

FUTURE OF MEETING AND INCENTIVE IN PHUKET: DURING TIME OF CRISIS

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ABSTRACT

Meeting and incentive industry in Phuket has generated high income and benefits to country because meeting and incentive tourists have more spending than leisure tourists. Unfortunately in 2008-2009, the industry was affected by several unexpected regional and global negative incidents. While a number of researchers have discussed the crises affected on other tourism sectors, few efforts have focused on the meeting and incentive sector. Therefore, this research focuses on the consequences of the crisis, responses of meeting and incentive stakeholders, and to provide recommendation for future research.

Key Words: meeting, incentive, tourism, crisis, Phuket, Thailand

INTRODUCTION

Tourism is one of the largest industries in the world. The World Tourism Organization forecasts that the years 2020, 1.6 billion people will travel annually and 1.2 billion of these will be intraregional while 378 million will be long haul traveler (United Nations Tourism Organization, 2009; Gilsdorf, 2009).

Meeting and incentive is a part of, and encompasses, many element of the hospitality and tourism industry. The industry represents one of the fastest growing and most important sectors not only within business travel but also the whole tourism industry. Since the meeting and incentive attendees usually have more spending than leisure tourists (Thailand Convention and Exhibition Bureau [TCEB], 2007), thus many destinations around the world have invested heavily in infrastructure development and promoting destinations to influence the site selection process to increase revenue in this market segment when the pleasure travel market is on the decline. Meeting and incentive industry brings revenue and benefits to Thailand both the ones which the value can and cannot be calculated in an exact amount of money such as technology transfer, international trade and positive image (TCEB, 2007).

Phuket's economy depends very much on tourism industry. In year 2007, the destination attracted over 5 million tourists showing a rapid growth of 11.25 percent between 2006-2007 (Office of Tourism Development, 2007). Phuket has been chosen by Thailand Convention and Exhibition Bureau (TCEB) to be promoted as one of the country's MICE cities. The hope is that the city will be influenced by the success of Bangkok and Pattaya which have positioned themselves as massive MICE centers and direct their marketing and supporting infrastructure to cater for such lucrative industry (TCEB, 2009).

However, the industry is highly sensitive to external environment. During 2008-2009, Phuket was affected by several unexpected regional and global negative incidents, such as the global economic crisis, natural disaster, terrorism, and the outbreak of swine flu (H1N1). The situation was worsened by the country's internal political instability which led to the closure of Phuket International Airport in August 2008 and Suvarnabhumi International Airport in November 2008.

Despite the country's increasing awareness of the impact of crisis, still it is critically important for the stakeholders of the meeting and incentive industry in Thailand and Phuket to develop proper plans and procedures to deal with any future crisis. Thus, the purposes of this research are to:

- Identify nature of crisis commonly faced in meeting and incentive market
- Timing and common responses during the time of crisis
- Evaluate the effectiveness of crisis management of the stakeholders in meeting and incentive in Phuket.

Meeting and incentive industry

Meetings and incentive market represents one of the fastest growing segments of the tourism industry. More specifically, they are part of MICE sector, encompassing Meetings, Incentives, Conventions, and Exhibitions. The industry draws lucrative direct and indirect revenue to a country.

Meeting is a basic form of communication within companies. It can be defined as a coming together of a number of people in one place to confer or carry out a particular activity. Meetings vary in size and scope, but they ultimate function as means of accomplish a variety of organization goals (CIC, 2007). In broad terms, the meeting market can be separated into three categories, association meeting, corporate meeting, and government meeting (CIC, 2005; Tansakul, 2007). The word of 'meetings' is also used in a wider sense to describe conferences, meetings, and seminars, in a collective manner (Seekings & Farrer, 1999; Campiranon, 2006).

An incentive is a reward from the company to the employee. Many companies use incentive travel as motivational too. Meetings are included in 80 percent of all incentive trips

and those meeting are called incentive meeting (Astroff and Abbey, 2002). According to McCabe *et al.* defined incentive meetings and travel as rewards for productivity achieved, or as motivational tools for employees to improve performance or to courage executives to reach certain goal (McCabe *et al.*, 2000).

The meeting attendees not only spend for lodging service but their spending is also distributed to transportation, food and beverage, travel agent, entertainment, shopping, etc (McCabe *et al.*, 2000). Therefore, meeting and incentive stakeholders consist of venues, government organizations, transport operators, service support companies, Professional Conference Organizers (PCOs), and Destination Management Companies (DMCs) (McCabe *et al.*, 2000). It is vital that the stakeholders must work together to help promote the industry.

Meeting and incentive in Thailand

The global markets for meeting and incentive continue to expand. Thailand has an advantage in terms of value and offers a variety of culture, local tradition, facilities, public utilities, landscapes and the unique warmth of Thai hospitality. Thailand has been ranked as the best country brand for value for money, thus for many Thailand remains one of the first choice destinations for holiday travel and meetings/incentives (Tourism Authority of Thailand [TAT], 2010). Thailand has devoted considerable marketing resources to target the meeting market segment (Sangpikul and Kim, 2010). These efforts, in 2008 International Congress and Convention Association (ICCA) research showed that Thailand was ranked 29th as the association meeting destination (ICCA, 2008). In the same year, meeting and incentive industry brought 371,681 overseas tourists, which helped to generate estimated revenue of 21,066 million baht (TCEB, 2008).

The meeting and incentive in Thailand has taken off with strong support of government sectors. Since 1984, the government established the Thailand Incentive and Convention Association (TICA) as a means of help the growth of Thailand as a preferred destination for MICE (TICA, 2009). In response to the increasing demand of the industry, the Thai government established the TCEB in 2002 as a country's key agency to promote and develop the Thailand's MICE industry to compete with strong competition of global MICE market. TCEB works directly with other government agencies and the private sectors to meet those new challenges they face, and enhances the local meeting and incentive sector's ability to win bids and mount international meeting and incentive. In 2009, TCEB developed the marketing strategy to promote meetings and incentives in Thailand focusing on five regions comprising of Bangkok/Pattaya, Chiang Mai/Chiang Rai, Nakon Ratchasima/Khon Kaen, Cha-am/Hua Hin, and Phuket/ Krabi/Phangnga (TCEB, 2009). Furthermore, TCEB have set up an integrated crisis management strategy, in cooperation with all relevant agencies, to establish assistance centre for visitors for tackling crises.

Meeting and incentive in Phuket

Phuket is a popular destination along the Andaman coast of Thailand. In 2009, the destination has been ranked as the second best destination for Asian holiday (Smart Travel Asia, 2009). In addition, the current state of Phuket is now redirecting to improve to a better standard toward quality travel destination i.e. development of Convention and Exhibition Center in Mai Khao Beach, variety of choices of hotel, international airport, many high-standard national tour operators. It also has a great opportunity to be developed to a regional premier destination for meeting and incentive. Table 1 shows number of international meetings in Phuket.

Table 1
Number of International Meetings in Phuket

International Meetings	2006	2007	2008
Non-Corporate Meeting	165	147	189
Corporate Meeting	189	191	226
Total	345	338	415

Source: TCEB (2008)

By this advantage, Phuket is included in TCEB's plan to promote as one of the Thailand preferred destinations. The province is also promoted together with Phang Nga and Krabi as the leading region in the west coast of the country.

Crisis management

A crisis may be defined as any unplanned event situation emerging from the internal and external environment of the organization (Okumus *et al*, 2005). Crisis management is not a new thing in business environment. Crisis management is a means of proactively preparing a company for a worst-case scenario and involves careful planning of approaches that will minimize the effects on its operation in both short and long terms (Mogendorft, 2008). Three broad categories of the crises are grouped into physical environment (e.g. natural disaster and technology failure), human or social environment (e.g. confrontation and malevolence), and management failure (e.g. skewed values, deception, and misconduct) (Stafford, Yu & Armoo, 2002).

Furthermore, Parsons (1996) suggests three types of crisis when taking into consideration the time constraint;

- Immediate crises: there is little or no warning and it is very difficult to research the problem or prepare a plan before the crisis hits
- Emerging crises: these are slow in coming to a head, but they are no more predictable
- Sustained crises: these are often last for week, months or even years

In recent years, meeting and incentive industry in Phuket have faced many crises including the global economic crisis, natural disaster, terrorism, the outbreak of swine flu

(H1N1), and the country's internal political instability which led to the closure of Phuket International Airport in August 2008 and Suvarnabhumi International Airport in November 2008. Table 2 shows number of international meetings and incentives during 2006-2008.

Table 2
Number of International Meeting and Incentive in Thailand

Meeting and Incentive	2006	2007	2008
Number of Corporate Participants (person)	345,108	378,756	371,681
Estimated Revenue (Million U\$)	588	772	632
Estimated Revenue (Million Baht)	22,292	26,665	21,066

Source: TCEB (2006, 2007, 2008)

As shown in Table 2, in 2008 the number of corporate participants and revenue decrease as the industry was badly affected by many unpredictable situations.

Therefore, the crisis situations have lead to increasing pressure on all stakeholders concerned with tourism to consider the impact of crises on the industry and develop strategies to deal with the impacts to protect tourism business. Thus, managers need to understand such as incidents, nature of crisis and examine strategies that they can do and put mechanisms in place to ensure avoidance of crises where possible, the minimization of effects to any crisis, and the recovery from those effects as quickly (Ritchie, 2003). This is because the function of management is to take decisions based on a combination of knowledge and experience (Parsons, 1996).

METHODOLOGY

This research adopted a qualitative approach with purposive sampling method as it sought to identify nature of crisis, timing of response and effectiveness of situation handling procedures for meeting and incentive in Phuket. In order to meet the above objective of the study, in-dept interviews were conducted with 12 major meeting and incentive stakeholders in Phuket including 6 hotels, 3 organizers, 2 Destination Management Companies (DMC), and TCEB. No further interview was conducted after the 12th respondents as common responses were found indicating the data saturation. Respondents participating in the interviews were those who have a minimum of 3 years experience in the industry, currently work in the managerial position of such organization in order to ensure the validity and accuracy of the findings. Topics discussed included responses, timing of reaction, short and long-term strategies in dealing with future crisis, strengths and weakness of the destination, and future trends of meeting and incentive industry in Phuket.

RESULTS

The data were analyzed by reading and re-reading the transcripts to find common themes. The followings detail the key findings.

Nature of crisis

The findings support the views of Kash and Darling (1988) who defined the crisis as any unplanned event or situation occurring internally or externally. As revealed by the findings, most of the interviewees defined the crisis as any unplanned event or situation occurring internally or externally which influence client's decision making in a negative way and often results in either cancellation or postponing of the trip. As one respondent said

“Crisis is problem or events which occur within or outside country deliver negative effects to tourism. Hence tourism is a sensitive business furthermore crisis influence to the decision making of tourist since now a day tourists are more concerns in safety issue during the time when negative factors are happening in every continents of the world.”

Timing of response

The findings also pointed that for the past 2 years, Phuket has been largely affected by the country's political instability including closure of Phuket International Airport. Other major crisis that also impacted the industry are global economic crisis, social crisis (epidemic of H1N1), and internal crisis (union staff strike). Each crisis brought different consequential impacts, and subsequently requires different ways of dealing with each of them. The following sections address the impacts of internal political instability, global economic crisis, H1N1 outbreak and internal organizational crisis, and the procedures in dealing with each of them.

One of the most mentioned four crises is political instability. Political instability which led to closure of Phuket International airport in August 29-31, 2008 generated a bad reputation to the destination. By the nature of meeting and incentive, a trip is usually a combination of accommodation and travelling arrangement for a group of people and requires advance arrangement. Thus, once the airport was closed, tourists cannot take the flight to travel in or out the destination, consequently this generated great damages to Thailand tourism. One respondent revealed that an already confirmed incentive group decided to cancel their trip to Phuket once the airport was closed and the client also issued a policy of not to travel to Phuket in the future. Besides this, by the effect of this news and travel warning issued by many countries, Thailand was perceived as a not safe destination, many clients were forced to either cancel or postpone the trip. As one respondent said

“As a result of the closure of Phuket Airport, the business was ground zero, there was no client at all. After the airport was re-opened, the damages generated by political and economic crisis were 60% and 40% respectively. During the time of global economic down-turn in 2008, the hotel had quite a number of meeting groups but all groups were cancelled during the time of political crisis.”

In dealing with this kind of crisis, the finding revealed a number of responses were used when facing the crisis. The most important action was to communicate with their client as much as possible, the messages were taken from the messages prepared by Tourism Authority of Thailand and TCEB. The negotiation between the travelers and hotel operator were whether the groups were to be either postponed or cancelled at this stage. The deposit was the most important thing to be considered by both parties. In the event that the airport was closed before the date of arrival, hotel operator agreed to waive any cancellation charge to the group and at the same time offer other options that hotel will keep the deposit for future visit either by the same group size or to split group in to smaller parties at the different time of travelling. Another scenario, when the airport was closed before the date of departure, the hotel operator can offer options either a discount for extend stay or to find/ offer transportation for the group to take the flight at the different airport. At the same time, the Thai government offered the compensation to the tourists by offering THB 2,000 per room per night to extend stay in Thailand.

The second crisis is global economic crisis. It delivered less damage to stakeholders comparing to the closure of airport. This can be explained that during the time of normal economic situation, the size of the meeting was huge and needed a long time for preparation. However, during the time of economic crisis the clients decide to continue offering the incentive trip to their clients but be more selective with the size of group. The group would be smaller and the length of the trip is shortened. Since the budget was reduced, the size and the length of the trip were then has to be reduced and shortened, many decide to travel within the country. Thus, many countries support the domestic travelling policy and convince people to travel within the country. As one respondent said

“Most of the clients said, it was the policy of the company either to cancel or put everything on hold. On event companies, DMCs and production house side, they all confirmed that there was no outbound enquiry as the policy of their client was to organize every trip within the country.

Other stakeholders adopted different ways of dealing with global economic crisis. Hotel operators decided to offer much more attractive promotions such as free meeting. DMC was not affected by this much, DMCs and organizers offered cheaper product and accepted less profit margin to match with clients’ budget. Thai government and TCEB supported

private sectors by offering a meeting package at \$1 to the guest and paid the compensation to the hotel by the support of Ministry of Finance.

H1N1 had much fewer impacts to industry since the outbreak was considered as a regional situation. H1N1 delivered effect only in short term hence there was only few cancellation. Hotel operators and DMC communicated with their clients/ guests by referring to the announcement of the Ministry of Public Health to build confidence to the destination as well as to provide hygienic hand washing gel in the hotel and offering mask to all guests. The key to solve the problem is communication to build up confidence. As one respondent said

“Company was affected by H1N1 during the very first period of the outbreak, the consequence was fewer travelers due to the panic to the situation however after WHO discovered the resolutions then the tourists decided to travel again, H1N1 finally deliver effect only for a short period of time”

One of the respondents commented that internal problem which was a result of the strike of union staff was their crisis which had direct effect to the hotel. The strike of the union staff was the result of the said crisis; closure of Phuket airport and global economic crisis, as a result of both crisis, hotel loose revenue thus the employees were not paid for the bonus and then decided to strike. The company’s management decided to close all hotel services for a week which resulted a great loss during that time.

The hotel resolved the situation by informing all the guests about the situation in which the information were given either by General Manager or Managing Director. After that, the hotel offered the guests to relocate to other hotels in the same category as well as providing transportation to those hotels. All guests detail was recorded so as to offer the compensation for their next visit that was the hotel reaction. Even the hotel was temporally out of service but the receptionists were assigned to stand by to give information to the guests who decided to stay at the hotel as well as informing all the partners no matter they are travel agents, DMCs or event organizers which regard to the situation. At the same time, the hotel opened a discussion to find the resolution, the discussion was made between hotel management and the union staffs.

One future trend is identified from the research. Although a long-term plan is often suggested as a way of dealing with crisis (Wilks and Moore, 2004), the current study suggested that it may be no longer needed in the organizations. This is because the nature of crisis in today’s environment is always changing and the flexibility is very much needed in order for the MICE organizations to deal with those unexpected than the traditional long term plans. As one respondent said

“Hotel doesn’t prepare long-term preventative plan for crisis since crisis happens each year. You are in a different scenario and it would be

difficult for forecasting and planning. However, hotel will be able to prevent natural disaster by providing warning procedure. In terms of political issue, hotel responds by installing a metal detector as well as to increase level of security.”

DISCUSSION AND CONCLUSION

This research has outlined the importance of understanding crises for meeting and incentive in Phuket because the industry is highly sensitive to external and internal crises. Finding from data analysis showed that the industry has been largely affected by the political instability led to closure of Phuket International Airport. Other major crisis that also impacted the industry is global economic crisis, epidemic of H1N1, and internal crisis (union staff strike). Each crisis brought different consequences impacts, and subsequently requires different strategies of dealing.

In terms of the response to crisis, all respondents agreed that the most important reaction to solve many situations is to give the most up-to-date information to the clients. The information should be provided by a credible source or reliable organization such as the government bodies (e.g. TAT, TCEB) to build up confidence among the clients. The result of this study supported Parsons (1996) that giving information to clients about the situations is the most common immediate response to crisis. This is because information is essential in creating a good understanding about the situation as well as helping to restore clients' confidence towards the destination. Managers have important responsibilities to deal with crisis such as collecting the necessary data, noticing and analyzing the signals that a crisis might occur, making crisis plan, establishing good communication, and give helpful their client as soon as possible. Another important action is to review their business agreements and contract with organizers, travel agents and government bodies.

Furthermore, the most common response is redirecting of their marketing and sales promotion to boost revenue. The finding supported Stafford, Yu & Armoo (2002) that Washington, D.C. recovers from 9/11, the hospitality early recovery initiatives promoting business and particularly government – related travel to D.C., and building a marketing fund and developing marketing plan to re-establish Washington, D.C. as a must-visit destination.

Another important issue found in this study is that most of meeting and incentive stakeholders in Phuket do not have a crisis plan especially a long-term plan. The literature on crisis management stressed the importance of crisis management plan. (Tse, So, & Sin, 2006). The research also reveals that businesses in Thailand often overlook the importance of establishing crisis management plan since all have a common thought that crisis is unpredictable and the only way to handle the crisis is to solve the up-front situation at their best available option. This is because the nature of crisis in today's environment is always changing and the flexibility is very much needed in order for the MICE organizations to deal with those unexpected than the traditional long term plans. However before that stage, the

company should be able to categorize crisis in to group in order to list the scope of contact details of concerned authorities, set-up communication team and assign responsibility to crisis management team members.

FUTURE RESEARCH AND LIMITAIONS

While this research adds to the current literature on meeting and incentive, there are some limitations. Majority of the information were obtained from the international chain hotels and only one independent hotel, thus the information may provide an overview of the industry but may not be a representation of the whole population.

Future studies should focus on other aspects of MICE industry which is convention and exhibition industry, particularly after the completion of convention center to further explore growth and trend of further development.

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