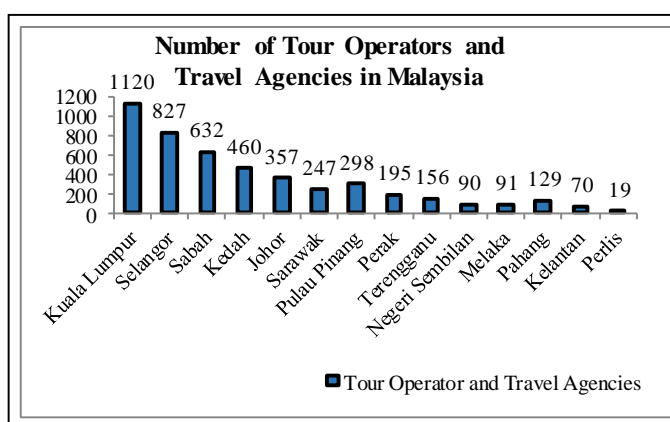


Figure 1: Numbers of Travel and Tour Agencies in Malaysia

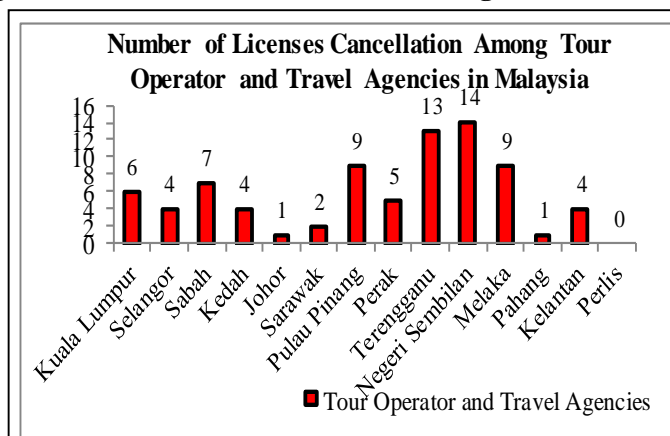


Figure 2: Number of Licenses Cancellation Among Travel and Tour Agencies in Malaysia

In previous studies, the adoption of ICTs is concentrated on small medium size enterprises (SME) (Balocco et al, 2009; Mporfu et al, 2009; Ongori & Migiro, 2010; Selamat et al, 2011; Consoli, 2012). In the context of tourism and travel firms, lack of studies was conducted in these fields (Spencer, 2011; Li & Suomi, 2008; Ma et. Al, 2003) with most discussion related to supply chains (Sigala, 2008; Guo & He, 2012; Spasic, 2012), challenges for tour operators (Nkonoki, 2012; Xin et. al, 2013), role of tour operators (Lumsdon & Swift, 1999; Sigala, 2008; Zotz, 2008), and sustainable concepts and implementation for destinations (Carey et. al, 1997; Bank, 2002; Bbudeanu, 2005; Tepelus, 2005a, 2005b; Khairat & Maher, 2010; Khairat et. al, 2012; Spasic, 2012;). Hence, the main purpose of this article is to enlighten and divulges the challenge faced by urban based tour operators in Malaysia, specifically in Kuala Lumpur upon adapting the changes of ICTs for business resilience.

After the brief discussion, the remainder of this paper is organized as follow: Section 2 presents the research methodology adopted to divulge the challenges of tour operators in Malaysia, Section 3 discuss the findings and results and Section 4 concludes with future direction.

2. 0 Research Methodology

To achieve the objective of this study, primary data was collected through personal interviews. Such flexible method is very useful for collecting tremendous amount of first hand data and enables the interviewer to gain full attention of the respondents' as well as the ability to clarify difficult or complex questions easily. In addition, it also enables guidance to the interviewees and explores other related or interesting issues according to the situation. English language was used to collect the data and 40 minutes were set for each interview that was session individually. The content were recorded and later transcribed.

The selection of participants was based on choosing important person from Malaysian travel industries and tour operators as well as related government officers through purposive sampling. This method of sampling is used to identify the samples of a person with expertise and sufficient demonstrable experience in the field of study such as tour operators' owners and representative of MOTAC. Besides interviews, several informal conversations were also taken into account with the industry players that attended the Conference Travel Tech 2015 organized by MATTA in Malaysia on 29th April 2015. Other than that, secondary data was also collected from various well reputed research databases in the shape of relevant field published articles, relevant literatures, MATTA statistics and reports, as well as newspapers and magazines. After data collection, the data was analyzed through data reduction, display and draw conclusion methods as suggested by Miles and Huberman's (1994). In the data reduction stage, data were categorized into two major themes of:

- a) Internal challenges
 - Staff
 - Financial
- b) External challenges
 - Customer demand and expectation
 - Competition through globalization and deregulation
 - Growth of technology
 - Government Support

The data were later tabulated to assist and enable understanding before conclusion was made.

3.0 Results and Discussion

The findings of this study indicates that Malaysian tour operators faces a plethora of internal and external challenges upon updating ICTs changes in terms of keeping their business' resilience as shown in Figure 3. There were two main factors of internal challenges and three main factors of external challenges. Internal challenges includes staffs and financial, while customer demand and expectation, competition through globalization and deregulation, and the growth of technology makes up the external challenges.

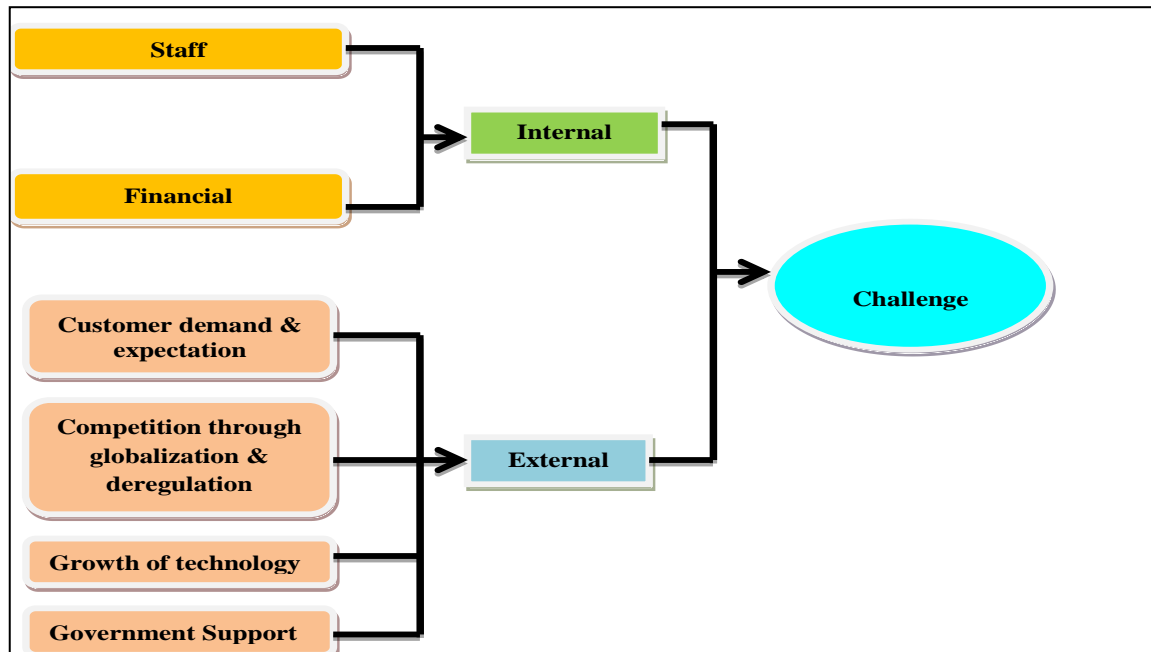


Figure 3: Challenges faced by Malaysian Urban Tour Operators

3.1 Staff

Tour operators consist of two types. One, have proper information technology and capabilities staff. Second, have none IT related and capabilities staff. In small tour operators, there is a need for supporting workforce to handle IT operations. However, in some cases, these small tour operators do have competence staff but without proper expertise. Such factor indicates that the presence of competence and expert staff in tour operator business depends greatly on the business size and is more significant for a relative complexity of the adapted information and communication solutions.

According to participant A in this study, most staffs do not possess proper skills and some of them are not even aware of the changes in ICTs. Hence, this becomes a reason to why some companies ignore changes in ICTs, especially in an urban area like Kuala Lumpur. They continue to adopt and sustain their business with traditional methods like using telephone, post mailing and fax machine. In marketing, traditional companies usually opt for promotional strategies such as face to face and media mass. In the fast-changing-phase millennia, this could become a barrier to business resilience. It is a challenge to change the culture and attitude among older staff and subordinates with lower academic qualification to understand the usage of new trends in ICT. Thus, the management needs to identify those with lack of IT qualities and provide sufficient training to them until they are capable to

handle new technologies and strategies correctly in line with the company's goal. Such training will not only leads to significant changes but also helps to improve the financial benefits of the company.

3.2 Financial

More travel agencies are now adopting new technologies and make use specialized technology infrastructure to develop specific knowledge of their companies. This technology is seen as a precarious factor to measure, control and minimize cost. It also provides additional values to customers on new products, strategies, and services. These values include one-to-one marketing strategy, clear understanding of suppliers on customer's needs, mass customization, improves delivery services and targeting strategies. Such changes will make a positive impact on the industry including emerging and preparing players with new technologies for further survival in the industry.

However, to realize new cost burden would be challenging and difficult due to business size, limited capitals to invest for adoption of new ICTs, as well as the nature of the tour operator itself. This statement is supported by Reynold (1994) and, Poon and Swatman (1996), in which they specified that it is difficult to obtain financial resources for small size business since new ICTs are too expensive when there is a limited capital and financial resources (Poon and Swatan, 1999). Agreed to the debate above, participant A quoted:

“There is another context in terms of number of travel agencies in Malaysia. The numbers of registered agencies are very high, and one of the main reasons behind this is the smaller operators in Malaysia with limited capital and financial resources. When they think of new technologies, they always look at the cost of investment, return of investment (ROI) and etc. It is a big issue, as you all know that when they think of adopting new technologies, they are thinking about its expensive cost. If they invest, so then regularly their investment to update these technologies increases, which you cannot see. But they have to think that without these technologies, they will neither sustain in the market nor compete with others”.

3.3 Customer demand and expectation

Urban tour operators in Kuala Lumpur face a challenge to understand customers' demand and expectations as well as the emerging of new trends in the market. A study by (Oever, 2015) highlighted the fact that a typical consumer spends five hours to browse online services to plan their trips and travel. In average, an estimation of 92 sites was visited, with 22 sites belongs to the travel industry, and later decides to avail on the online services either by browsing through search engines or other travel aggregator sites. According to the studied respondents, 9 out of 10 respondents uses search engines, 83% browse through travel aggregator sites, 79% looks for travel booking sites, 69% chooses airline companies and 28% uses social media sites. Figure 4 below illustrates the dramatic usage of online services as retrieved on June 2014 from GFK Asia (2014) on Hong Kong Omnichannel Purchase Journey study: Flight Tickets.

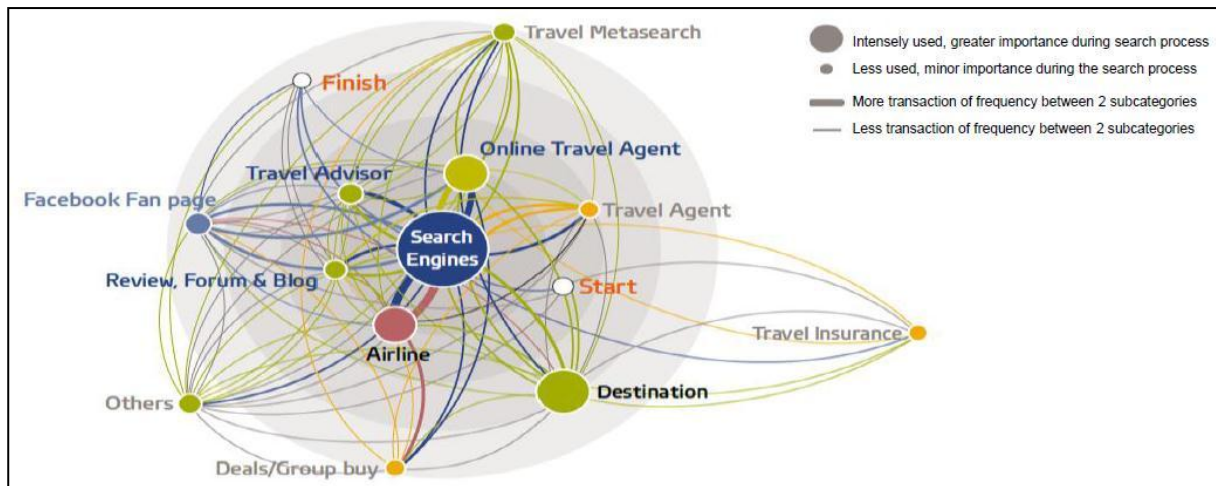


Figure 4: Dramatic increase of touch points changes consumers' behavior

In support, participant B acknowledge that it is significant for industry players to clearly understand consumers' expectation on cost, the journey, as well as trips plan and services so that providers can focus on the right desires and eliminates the difficulty of these process. Therefore, it is crucial for tour operators to reach out to the right customer and at the right time by adapting the changes of ICTs.

3.4 Competition through globalization and deregulation

“If they want to compete with the global industry they have to go full-swing on the e-commerce, basically on the technology aspect of it...” - Participant A.

Nowadays in the travel industry, there are a lot of successful online portals available such as Agoda.com, Booking.com, Tripadvisor and Travelocity that are all being dominated by foreign players (Yusoff, 2015). If transactions are done outside of Malaysia, then this will later leads to leakages of Malaysian currency. Urban Tour Operators in Malaysia are essentially in need to adapt the changes in ICTs and compete with foreign online services. Participant A reveals that soon Malaysia Travel Industry will implement Free Trade Agreement (FTA) with the open foreign market in which it will increase more competitors from outside. Hence, Malaysia Tour Operator must be prepared for these competitions and be aware with new and latest usage of ICTs for their businesses to sustain and compete in the market.

3.5 Growth of technology

With the new advancement of internet, the customers are more knowledgeable and are aware with technologies. As mentioned by Participant A, *“Because communication technology has moved so fast and so advanced now, everybody is holding the smartphones. So you know the application like Whatsapp, push e-mail, etc. are so easy and smart”*. This is a challenge for tour operators' especially in Kuala Lumpur to adapt the changes in ICT such as upgrading their booking facilities and services so that they are able to reach to their customers.

3.6 Government Support

Both the industries and the governmental bodies play an important role to support and promote the tourism industry and the tour operators. According to Doig (2000), the Australian government is extremely committed to promote e-commerce for small size business to make their participation affordable and convenient. In order to adopt new technologies, there is a need to have a clear understanding on these new technologies and the government's role and contribution towards ICTs development in the shape of financial and technical support. As noted by participant A, government support is particularly important for ICTs adoption among Tour Operators to sustain and compete in the open market. Stoneman and David (1986) supported this phenomenon and discoursed that the government policies and initiatives provides direct and indirect stimulation for information. By producing faster technology, the government provides a sincere and optimistic leadership in playing a role to develop information and communication infrastructure that digitizes the economy and boost the business (Kettinger, 1994; Tan, 1998).

4.0 Conclusion and Recommendation

ICTs do gradually revolutionize the tourism industries with new attractive applications and services. With most studies presented discuss the adoption models and performance of technology in industries, there are fewer attempts highlighting on tour operators challenges in the tourism industry in adopting the changes of ICTs to enhance the efficiency of the business. In this paper, tour operators' internal and external challenges were discussed. After a brief discussion above, this study identifies both the internal (staff and financial facts) and external (expectation, competition through globalization, deregulation, and growth of technology and government support) challenges faced by urban based tour operators in Malaysia. These challenges directly affect the tour business growth process and the tour operators' sustainability.

The industries and the government need to address and overcome these challenges with financial support to boost neglected industry and assist in business resilience. Tour operators must enhance their skills to adopt ICTs and promote their business through online websites, social media, and other mobile commerce. Although these new technologies are not so expensive like the small size business operators think, this may be due to unawareness and lack of skills in identifying inexpensive ICTs. Tour operators need to update their services and grasp the benefits from online services because these services are affordable, easy to handle and easy to target the right customers. Being in the technology era, they should have a clear understanding on the importance of ICTs and compete in the market, target the customer need, and fulfill the customers' expectations. There is also a definite need to train their subordinates with new IT courses for the wellbeing of their business and making their websites attractive to the customers to enable sustainability in the market. In the future, this paper will assist the needs for future studies with regards to intermediate players, specifically tour operators in the travel industry concerning the adoption of changes in ICTs to increase the efficiency in service delivery.

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