STUDY ON THE SELECTION CRITERIA FOR CHOOSING DOMESTIC PACKAGE TOURS IN MALAYSIA

DAYANG SANDRAWATI BINTI ABANG JOSMANI

UNIVERSITI TEKNOLOGI MALAYSIA

To My Husband and My Children

ACKNOWLEDGEMENT

In the Name of Allah, Most Gracious, Most Merciful.

Alhamdulillah, with His Blessings I have successfully completed this thesis.

I wish to express my sincere gratitude to a number of people for their contribution in assisting and guiding me to complete this thesis. In particular, to my thesis supervisor, Professor Dr. Zainab Binti Khalifah, for her encouragement, guidance and motivation. I am also very appreciative to my lecturers Professor Dr. Amran Hamzah, Encik Ahmad Tajuddin Bin Kechik and Dr. Hairul Nizam Bin Ismail for their guidance and advices as well.

I would also like to extend my heartfelt thanks to all my colleagues and the TPRG researchers for their valuable advice, assistance and friendship.

Finally, my deepest gratitude goes to my husband and my children for his never-ending support and to my family for their encouragement.

ABSTRAK

Kajian ini bertujuan untuk mengenalpasti kriteria-kriteria penting yang mempengaruhi pelancong memilih pakej pelancongan domestik di Malaysia. Sejumlah 21 kriteria telah dikenalpasti, dimana ianya telah mengambil contoh dari sebuah kajian yang hampir sama di Hong Kong yang telah dilakukan oleh Chak-Keung Simon Wong dan Wai Yan pada tahun 2003. Daripada kajian ini, telah didapati bahawa harga merupakan kriteria yang paling penting mempengaruhi pelancong di Malaysia untuk membeli pakej pelancongan domestik, diikuti pula dengan kriteria-kriteria lain seperti keselamatan, kualiti servis yang ditawarkan oleh agensi pelancongan, pemandu pelancong yang berkualiti dan berpengalaman, pengangkutan yang selesa and makanan yang disediakan semasa lawatan. Ini menunjukkan bahawa pelancong tempatan sangat mementingkan harga pakej pelancongan bila merancang untuk melancong. Pelancong Malaysia juga amat mengambil berat tentang kualiti servis yang diberi oleh agensi pelancongan terutamanya servis daripada pemandu pelancong dan juga pengurus lawatan sepanjang perjalanan lawatan. Pelancong domestik juga amat suka sekiraya perjalanan tersebut menggunakan pengangkutan yang selesa dan bagi yang muslim akan memilih makanan halal. Untuk menjadikan pakej pelancongan lebih menarik dan mampu bersaing, beberapa cadangan telah dicadangkan untuk agensi pelancongan termasuk dari segi harga dan keselamatan lawatan, latihan untuk pemandu pelancong, itinerari dan servis perkhidmatan pelanggan.

ABSTRACT

This study was designed to identify important selection factors for domestic package tours in Malaysia. A total of 21 selection criteria were identified in this study, which is applied from a similar but outbound research in Hong Kong done by Chak-Keung Simon Wong and Wai Yan, 2003. From the study, it shows that price is the most important criteria for Malaysian in choosing their domestic package tour, followed by the safety of the tour, service quality offered by the travel agency, escorts, tour guides quality and experience, comfortable transportation and meals provided. All of these criteria were viewed as important with mean score greater than 4. This conclude that Malaysian people are very particular about the price of the tour package when they planning to travel. Malaysian also would consider on the service quality provided the travel agency which will of course goes to the experienced tour guide and tour leader or manager during the tour.   As we know, Malaysian is very keen in having a comfort journey which will reflect to the comfortable transportation provided and also meals during the tour especially muslim which will prefer halal food. Recommendations for travel agencies, included price and safety of tour, training for escorts and tour-guides, itinerary and customer care services, will, it is argued, enhance the attractiveness of package tours and their competitiveness.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

CHAPTER 1

INTRODUCTION

Malaysian economic performance is expected to provide positive consistent growth in Gross Domestic Product from 2002 onwards after an economic downturn in 2001. Coming from the strong economic drivers, disposable incomes, leisure expenditure and the balance of tourism payments will continue to see a healthy growth trend. This will further be compounded by the strong Asia Pacific economic forecast, especially for selected countries within the South East Asian region.

Tourists are usually driven by value for money when they plan to travel. With the birth of low cost carriers within the region, and the improving economic position, Malaysia has a record breaking 17.54 million tourists in 2006, which slightly surpassed Tourism Malaysia's target of 17.5 million, marking an overall 6.8% increase from 2005. The revenue from tourists also increases by 13% with receipts of RM36.2 billion in 2006 (Ministry of Tourism Malaysia, 2007). Refer to Table 1.1.

Table 1.1 Tourist Arrivals and Receipts to Malaysia

Year	Arrivals	Receipts
2002	13.29 million	25,781.1 million
2003	10.58 million	21,291.1 million
2004	15.70 million	29,651.4 million
2005	16.43 million	31,954.1 million
2006	17.55 million	36,271.1 million

Source: Ministry of Tourism Malaysia, 2007

Correlating to all previous trends of incoming and outgoing tourism characteristics, Singaporeans remains as the top ten market in 2006 (9.6 million visitors), as Singapore can be seen by many as just another interstate trip. This is followed by Thailand (1.8 million visitors) and Indonesia (1.2 million visitors) (The Star, 1 March 2007). Tourism has become a significant source for income generations for many countries. With strong integrated linkages, tourism promotes external economies by promoting and improving local and regional infrastructure.

The Visit Malaysia Year (VMY) 2007 campaign was launched on 31st December 2005 in conjunction with the golden jubilee of the nation's independence. It is designed to make Malaysia a top-of-mind destination; the yearlong campaign comprises various promotions and marketing strategies. The calendar of events, detailing major events in Malaysia and other related activities for VMY 2007 include the installation of the new king in January 2007 and the country's much anticipated 50th Independence Day celebrations in late August 2007. The VMY 2007 campaign is the third following two previous ones that were successfully held in 1990 and 1994. It is expected to increase the number of foreign arrivals to the country to 20 million in 2007.

Ministry of Tourism and Tourism Malaysia's is hoping the VMY 2007 campaign can stimulate the growth of domestic tourism and eventually instill a domestic travel culture among Malaysians. It is about time for Malaysians to develop greater appreciation and deeper affiliation towards their homeland especially when Malaysia is going to celebrate it 50th anniversary of the Independence Day in 2007.

A marketing and promotion programme has been introduced to highlight VMY 2007 which coincides with Malaysia's 50th year of independence. The two-pronged international and domestic campaign aims to make Malaysia a top-of-mind tourist destination and increase foreign tourist arrivals to the country.

International tourism has been the main emphasis among developing countries for its impact on the balance of payment and foreign exchange rates. Domestic tourism has been downplayed in favor of international arrivals. With the recent economic slow down and health scare incidences at the international level as a result of SARS, domestic tourism is seen as another alternative to generate revenue within the country. As for domestic market, there was no statistic on the number of tourists but based on the hotel guests by locality data, there was about 30 million domestic tourists has check in to all the hotels in Malaysia in 2005 (Ministry of Tourism Malaysia, 2006). See Table 1.2.

Table 1.2 Domestic and International Hotel Guest By Locality in 2005

BY LOCALITY	DOMESTIC	FOREIGNER	TOTAL
Kuala Lumpur	7,242,972	7,891,917	15,134,889
Putrajaya	45,665	35,661	81,826
Selangor	1,633,080	1,586,772	3,219,852
Penang	2,267,532	2,084,377	4,351,909
Perak	1,445,149	523,365	1,968,514
Kedah	2,734,189	1,323,806	4,057,994
Perlis	76,917	13,230	90,147
Negeri Sembilan	1,107,716	285,461	1,393,177
Melaka	1,423,762	1,288,652	2,712,414
Johor	1,930,763	898,118	2,828,881
Pahang	3,371,705	2,323,723	5,695,428
Terengganu	820,941	129,326	950,267
Kelantan	614,539	74,981	689,521
PENINSULAR MALAYSIA	**24,714,929**	**18,459,389**	**43,174,318**

SABAH	2,637,761	2,174,558	4,812,318
LABUAN F.T	180,562	66,194	246,755
SARAWAK	2,393,166	738,319	3,131,485
GRAND TOTAL	29,926,418	21,438,460	51,364,878

Source: Ministry of Tourism Malaysia, 2006

Leave entitlement days remain the same in each calendar year. The key consideration is that domestic tourists usually capitalize on long holidays where the holiday falls on a weekend, and interstate tourists tend to target these long weekends that result from the overlapping national and state-specific holidays. This is motivated further by a tray of competitive domestic holiday packages over these periods, designed to shift the planned holiday habit to a more spontaneous lifestyle.

With the development of AirAsia, Malaysia can expect to see a shift from the norm of land travel to air travel. Aside from domestic tourists taking advantage of long weekends, this will also boost interstate business to grow further. In the medium to long term, Malaysia can see this as another catalyst to enhance disposable incomes with value-for-money air travel.

The key driver to this success was the encouragement by the government to travel within Malaysia to preserve the exchange rate a few years ago, supported by a very competitive tray of domestic travel packages. This was further reinforced by AirAsia's "Everybody Can Fly" campaign. There are differing views on how long this tag line can increase and sustain domestic travel, and in particular air travel.

Land remains the primary mode of transport for domestic tourists, accounting for over 90% of trips made (Euromonitor Report, 2005). Air travel was the second favorite option, and is expected to increase further once competitive integrated packages with cheap air travel and economical car rental options are available, as these options will give domestic tourists access to a vehicle at the destination, removing the need to drive. The trends for domestic destinations have remained relatively stable and within expectations.

The differentiation now is how much value a domestic tourist can optimize, given a more or less level amount of spending. Despite the decline in receipts in 2003 of RM21 billion, compared to the 2002 figure of RM25 billion, the aggressive programmes by Malaysia Tourism have proved to be effective by bouncing receipts back to RM29 billion 2004 and has increase again to almost RM32 billion in 2005 (Euromonitor Report, 2005). This will position tourism as the second biggest revenue earner in the Malaysian economy. Most importantly, to enhance further all other related industries supporting tourism, such as food, shopping, entertainment, and local travel, a more creative package must be created to enhance spending in the related industries, and not have the major spending focused on accommodation. This attempt to balance the spending portfolio of tourists will probably be the major challenge over the next few years.

With the government's objective of putting tourism as the second biggest revenue earner for the country's wealth, and the landscape of a healthy GDP, disposable income, and leisure expenditure to stimulate demand, reinforced by the various travel ministry and industry collaboration travel programmes to attract both domestic and incoming tourists, travel retail offers a promising picture.

The tourism industry in Malaysia has progressively shown the transformation from the low yield to the high yield tourism. In order to achieve utmost transformation, the industry that plays an important role needs to be more innovative and competitive. As tourists continue to seek a better quality tourist experience from their visits, tour operators should be innovative in designing tour packages. If we look at current developments in this industry, quality improvement must be seriously considered as a useful instrument in achieving competitive advantage. Instead of specialized, bespoke and designed tour packages, they should improve and offer various inventive itineraries, especially in urban tourism packages in order to improve the quality of tourist experience, which in turn, will ensure tourist satisfaction.

With Internet and online culture growing at a fast rate worldwide, and the Asia Pacific region following this pattern, it is expected that travel agents will look at this channel in a more serious manner. Even though many people now feel more comfortable visiting a travel agent's office to make travel arrangements, eventually travel agents must allow themselves to become virtual online offices, with an easy to use online reservation channel where travellers can simulate different travel packages at different budgets themselves, perhaps also viewing selected video clips of the selected destinations.

Travelling in groups in package tours dominates as the primary revenue earner for travel agents, despite being known to be very tiring, with tight travelling schedules to allow tourists to cover as much ground as possible. Package tours contributed over 78% of total agency value sales by service over the review period. Selling air tickets or accommodation were equal second best choice for tourists, with 9% each of percentage value sales in 2004(Euromonitor Report, 2005). These sales are aimed at the free and easy types, who are either on a budget travel option or have been to the country before. Airlines, both traditional and low cost, are becoming very competitive, and sales for flights only may see an increasing trend.

Although there is no primary data for the months in which holidays are taken, the key drivers and holiday taking trend remains very similar every year. The dominant motivators are the long school holidays towards end of the year, and the major festive celebrations, which are Hari Raya Puasa, Chinese New Year and Deepavali. A slight increase will also incur during the mid-year and third quarter break, for people who take their quarterly time away from work, and also in line with the shorter school holidays. (Euromonitor Report, 2005).

Travelling in groups in package tours dominates as the primary revenue earner for travel agents, despite being known to be very tiring, with tight travelling schedules to allow tourists to cover as much ground as possible. Package tours contributed over 78% of total agency value sales by service over the review period (1999-2004) and with the popularity of package tours, potential profits accrue for travel agencies. (Euromonitor Report, 2005)

To gain profits, travel agencies need to carefully design and promote package tours. Based on the similar research in Hong Kong by Chak-keung Simon Wong and Wai-Yan Kwong, 2003, they have identified 30 selection criteria in selecting tour packages (refer to Table 1.3). This study will use the same criteria during the pilot study and will modify if the criteria is not suitable for Malaysian.

Table 1.3: Selection criteria for package tours

1. Safety of the tour
2. Guaranteed departure
3. Service quality of travel agency
4. Relaxing itinerary
5. Air-conditioned coach
6. Reputation of travel agency
7. Hotels quality & grading
8. Escorts, tour-guides quality &experiences
9. Sightseeing points included
10. Flight schedule
11. Time for traveling
12. Choice of destination
13. Items included in the tour price
14. Price of the tour
15. Non-repeated routing
16. Airlines used
17. Visiting natural environment
18. Freedom to join or not join self-paid activities
19. Number of days of the tour
20. Visiting cultural characteristics
21. Weather of the destination
22. Number of meals included
23. Traveling partners opinions &interests
24. Personal interests
25. Season of traveling
26. Family's &friends word-of-mouth recommendations
27. Hotels facilities
28. Allowance of special request for room or bed
29. Visiting a theme park & amusement park
30. TV advertisements & travel programs

(Source: Chak-keung Simon Wong and Wai-Yan Kwong, 2003)

1.1 Background of the Problem

From 1999 to 2004, tour operators and travel agents in Malaysia grew from 1,214 and 927 to 1,240 and 1,015. As we know, all the package tours presented to the market are very similar. Itineraries offered by travel agencies possess high degrees of similarity with reference to entertainment and food. Besides, travel agencies are not only competing with other travel agencies in the market, but also their products are competing with products in the same product line or for the same destination. Undoubtedly, how people select their tour is an important issue for travel agencies.

A good tour packages becomes the major drivers to bring urban tourism cluster as dynamic economic sector in Malaysia especially our main destination such as Pulau Langkawi, Pulau Tioman, Sabah, Sarawak and big cities like Kuala Lumpur. It is considered as a product or service provided to the tourists to get more information and experience pertaining to attractions and places of interest. At the same time, tour package also has given a direct impact as a marketing medium in product development and tourist's attractions which comprised of various economic scales.

Economic theory presumes that consumers have special preferences consistent with their choice among alternatives. Economists also assume that consumers are interested in value maximization by making choices best suited to their goals, budget constraints and earning power (Roberston, Zielinski, & Ward, 1984). Thus, it is proposed that people would have a set of criteria or attributes for the selection of consuming package tours.

However, many travel agencies believe the market simply accepts whatever they supply. This may reduce operational costs as people have to take the product because no alternative exists as most tour packages are very similar in Malaysia but it might also mean that other opportunities for sales were being missed. Effective tourism marketing strategies and development plans require marketers to not only understand what people do on vacation, but also how they make their travel decisions

(Fodness, 1992; Josiam & Hobson, 1995; Lang, O Leary, Morrison,1997). In addition, satisfied customers are likely to return and make positive word-of-mouth recommendations about the company (Duke &Persia, 1996).

Berry (1995) suggested that the cost of retaining current customers is much lower than the cost of acquiring new customers in the service industry. By understanding the selection criteria by which customers select their package tours, tour operators could retain existing customers and save the higher cost of acquiring new customers. Thus, the purposes of this study are to identify selection criteria that are frequently used by tourists to select domestic package tours. Recommendations for tour operators will help to enhance the attractiveness of domestic package tours and their competitiveness.

1.2   Problem Statement

By understanding the selection criteria by which customers select their package tours, travel agencies could retain existing customers and save the higher cost of acquiring new customers.

1.3   Research Questions

1. What are the important criteria that tourists use to select domestic package tours when they travel?
2. Is there any significant differences among the demographic groups?
3. What is the best suggestion that we can give to travel agencies about tailor-making package tours for domestic tourists?

1.4   Purpose of the Study

The specific objectives of this study are:

1. To identify the important criteria that tourists use to select domestic package tours.

2. To discover any significant differences among the demographic groups.

3. To make suggestions to travel agencies about tailor- making package tours for domestic tourists.

1.5   Scopes of Research

The scope of the study is divided into five main areas. The following are the areas covered in the study:

1.5.1   Literature review

The literature review focuses on the theoretical perspectives of the following elements:

1.5.1.1 Evaluation of domestic tourist's selection criteria of purchasing tour package

The above assessment is intended to identify the attributes that helps domestic tourists in choosing their travel package in Malaysia. This is the major part

of the evaluation, as it not only examines the tourist's selection attributes of purchasing travel package but also how they rate the attributes based on the importance of the attributes.

1.5.1.2 Evaluation of domestic tourist's profile and trip characteristics

The profiling is intended to determine the typology and common traits of the tourists in terms of their residencies; age; gender; educational attainment; occupation; purpose of visit; party composition.

1.5.1.3 Recommendation of strategies in planning and design a domestic travel package

The findings of this study may contribute significantly to the tour operator to learn the profile of its domestic tourist and therefore planning and implement effective positioning through its market segmentation strategies.

1.6   Study Approach

The study approach is divided into five stages. All the stages are described briefly under several headings below (see Figure 1.1):

1.6.1 Stage 1 – Desk Study

The desk study involved a review of literature related to domestic tourists and domestic tour packages. This stage also to identify and determine the selection criteria in choosing domestic tour packages. Most of the data were based in secondary sources such as journals, internet and publications.

1.6.2 Stage 2 – Pilot Study

The pilot study was carried out in the second stage to understand and to obtain general overview for tour packages offered to the tourists by the travel agents. The general questions were set up and asked to the tourists who travel with domestic tour packages. This pilot survey was to identify the selection criteria in choosing domestic tour packages that is applicable to domestic tourists.

A pilot test was conducted to assess the reliability of the 30 attributes. Twenty consumers were interviewed outside the four major travel agencies in the commercial district in Kuala Lumpur. Some wordings were rephrased after the pilot test to ensure that they were made to be more specific to travel services.

1.6.3 Stage 3 – Data Collection

This study used a primary collecting data approach, which involved distributing questionnaire forms to the tourists, and collecting the forms back from

them. Besides, it also used secondary data to support some information in forming the survey questions. In this stage, the survey question was thoroughly designed.

Questionnaire design is divided into four (4) aspects:

a) Section 1: Personal information – state of residence, gender, age, race, marital status, education level, occupation and average income per month.

b) Section 2: Travel Related Behaviours – frequency of travel, choice of destination, theme interest, preferable number of days traveling, tour information, traveling partners, and main purpose of traveling.

c) Section 3: Selection Criteria for Travel (modification from Chak-keung Simon Wong and Wai-Yan Kwong, 2003)

1.6.4   Stage 4 – Analysis and Synthesis

The analysis will be using the independent sample t-test and one-way ANOVA use to see the relationship between demographic groups to the choice of domestic package tours.

1.6.5   Stage 5 - Recommendations

This final stage consists of the formulation of recommendations to improve the design of package by travel agents. Besides, it also consist of recommendations to develop the best practice in marketing, pricing, human resources, partnerships, and networking to support the implementations of new design package.
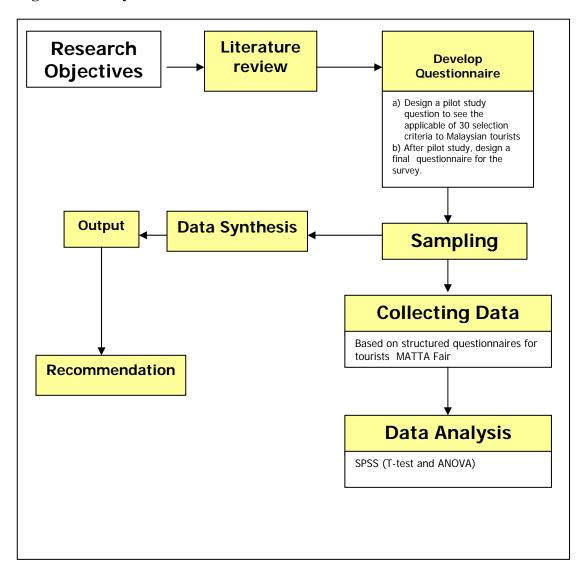
Figure 1.1 Study Flow Chart