Revitalising Thailand’s tourism sector
In search of enablers for future sustainability

June 2021
Outline

• Global tourism trends in the post-pandemic world
  What are the demand evolutions?

• Competitiveness in transition
  What are our competitive edges and areas for improvement?

• Building a more sustainable footing in the post-pandemic world
  Old path vs New positioning?

• Re-designing Thailand’s tourism ecosystem
  How to transform tourism ecosystem to reap benefit from new opportunities?
Defining “New Normal”

“In light of growing health and hygiene concern, the pandemic is transforming traveller behaviours toward closer-to-home trip and shifting tourism sector from mass to niche segment while accelerating the technology adoption across tourism supply chain.”
Four trends are expected to lead the way through recovery in tourism sector post-COVID

Global tourism trends in the post-pandemic world

- Small group & FIT
- Responsible & Green tourism
- Community-based tourism
- Medical tourism

- Domestic & regional tourism
- Avoid crowded attractions, lesser-known outdoor destinations
- Premium with safety and quality

- Niche Travel
- Safety-first Travel
- Health & Hygiene Awareness
- Digitalisation
- Less-contact travel
- Virtual travel
- Contactless payment
- Virtual/online queue system
- Tourism platform
The survey data shows that tourists’ demands evolve towards niche, safety-first, and digitalisation.

### Survey of tourists’ holiday planning after COVID-19 (pre-COVID = 100)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Score Pre-COVID</th>
<th>Score Post-COVID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoid crowded tourist spots</td>
<td>45</td>
<td>183</td>
</tr>
<tr>
<td>Short trips</td>
<td>44</td>
<td>169</td>
</tr>
<tr>
<td>Use contactless/digital payments</td>
<td>60</td>
<td>127</td>
</tr>
<tr>
<td>Look for safety/quality hotels</td>
<td>62</td>
<td>125</td>
</tr>
<tr>
<td>Full service airlines</td>
<td>80</td>
<td>125</td>
</tr>
<tr>
<td>Take vacation in my own country</td>
<td>74</td>
<td>119</td>
</tr>
<tr>
<td>Reserve restaurants in advance</td>
<td>81</td>
<td>117</td>
</tr>
<tr>
<td>FIT/smaller groups</td>
<td>71</td>
<td>115</td>
</tr>
</tbody>
</table>

If score > 100: tourists are willing to do each activity in post-COVID more than pre-COVID.

Note: Survey is conducted during October – November 2020 covering 14 countries in Asia Pacific.

Source: Green Shoot Radar Research, Visa
Discovering Thailand

“Health & hygiene standard, infrastructure linkages, and international openness would provide an enabling environment toward greater tourism connectivity while safety and security standard and environment sustainability reflects areas for improvements that might hinder the return of international tourist arrivals.”
Thailand is undergoing six transitions which will influence tourism competitiveness

**Thailand tourism competitiveness in transition**

### Areas for improvement

- **Safety & security**
  - Political uncertainties
  - Tourist scams & crimes

- **Environment**
  - Pollution e.g. PM2.5
  - Environment degradation

### Competitive edge

- **Soft infrastructure**
  - Digital platform
  - Contactless payment
  - Track & trace system e.g. Morchana

- **Health & hygiene**
  - SHA standard
  - Vaccine passport
  - Medical & wellness centres

- **International openness**
  - BOI’s smart visa policy
  - EEC as an FDI hub

- **Hard infrastructure**
  - High-speed train connection to be operated in 2026 (China-Laos-Thailand)
  - High-speed train connected Don Mueang, Suvannabhumi and U-Tapao airports

### Safety & security

### Environment

### Health & hygiene

### Competitive edge

### International openness

### Hard infrastructure
Thailand’s enabling environment improves the overall score relative to peers while the safety and environmental sustainability are still subpar.

Source: The Travel & Tourism Competitiveness Report 2019 by World Economic Forum
Emerging stronger

“In stead of pursuing the old path, Thailand’s best policy approach is to adapt to the new global tourism demand while also enhancing the country’s existing competitive edge and creating new values that lead to a more resilient economic engine.”
The tourism sector should be repositioned, in response to the new tourism demand and Thailand’s competitiveness landscape.

<table>
<thead>
<tr>
<th>Features</th>
<th>Travellers’ Types</th>
<th>Destinations</th>
<th>People &amp; Businesses</th>
<th>Policy Options at the crossroads</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old legacy</td>
<td></td>
<td></td>
<td></td>
<td>Pursuing old path with lower demand</td>
</tr>
<tr>
<td>• In-door activities</td>
<td>• Mass/cheap tours</td>
<td>• 1st-tier cities &amp; iconic attractions only</td>
<td>• Businesses targeting group tours</td>
<td></td>
</tr>
<tr>
<td>• Crowded areas</td>
<td>• Low-income travellers</td>
<td></td>
<td>• Labour-intensive industry</td>
<td></td>
</tr>
<tr>
<td>• Crime-prone areas</td>
<td></td>
<td></td>
<td>• Low-skilled labours</td>
<td></td>
</tr>
<tr>
<td>• Close contacts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New positioning</td>
<td></td>
<td></td>
<td></td>
<td>Enhancing existing competitive edge</td>
</tr>
<tr>
<td>• Nature &amp; cultural attractions</td>
<td>• Private/customised tours</td>
<td>• 1st-tier + connecting &amp; peripheral cities</td>
<td>• Businesses for FITs/ small groups</td>
<td></td>
</tr>
<tr>
<td>• Outdoor activities</td>
<td>• Regional traveller</td>
<td>• 2nd-tier cities</td>
<td>• Skilled labours</td>
<td></td>
</tr>
<tr>
<td>• Green &amp; community based tourism</td>
<td>• Leisure traveller</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Medical &amp; wellness</td>
<td></td>
<td></td>
<td></td>
<td>Creating new values</td>
</tr>
<tr>
<td>• Business meeting</td>
<td></td>
<td></td>
<td></td>
<td>Policy focus</td>
</tr>
<tr>
<td>Tourist &amp; business patterns in line with the new trends</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The old tourism model will add more fragilities to the tourism sector going forward.

Tourism revenue was driven by an increase in number of tourists, while spending per trip declined.

Contribution to growth of travel receipt

Share of tourists by income segment

More than 80% of tourists has low to middle income

Source: Ministry of Tourism and Sports, calculated by authors

*Note: No income including students and and elderly persons who do not regularly earn income
Thailand’s tourism sector faces concentration risks in terms of sources of revenue, travel destinations and travelling seasons.

**“Who”**
- 2/3 of tourism revenue is from foreign tourists
- 75% is short-haul
- 28% is Chinese

**“When”**
- 28% of tourists visit in high season

**“Where”**
- nearly 80% visit only 5 top-tier provinces*

---

**Next destinations after major province visit**

<table>
<thead>
<tr>
<th>Province</th>
<th>BKK</th>
<th>Phuket</th>
<th>Chonburi</th>
<th>Chiang Mai</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phuket</td>
<td>27%</td>
<td>16%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Krabi</td>
<td>16%</td>
<td>9%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Surat Thani</td>
<td>9%</td>
<td>5%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Phang Nga</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Rayong</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

Note: * include Bangkok, Chonburi, Phuket, Surat Thai and Chiangmai. ** is reflected by the degree centrality which is calculated by the network analysis of tourists travelling to more than one provinces.

Source: Ministry of Tourism and Sports and Visa
Some businesses need to adapt in order to survive in a post-COVID-19, especially those severely impacted by the pandemic.

Share of firms by revenue impact in Q1-2021 comparing to pre-COVID*:

- 1-20%: [Graph showing distribution]
- 21-60%: [Graph showing distribution]
- >60%: [Graph showing distribution]

Share of businesses in operation as end of 2020 (proportion to 2019)*:

Note: *Active terminals in travel-related businesses include accommodation, airlines & travel services, transportation, vehicle rental, restaurant & quick-service restaurants, and supermarket.

Source: Tourism Council of Thailand and Visa

Note: *Survey conducted by Tourism Council of Thailand between February and March 2021 (730 firms)
Policy goal is to transform tourism sector to become a resilient economic engine

**Old path**

\[ \text{No. of tourists} \uparrow = \text{Tourism revenue} \uparrow \]

**New positioning**

New positioning towards a sustainable landscape

1. Enable more stable revenue = cushion against future shocks
2. Improve income distribution
3. Enhance environmental sustainability
4. Induce efficient resource distribution and increase country’s productivity
(1) Travellers’ preferences towards niche travel help stimulate higher spending...

Higher tourism receipt from.....

Total spending per trip (THB)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>47,272</td>
<td>48,765</td>
<td>50,216</td>
<td>51,447</td>
<td>49,142</td>
<td>47,895</td>
</tr>
</tbody>
</table>

Composition change to higher-spending segment

Spending by activities (THB th)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Tourism and Sports

Tourists’ demands for higher health & hygiene standard and premium services

Source: Ministry of Tourism and Sports and Tourism Authority of Thailand
Meanwhile, domestic and regional travellers could help diversify tourist portfolio and smoothen seasonal gap, leading to a more stability of Thailand’s tourism income.

Tourism revenue: Thais vs foreigners

- **Thais**: 990, 1,071, 1,082, 482
- **Foreigners**: 1,481, 1,627, 1,646, 310

Source: Ministry of Tourism and Sports

### Seasonality index of tourists visiting Thailand

- **Regional tourists** could smoothen the income gap in low season.

Source: Ministry of Tourism and Sports, calculated by authors

(2) New travel trends also generate better income distribution and higher domestic value-added

### Share of tourists visiting 2nd-tier provinces* (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>21.1</td>
</tr>
<tr>
<td>2017</td>
<td>21.2</td>
</tr>
<tr>
<td>2018</td>
<td>21.4</td>
</tr>
<tr>
<td>2019</td>
<td>21.3</td>
</tr>
</tbody>
</table>

Shift towards niche segment and avoiding crowded areas

### Value-added per gross output in 2017 (%)

- **Medical tourism**
- **Historical sites**
- **Wellness retreats**
- **Ecotourism**
- **Theme park**
- **Sports**
- **Cultural activities**
- **Golf**
- **Homestay**
- **Adventure**
- **Cultural performances**
- **Spa & massage**
- **Nightlife**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Value-added per gross output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical tourism</td>
<td>80.7</td>
</tr>
<tr>
<td>Historical sites</td>
<td>76.8</td>
</tr>
<tr>
<td>Wellness retreats</td>
<td>75.4</td>
</tr>
<tr>
<td>Ecotourism</td>
<td>74.5</td>
</tr>
<tr>
<td>Theme park</td>
<td>71.9</td>
</tr>
<tr>
<td>Sports</td>
<td>69.3</td>
</tr>
<tr>
<td>Cultural activities</td>
<td>63.4</td>
</tr>
<tr>
<td>Golf</td>
<td>62.3</td>
</tr>
<tr>
<td>Homestay</td>
<td>62.1</td>
</tr>
<tr>
<td>Adventure</td>
<td>55.5</td>
</tr>
<tr>
<td>Cultural performances</td>
<td>48.1</td>
</tr>
<tr>
<td>Spa &amp; massage</td>
<td>46.5</td>
</tr>
<tr>
<td>Nightlife</td>
<td>45.3</td>
</tr>
</tbody>
</table>

### Potential activities under new trends

- Medical tourism
- Historical sites
- Wellness retreats
- Ecotourism
- Theme park
- Sports
- Cultural activities
- Golf
- Homestay
- Adventure
- Cultural performances
- Spa & massage
- Nightlife

### Example: Community – based tourism

- Created 2,000 jobs
- Partnered with 100 communities in 46 provinces
- Had 32,000 tourists

Note: * excludes Bangkok, Chonburi, Phuket, Surat Thai and Chiangmai

Source: Ministry of Tourism and Sports
In 2019, environment sustainability of Thailand ranked as 130th out of 140 countries.

58% of tourists say they are thinking more about the environment since COVID-19.

New trends could lead to better environmental sustainability

The higher score, the better environmental sustainability

Responsibility tourism examples

Eco-nature conservation travel
Volunteer travel
Art & culture preservation

Source: The Travel & Tourism Competitiveness Report 2019 by World Economic Forum, World Travel & Tourism, 7 Greens by Tourism Authority of Thailand
(4) Business transformation under new positioning could lead to better resource distribution from labour-intensive...

Source: Thailand’s labour force survey, Tourism Council of Thailand, Ministry of Tourism and Sports, estimated by BOT
Capital

**Business transformation**
- To match new tourism trends e.g. medical tourism
- To transform to new sectors

**Digital-related investment**
- Technology for contactless tourism
- Platform for seamless travel
- Virtual tourism

**Upgrade attractions**
- Facilities for hygiene and luxury

---

**Share of capital investment to travel receipt (2018)**

- **Spain**: 30%
- **Malaysia**: 20%
- **Italy**: 20%
- **Philippines**: 15%
- **Cambodia**: 10%
- **Austria**: 10%
- **Thailand**: 5%

---

… to more capital investment, hence productivity

Source: World Travel and Tourism Council
Implementing structural changes

“Priorities need to be put on re-designing the conducive ecosystem (people & businesses, attractions, and infrastructure) to enable the transformation to a new position in response to the increase in demand at the macro and firm levels.”
Transformation efforts needed to be made in five main aspects in order to achieve new positioning

1. Create new products and marketing campaigns to attract the new targets
2. Implement incentive policies for well-diversified tourists’ portfolio & better income distribution
3. Preserve tourism attractions by designing area-based incentive policies to reduce overtourism
4. Improve infrastructure for seamless and safer travel
5. Facilitate businesses/labours transformation to a more desirable equilibrium

To reap benefit from new opportunities…

Re-designing Thailand tourism ecosystem

**Attractions**
- Reduce overtourism in existing attractions while creating and marketing new relevant ones
- Implement incentive policies to ensure a better distribution of tourism flows (in terms of market and area)

**Digital infrastructure**
- Marketing channel
- Contactless technology
- Track and trace system

**Non-digital infrastructure**
- Build inter-cities and inter-countries logistic connection
- Ensure tourist safety standard

**People & businesses**
Enhance existing businesses/labours to fit new normal while facilitating transformation of some businesses to other potential sector, hence reduce the over-supply

*Travellers = Demand-determined*
<table>
<thead>
<tr>
<th>Targets for transformation</th>
<th>Policy strategies</th>
<th>Policy tool options</th>
<th>Intended outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>Create &amp; market new premium tourism products</td>
<td>New routes/ experiences/ goods, Tourism platform (marketing channel)</td>
<td>Increase tourists’ spending</td>
</tr>
<tr>
<td></td>
<td>Design incentive policies to fit with target groups</td>
<td>Incentives: tourism tax, subsidy</td>
<td>Increase reliance on domestic tourists while diversify regional markets</td>
</tr>
<tr>
<td></td>
<td>Infrastructure development</td>
<td>Contactless tourism supply-chain, Tourism platform (track &amp; trace system)</td>
<td>Enhance health and safety confidence</td>
</tr>
<tr>
<td>Province</td>
<td>Create &amp; market new premium tourism products</td>
<td>New routes/ experiences/ goods, Tourism platform (marketing channel)</td>
<td>Reduce overtourism and preserve natural attractions</td>
</tr>
<tr>
<td></td>
<td>Design area-based incentive policies to re-distribute tourists’ flow</td>
<td>KPI focusing on revenue by provinces, Budget-reallocation, Quota and price mechanism/ tourism tax</td>
<td>Improve income distribution</td>
</tr>
<tr>
<td></td>
<td>Infrastructure development</td>
<td>Inter-provinces connection</td>
<td></td>
</tr>
<tr>
<td>Firms</td>
<td>Enhance existing businesses/labours while facilitating the transformation to other sectors</td>
<td>Financial support e.g. tax, grant, Regulations e.g. hotel registration, Upskill-reskill labours</td>
<td>Facility business transformation in new normal</td>
</tr>
</tbody>
</table>

It is crucial that government should speed up restructuring policies at the national, local and business level.
Tourism platform as a enabler for the new tourism ecosystem

Intended outcomes

1. Increase spending and improve income distribution
   - Marketing channel to promote new premium tourism products, especially in lesser-known destination

2. Enhance health confidence
   - Tracking and tracing platform to minimise transmission risk
   - Contactless solution to enable safe and seamless travel

3. Database for policy analysis

Platform reviews

Contact tracing in Thailand

Tourism in Thailand

Safety guarantee Virtual Marketing Easy info
Easy info&booking Easy booking Easy booking
One-stop services for seamless and safety travel with additional features across travel cycle

**Information gathering**
- Virtual tour/ads to promote 2nd-tier provinces and high spending tourism

**Planning & booking**
- Advance booking local transportations, attractions & restaurants
- VISA/VOA application

**Visa application**
- In-app e-wallet/pre-order simcard/health insurance facilitation
- Airline check-in flight information

**Trip preparation**
- In-app hotel check-in e.g. QR code
- Fast-track immigration check
- Vaccination passport check
- Tracking tourists’ journey

**Upon departure**
- Check-in/check-out at attractions
- Nearby attractions pop-up
- Real-time area density update
- In-app payment

**Hotel check-in**
- VISA/VOA application
- In-app hotel check-out at attractions
- Nearby attractions pop-up
- Real-time area density update
- In-app payment

**Activities at destination**
- Check-in/check-out at attractions
- Nearby attractions pop-up
- Real-time area density update
- In-app payment

**Post-trip satisfaction & promotion**
- Overall travel experience feedback
- Virtual shopping & tour

**Additional features**
- Scam report/checking proper price range for services

**Available in TAGTHAi**
- First priority
Conclusion to a paradigm shift: Improved tourist experiences come with higher tourist spending

Tourism revenue contribution in GDP

Revenue 2.9 Trillion Baht/year
Accounts for 20% of 2019 GDP

Tourism receipt and GDP projection

<table>
<thead>
<tr>
<th>In 2024</th>
<th>No. Tourist</th>
<th>Spending per trip</th>
<th>Receipt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Path</td>
<td>40 million</td>
<td>~48,000 Baht</td>
<td>1.9 trillion Baht</td>
</tr>
</tbody>
</table>

“We can achieve the same level of income with 20% lesser number of tourist”

New Path less is more

|                  | 32 million | ~60,000 Baht | 1.9 trillion Baht |
|                  | 32 million | ~70,000 Baht | 2.2 trillion Baht |

“Boosting 10,000 Baht more per person with new path leading to GDP upside of 2.7%”

Source: World Travel and Tourism Council
Source: estimated by Bank of Thailand
Key takeaway

Defining new normal
- The pandemic has changed traveller preferences toward closer-to-home vacation
- Tourism segment has shifted from mass to niche
- Digitization is on the rise to facilitate safe and seamless travel experiences

Discovering Thailand
- Thailand’s competitive edges e.g. health & hygiene, infrastructure would provide better connectivities
- However, areas for improvements e.g. safety and environment degradation could hinder a return of international tourist arrivals

Emerging stronger
- The best policy option is to adapt to the new global tourism demand and Thailand competitiveness landscape to become more resilient

Implementing structural changes
- Priorities need to be put on re-designing the conducive ecosystem to enable the transformation to new position at national, local and business level

Graphic from Flaticon