Inbound tourism in Thailand: Market form and scale differentiation in ASEAN source countries

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HIGHLIGHTS

- Present a 20-year trend and change trace of tourism from ASEAN countries to Thailand.
- Boston consulting group matrix (BCG) is used to analyze the market form over 20 years.
- Use Primacy Index, Gini coefficient, and Herfindahl-Hirschman Index etc in the analysis.
- Some names of four quadrants have been appropriately modified.
- Propose a two-dimensional structure pattern to discuss the impact of inbound tourists.

ARTICLE INFO

ABSTRACT

Utilizing Thailand's inbound tourism statistics for the period 1996 to 2015, we focus on the change and differentiation of its inbound tourism sources from the ASEAN countries. The results are as follows: first, the number of tourists to Thailand from ASEAN countries and Thailand's foreign exchange earnings saw an average growth rate of more than 10%. Second, we find that only few ASEAN source countries are star markets, while most of them belong to the dog or child market categories. Third, by employing the distance decay pattern, we highlight a significant Boltzman curve between inbound tourists and travel distance; moreover, bilateral trade emerges as an important factor for Thailand's inbound tourist flows. Fourth, using five indicators, we investigate scale differentiation within these countries, and find a Primacy Index value greater than 2, suggesting that although the market seemed highly concentrated, a balanced development trend is apparent.

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1. Introduction

Thailand is one of the most attractive tourism destinations within the Association of Southeast Asian Nations (ASEAN). The association began the development of its tourism industry in the 1960s. With rapid growth in the number of inbound tourists, Thailand was ranked fourth in the world in 2015 in inbound tourism, and Bangkok, its capital, was ranked second among global tourist destinations in the number of overnight tourists. The tourism industry has become the second largest pillar of Thailand's economy. The establishment of the ASEAN Economic Community (AEC) in 2015 has provided Thailand's inbound tourism market greater development opportunities; however, it has also led to more pressure from competition. Compared with other ASEAN countries, Thailand may have advantages in terms of geographical location, tourism resources, and cultural background. However, owing to strong development in the tourism industry of Singapore, Malaysia, and Cambodia, which have homogeneous substitutive tourism products, Thailand's inbound tourism market is facing increasing competition.

This claim can be further substantiated with statistics from the "Travel & Tourism Competitiveness Report 2015" released by the World Economic Forum (WEF), which shows the tourism competitiveness rankings of 141 countries, with Singapore coming in at

11th and Thailand rising from 43rd in 2013 to 35th in 2015 (WEF., 2015; 2013). Although Thailand's ranking has improved by 8 places, other ASEAN countries have also made significant improvements, with Malaysia improving by 9 places since 2013 to take the 25th position. Furthermore, Indonesia sharply narrowed its gap with Thailand, improving by 20 places to rank 50th. In developing the tourism industry, other ASEAN countries have been constantly developing new tourism products.

As the financial center and sea transportation hub of ASEAN, Singapore has established new and innovative tourism resource mechanisms, with projects such as Gardens by the Bay, F1 Night Race, and international expositions, to continue enhancing its tourism resources and tourist experiences. As Thailand's strong competitor in tourism development, Malaysia has proposed the "Malaysia Tourism Transformation Plan" (MTTP) to promote domestic tourism. The tourism industry of Laos and Cambodia has also been developing rapidly in recent years. Both countries offer very similar tourism resources and products as Thailand, which will further affect the competitiveness and growth of the latter.

According to the Thai Royal Immigration Bureau statistics, although tourists from the Chinese mainland accounted for 21.47% of Thailand's total inbound tourists, the other nine ASEAN countries accounted for 22.45%. In addition, the remaining East Asian countries such as South Korea and Japan accounted for 5.86% and 4.67% respectively, while Hong Kong and Taiwan accounted for only 1.37% and 1.79% respectively. Thus, it is observed that the ASEAN countries (as a whole) account for a significantly high proportion of Thailand's inbound tourists, approximately over 20% of the total. This shows that it is necessary to undertake a separate analysis on the market structure of inbound tourists' source countries for each of the nine ASEAN nations.

Hence, maintaining its advantageous position among AEC members in this new era, and avoiding negative impacts on the tourism industry, caused by factors such as political turmoil, has emerged as a major challenge for its tourism industry (WEF., 2015). Therefore, based on the national tourism statistics of ASEAN countries during 1996—2015, this study intends to analyze the market forms and scale differentiation of Thailand's inbound tourism (source countries) to uncover the market form variations in these countries, explore the development potential of Thailand's tourism industry, and provide a reference to expand its inbound market and improve competitiveness.

2. Literature review and methodology

2.1. Literature review

Quantitative research on inbound tourism market can be traced back to 1927, when A. Mariotti of Sapienza University of Rome conducted a quantitative analysis on tourism flow from an economics perspective. Since, studies on tourism flow have received extensive attention (Coshall, 2000; Gonzalez, 2011; Mei, 2014; Shen, 1999). Charles, Goeldner and Brent (1999) introduced the shift-share method (SSM), a practice used in regional economic analysis, to study the changes and trends of the tourism market, dividing the market into four types: rising, thriving, ceasing, and fading (Charles et al., 1999; Lü, Wang, Gong, & Cheng, 2006). Following this development, many scholars began applying the SSM to analyze the structure of the tourism market. Seung-Mook (2015) investigated the competitiveness of the tourism market in South Korea, China, and Japan through the SSM; Tóth, Dávid, and Vasa (2014) used it to explore the influence of travel distance on the tourism industry in Europe. Wang and Gao (2008) and Fan, Yan, and Shi (2009) adopted the method to examine inbound tourism in Shanghai and Gansu provinces. In addition to the SSM, Chinese

scholar Li and Sun (2002) introduced the BCG matrix into the study of tourism markets, and proposed the tourism market competition model. Liu and Gao (2007), Zhang and Zhang (2007), and Fang and Deng (2014) applied a preference scale and a competitive situation analysis as indicators to investigate markets with different sources of tourism.

In addition to the above studies on the tourism market structure, other relevant research topics are the factors influencing tourism streams and the analysis of the market laws (Wray, 2015; Wang, Tian, Lu, Wang, & Lew, 2015; Tang, Wu, Wang, & Yang, 2012; Liu et al., 2012). Shi, Zhou, and Shen (2014) point out that China's GDP, transportation and tourism resources quality, as well as total foreign trade represent the main influential factors of inbound tourism for the destination. In the empirical study, the scholar also detected a "distance decay" phenomenon in the tourist stream (Hooper, 2015; Wu and Bao, 2015). Lee, Guillet, Law, and Leung (2012) highlight the presence of a distance decay pattern with two secondary peaks depending on the distance to the chosen destination from Hong Kong. In terms of methodology, although complex measurement models are widely employed by scholars studying market structure and laws, the more visual and concise graphic structure analysis has also gained popularity. For example, Liu, Chen, Zhu, and et al (2016) and Racherla and Hu, (2010) empirically study the market structure of different destinations by employing social network analysis, while the travel accessibility of a certain destination in Denmark is investigated by Skov-Petersen (2001) through a distance decay pattern drawing the two-dimensional structure graph.

At the same time, scholars have adopted other statistical indicators to analyze the degree of differentiation in the scale of tourism markets. Weng (2008) and Liu and Ma (2012) applied a standard deviation (SD) method and the Gini coefficient (G) to analyze the degree of differentiation in the development of tourism markets of different cities. Wang, Zhang, Shi, and Wang (2013) employed a location quotient (LQ) and the Theil index to explore the degree of market concentration and differentiation in the island counties of China. Liu et al. (2016) applied a 2-mode internet analysis (social internet analysis) to probe the inbound market structure among China's provinces. It is a newer method. Despite these developments, studies conducted by scholars both home and abroad still need continuous improvement. Research methods require improvement and innovation, and research on the dynamic share-shifting of the market has become a hot topic, which needs in-depth investigation. Therefore, we managed to combine Market Form of Tourism System and a two-dimensional structure pattern with other indicators such as Primacy Index, Gini coefficient, and Herfindahl-Hirschman Index etc to explore the dynamic changes in inbound tourism in Thailand.

2.2. Methodology

2.2.1. Market form of tourism systems

When analyzing the distribution of Thailand's inbound tourism from other ASEAN countries, we adopted the tourism market form that was named as tourism market competition model in a study by Li and Sun (2002). The model is derived from the BCG (Boston Consulting Group, BCG) Matrix, which is used to analyze the development strategy of a company (Myllylä & Kaivo-Oja, 2015). However, we intended to focus only on the classification of market forms rather than competitiveness among ASEAN countries. Therefore, we named the model "the market form of tourism systems," which adopts both market share (α) and growth rate (β) of players in the tourism sector as indicators of their market features, marked as Ω (α,β) (Li & Sun, 2002). The market form of tourism systems is a market analysis method developed on the basis of