

Research Report

On

Critical Success Factors of Economic Crisis Management:

A Case Study of Phuket Hotels

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ABSTRACT

Tourism is without doubt a major export service of Thailand. However, the tourism industry in Thailand, primarily Phuket, which is one of the most popular tourist destinations in the country, has been negatively affected in recent years by a number of crises – predominantly the recent economic crisis. Such a crisis, consequently, has resulted in limited travel budget not only for domestic but also overseas tourists. As one of the most important tourism suppliers, the hotel business has also been affected by an economic crisis. Consequently, it is crucial for hotels to understand the characteristics of economic crises and come to terms with the critical factors contributing to successful crisis management in order to sustain tourism businesses through economic crises.

To this end, the core aim of this research is to identify the critical factors responsible for effective economic crisis management using hotels in Phuket as a case study. To achieve this, this research has three research objectives and seeks to meet the objectives through qualitative data collection and the analysis of in-depth interviews. The findings of these interviews provide both rich and substantively meaningful understanding of pertinent crisis management issues.

In sum, this research achieves its research aims by examining local negative factors affecting Phuket hotels; by discussing an economic crisis as a global negative factor affecting Phuket hotels; and by providing five critical success factors (CSFs) towards economic crisis management. Those CSFs are: Crisis Management Plan, Crisis Market Segmentation, Crisis Marketing Promotion, Crisis Collaboration, and Crisis Personnel Management.

บทคัดย่อ

การท่องเที่ยวนับ ได้ว่าเป็นการส่งออกหลักด้านการบริการของประเทศไทย อย่างไรก็ตาม อุตสาหกรรมการท่องเที่ยวในประเทศไทย โดยเฉพาะในจังหวัดภูเก็ต กลับได้รับผลกระทบจากวิกฤติต่างๆ ที่เกิดขึ้นในหลายปีที่ผ่านมา ซึ่งรวมถึงวิกฤติเศรษฐกิจที่ส่งผลให้นักท่องเที่ยวทั้งในประเทศและต่างประเทศ ลดรายจ่ายด้านการท่องเที่ยว อนึ่ง ธุรกิจโรงแรมเป็นหนึ่งในภากธุรกิจของอุตสาหกรรมการท่องเที่ยวที่ ได้รับผลกระทบจากวิกฤติเศรษฐกิจมากที่สุด ดังนั้นธุรกิจโรงแรมจึงมีความจำเป็นที่จะต้องทำความเข้าใจ เกี่ยวกับลักษณะและผลกระทบของภาวะวิกฤติจากเศรษฐกิจและปัจจัยที่ส่งผลต่อความสำเร็จในการจัดการ วิกฤตดังกล่าวเพื่อให้ธุรกิจอยู่รอดต่อไปได้

การวิจัยเรื่องนี้จึงมีวัตถุประสงค์หลักเพื่อศึกษาปัจจัยที่ส่งผลต่อความสำเร็จของการจัดการวิกฤติ เศรษฐกิจ โดยใช้กรณีศึกษาธุรกิจโรงแรมในจังหวัดภูเก็ต อนึ่งนักวิจัยได้ตั้งสามวัตถุประสงค์ย่อยและใช้การ วิจัยเชิงคุณภาพในการเก็บข้อมูลเชิงลึกด้วยการสัมภาษณ์

การวิจัยเรื่องนี้ได้บรรลุวัตถุประสงค์โดยการวิเคราะห์ปัจจัยลบทั้งในระดับท้องถิ่น และวิกฤติ เศรษฐกิจระดับนานาชาติที่ส่งผลต่อธุรกิจโรงแรมในจังหวัดภูเก็ต และเสนอปัจจัยห้าประการที่ส่งผลต่อ ความสำเร็จในการจัดการวิกฤติเศรษฐกิจอันได้แก่ การวางแผนการจัดการวิกฤติ การแบ่งส่วนตลาดในภาวะ วิกฤติ การส่งเสริมการตลาดในภาวะวิกฤติ การร่วมมือในในภาวะวิกฤติ และการจัดการบุคลากรในภาวะ วิกฤติ

CHAPTER 1: INTRODUCTION

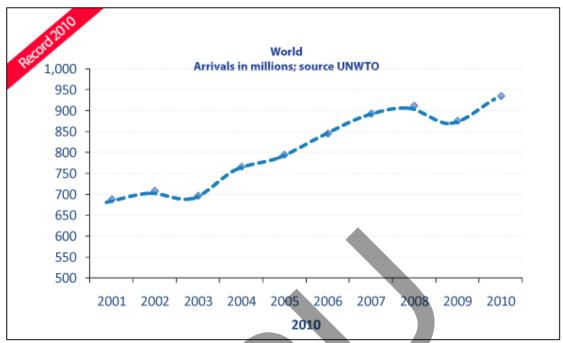
Introduction

This chapter aims to provide the background of this research. Firstly, the chapter introduces the impact of an economic crisis on different levels ranging from the global and Asia Pacific tourism industry to Thailand and Phuket's tourism industry. The research objectives, research definitions, research frames, research limitations, and research justifications will then be discussed.

The Impact of Economic Crisis on Global Tourism

Over recent decades, tourism has experienced continued growth and has become one of the fastest growing economic sectors in the world. Nowadays, the business volume of tourism equals or even surpasses that of oil exports, food products or automobiles. Moreover, tourism has become one of the major players in international commerce, and at the same time represents one of the main income sources for many developing countries. Such a growth goes hand-in-hand with increasing diversification and competition among destinations (World Tourism Organization 2011).

Figure 1: World tourist arrivals



Source: Pacific Asia Travel Association (2011)

However, global tourism has been severely affected by the current financial and economic downturn. According to the United Nations World Tourism Organization (UNWTO) data, international tourism started to decline during the second quarter of 2008, becoming one of the latest sectors to feel the effects of the global recession. Moreover, while financial institutions around the world confirm the intensity of the crisis through various indicators, the negative trend in international tourist arrivals intensified during the first half of 2009 in line with the prevailing financial situation (Papatheodorou, Rosselló & Xiao 2010).

It is reasonable to assume that projected tourism growth may suffer from an economic downturn. Moreover, massive prolonged increases in fuel prices, with few short-term options (at least for airlines), as well as other 'mega crises' will have a fundamental downward effect on international travel (World Tourism Organization 2008). Such a statement was endorsed by the World Travel & Tourism Council (2008) who stated that the world's tourism outlook in 2008 and beyond is likely to be negatively affected by high oil prices, fear of recession in the US, increasing deficits, and a weaker dollar.

Rising oil prices is one of the major negative factors that affects the tourism industry. It should be pointed out that rising oil prices does not only affect the price of airfare tickets, but also affects the tourism industry overall. The level of impact depends on various factors including the particular segment of the industry; how reliant on tourism cities and destinations are; and most critical of all, how much oil prices will rise. Airlines, cruise lines, and bus lines all need fuel to operate; hotels, resorts, and restaurants need energy to heat and cool their buildings; and families traveling by car are beginning to limit their normal traveling (Wilkening 2011b). Among the hardest hit sectors in the tourism industry is airlines.

In the airline industry, airports reported a slowing passenger traffic growth trend in June 2008, with worldwide growth at a modest 2 percent. High oil and jet fuel prices, stock market turbulences, inflation and an uncertain economic outlook took their toll on air traffic in June, also impacting half year figures. Compared with those in June 2007, the two largest international markets Europe and Asia-Pacific regions reported only 2.4 and 0 % increases respectively in 2008, whereas Africa and Middle East both increased by 13 %, followed by Latin America & Caribbean region at 7 %, North America at 5.4%. Asia Pacific international traffic contracted mainly due to China, Taiwan and Japan. Bangkok (+5.1%), Singapore (+2.9%), Kuala Lumpur (+6.5%) and Hong Kong (+5.5%) still showed moderate growth, but were significantly down from previous levels (Airports Council International 2008).

In the first half of 2009, airlines across regions struggled to cut capacity to match steep declines in demand. As fast as airlines have been cutting capacity, for most it has not been fast enough to match the sharp fall in passenger traffic. First half numbers for the major operators in the Americas, Europe and Asia demonstrate the extent to which passenger traffic has fallen and load factors are down. In addition, increased competition has resulted in falling yields and fares, and there has been a drop-off in the premium travel sector, making it clear why the airline sector is in crisis (Dunn 2009).

Like the airline industry, the hotel industry has also been affected by the economic crisis. The average price of a hotel room around the world fell by 17 percent in the first six months of 2009. Hotel room rates in June 2009 were more than one sixth lower than they were the year before and room rates were just one percent above the January 2004 level. The 17 percent fall in room rates was driven by price drops across every continent (Travel Moles 2009). In addition, average room rates have decreased in 3 and 4 star hotels as clients

downgrade star ratings in purchasing accommodation. This has led to budget hotels battling to maintain their share of the corporate market (Jarrett 2009).

Asian hotel rates, which had been holding up better than those in the U.S. or Europe, tumbled in the first half of 2009 dropping an average of 17 percent compared to the same period one year earlier. Sydney saw the average price for a hotel room fall from US\$175 to US\$122, a 30 per cent decline, in the first six months of 2009. In New Zealand, Auckland saw the biggest drop with a 40 per cent dip in rates from US\$139 to US\$84. As demand fell, hoteliers closed floors and cut back both services and prices, creating a market with a distinctly promotional character that is likely to endure for some time (Travel Moles 2009).

In order to cope with the global economic crisis, many countries have developed stimulus measures within their fiscal and monetary packages to mitigate the effects of the crisis on tourism, realizing that the sector can be a key driver of economic recovery. Some destinations are reducing taxes and improving travel facilitation, recognizing that it is now crucial to remove all obstacles to tourism, especially taxation and over regulation. Others have developed financial systems to support tourism enterprises, maintain/increase employment in the sector and develop infrastructure. These initiatives are supported and encouraged by the World Tourism Organization (UNWTO) (World Tourism Organization 2009).

The Impact of Economic Crisis on Tourism in Asia Pacific

The Asia Pacific region remains notable as one of the fastest growing tourism regions; since 1990, international tourist arrivals to Asia and the Pacific have grown at an average annual rate of 7.1%. Not surprisingly, tourism in this region has become the motor propelling global tourism in general, gradually changing the world tourism scenario (Pacific Asia Travel Association 2007). The significant increase in the market share of Asia Pacific in terms of international visitor arrivals is illustrated in Figure 2 below.

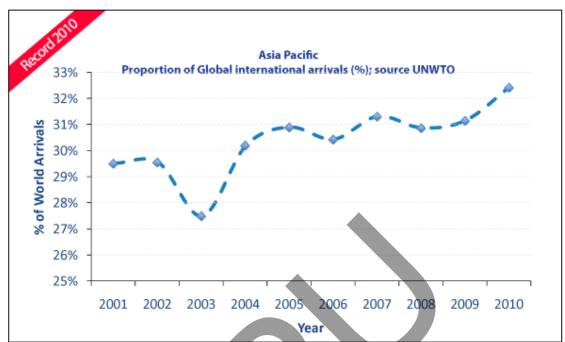


Figure 2: Asia Pacific as % of global international visitor arrivals (IVAs)

Source: Pacific Asia Travel Association (2011)

The Asia Pacific region (Asia, the Pacific, and North America) now accounts for close to one-third of global international arrivals (Pacific Asia Travel Association 2011). With international travelers projected to almost double by 2020, the most significant increases are expected to take place in markets such as China, India and destinations in South-East Asia. The Gulf States and emerging destinations in Eastern Europe complete this picture, followed by Latin American destinations and finally African markets (World Tourism Organization 2008).

Asia Pacific travel and tourism is facing a serious economic crisis due to a combination factors including US currency depreciation, rising local costs and new fuel surcharges. This is because the economic crisis has spread to all regions of the world, despite the fact that this crisis was triggered by events in the United States housing market. In fact, the crisis represents a serious setback for the tourism industry because it is taking place at a time when the tourism business has been making progress in economic performance (Badr, Zakareya & Saleh 2009).

Since 2005, the US dollar has depreciated by between 14% and 21% against six major Asia Pacific currencies, making some parts of Asia an increasingly expensive choice for US travelers. This in part is fuelling a shift in destination choice even within the region. At the same time, inflationary pressures across the region have been pushing local costs upwards. For example, since 2006, average daily rates at 5-star hotels in six major Asia Pacific cities have jumped by between 10% and 39%, as measured in local currencies, and as oil prices have hit record levels, fuel surcharges have increased substantially (Pacific Asia Travel Association 2008).

Steadily rising oil prices since 2001 continue to exert upward pressure on price levels worldwide. Despite tighter monetary policies in many countries in the region since 2005, there has been an increase in the Asian and Pacific region's average inflation rate, from 2.8 per cent in 2005 to 3.5 per cent in 2006. Therefore, many oil-importing economies such as Malaysia, Thailand, Nepal and Pakistan are experiencing increases in oil prices, which then caused inflation rates to nearly double between 2004 and 2006 (United Nations ESCAP 2008).

Like other countries in Asia Pacific, Thailand has also been affected by the economic crisis, and the impact will be discussed below.

The Impact of Economic Crisis on Tourism in Thailand

There is no doubt that tourism is a major export service of Thailand (Vogt & Wittayakorn 1998), accounting for around 6 to 7 percent of the country's national GDP (EIU ViewsWire 2003). Moreover, growth in Thailand's tourism industry in recent years has been the result of numerous strengths including a rich cultural heritage and historical tourist destinations (Rittichainuwat, Qu & Brown 2001), a tradition of hospitality (Koumelis 2004; National Identity Board 2000), strong natural attractions, and value for money (Rogers 2003, p. 276). Evidently, the tourism industry is a crucial component of the Thai economy (Brassett, L. & Watson 2010).

Nonetheless, the tourism industry in Thailand has been challenged in recent years by a number of distinct crises, including the SARS epidemic (2003); the bird or avian flu (2004);

and the tsunami which struck the region (December 26, 2004). The anti-government protest during August-December 2008 also affected Thailand's tourism industry heavily, as international tourists avoided traveling to Thailand due to the fear of political turmoil (The Seoul Times 2008). Thailand's latest crisis is an impact from the global economic crisis, also known as the recession starting from the year 2008 (Bank of Thailand 2010). The figure below illustrates international tourist arrivals in Thailand between 1997 and 2011, with indications of crisis-affected periods.

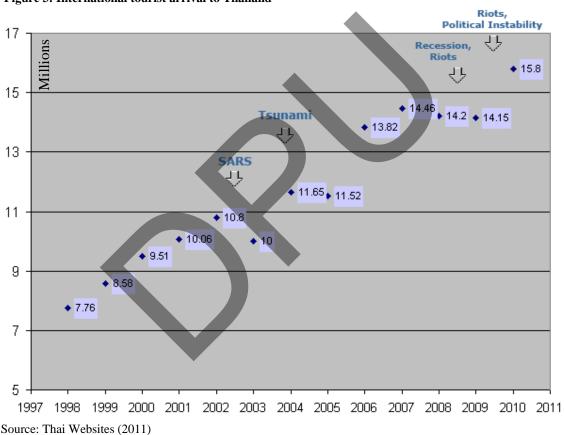


Figure 3: International tourist arrival to Thailand

During an economic crisis, or recession, tourism operators in Thailand have been advised to focus more on regional and domestic markets, as it is difficult to attract tourists from Europe or the US during a recession (Chinmaneevong 2009). In turn, the Thai government set out to promote domestic tourism in order to compensate for losses incurred from the decline in foreign tourism revenue. In December 2008, the government in

collaboration with the private sector, including hotel and airline operators, organized a Thai Travel Fair to promote domestic tourism during both peak and off-peak periods. The policy aimed to rescue the tourism sector and to shelter other related industries and employment. Although the price-cutting strategy reduced the average daily expenditure of Thai tourists, it helped to increase the quantity and frequency of domestic travel. The price cutting strategy benefited Thailand's tourism industry (Bank of Thailand 2010).

However, the revenue gained from domestic tourists was not as high as that from overseas tourists. Compared with overseas tourists, domestic tourists (mostly Thais) spend much less per day and their trips are shorter, on average two and a half days. In 2007 for example, there were reportedly over 83 million in-country travel trips. This generated 380 billion baht in revenue. The average daily expenditure was around 1,770 baht per person versus 4,120 baht per person for international tourism (Thai Websites 2011).

Moreover, foreign tourists generally spent a large proportion of their budget on accommodation and air transportation, whereas Thai tourists normally stayed at mid-to low-end hotels and traveled by ground transportation. The total impact, therefore, would depend on the direct purchases or shocks that are imposed, and the indirect impact, which results from the industry's backward and forward linkages. Clearly, the same amount of spending in the domestic market by Thai tourists did not yield the same income as the spending of foreign tourists, given the differences in the structure of spending (Bank of Thailand 2010).

To sum up, the gains from domestic tourism would not entirely offset the losses from foreign tourism, given the different patterns of spending. More importantly, encouraging Thai people to spend more on tourism would be a daunting task, given the current fragility of the domestic economy. Thailand's tourism industry still relies on spending by foreign tourists to help boost the overall economy and support the current account. As a result, it is critical that the government enforces policies to stimulate the tourism industry and restore foreign tourist confidence (Bank of Thailand 2010).

The Impact of Economic Crisis on Tourism in Phuket

One of the most popular tourist destinations in Thailand is Phuket. Phuket is Thailand's largest island and is often dubbed as 'the pearl of the Andaman', or 'the pearl of the south'. Its natural resources, rocky peninsular, limestone cliffs, white powdery beaches, tranquil broad bays and tropical in-land forests contribute to making it the South's wealthiest, busiest, most visited and most popular island and province (Tourism Authority of Thailand 2010).

Phuket is considered as an international tourist destination which attracts a number of tourists from all over the world. According to C9 Hotelworks (2010b), Phuket's top 5 source markets are the following:.

Table 1: Phuket's top 5 source markets

Rank	Top Source Markets	Top Asian Markets	Top Growth Market
1	Australia	China	China
2	Sweden	Japan	Korea
3	Russia	Korea	Australia
4	China	Malaysia	Middle East
5	United Kingdom	Singapore	Russia

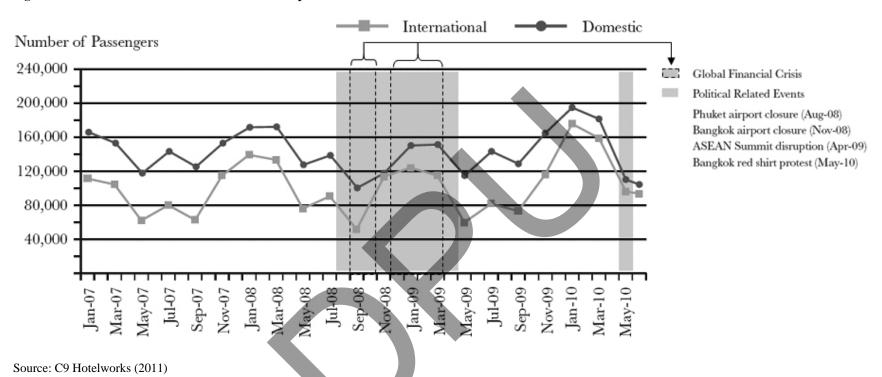
Source: C9 Hotelworks (2010b)

Like other tourism destinations in Thailand, Phuket has been affected by the economic crisis, which deters some travelers particularly from long-haul markets (Theparat 2008). Although Phuket has recovered from the 2004 tsunami, and such a recovery has been endorsed by The Tourism Authority of Thailand's statistics of a full physical recovery for the tourist business, the current global economic crisis, however, sent visitor numbers plunging once again (The Age 2009). This statement has been supported by the Phuket Tourist Association which stated that the number of tourists coming to the Andaman coast in 2009 fell slightly owing to the current global economic downturn (MCOT 2009). As hotels are a crucial part in Phuket's tourism industry, Phuket hotels inevitably have been affected by the economic crisis.

In turn, Phuket hotels have suffered a blow to key metrics, revenue per available room (RevPAR) and average room rates (ADR). Wide scale discounting of 20% led to losses in 2009 of approximately US\$300 million in room revenue. In fact, Phuket's annual visitor arrivals of 2.9 million in 2009 are only equivalent to those in 2007 level (C9 Hotelworks 2010a) as shown in the figure below.



Figure 4: Visitor arrivals at Phuket International Airport



As illustrated in the figure above, visitor arrivals at Phuket International Airport during the economic crisis period are significantly lower than the number of visitor arrivals during the same month a year ago. In addition, bottom lines have been hit as hoteliers attempted to induce demand and meet increasing consumer pressure for lower rates. Virtually every chain scale tier was affected with the exception of the budget and economy segment. In summary, 2.9 million tourists visited Phuket in 2009 with an island-wide average occupancy of 64%. This means average rates and revenue per occupied room have dropped by 20% and 22% respectively compared to 2008 (C9 Hotelworks 2010a).

Summary of a Research Background

The economic crisis has affected international tourism demand worldwide, and Phuket is no exception (The Age 2009). Such a crisis has caused a sharp drop in tourist arrivals, and this is the major reason why the demand in Phuket hotel rooms has declined recently. Therefore, it is crucial for management at Phuket hotels to identify the best practices or 'critical success factors' of economic crisis management. In order to do so, they will first need to understand local negative factors affecting Phuket hotels, and examine the impacts of the economic crisis as global negative factors that affect Phuket hotels.

Using Phuket as a case study, it is envisaged that the findings of this research would provide both rich and substantively meaningful understanding of crisis management during an economic crisis, which will not only provide an academic contribution to existing tourism literature, but also provide managerial implications to tourism suppliers so that they can instigate an effective strategy which can be applied in an economic crisis situation.

In order to meet such needs, this research has developed the following research objectives:

Research Objectives

Objectives of this research are:

- 1. To examine local negative factors affecting Phuket hotels.
- 2. To examine economic crisis as a global negative factor affecting Phuket hotels.
- 3. To investigate the critical success factors (CSFs) of crisis management implemented by Phuket hotels during an economic crisis.

Research Definitions

- **Crisis**: An adverse incident with an unpredictable outcome (Bland 1998; Campbell 1999; Coombs 1999; Coombs & Holladay 2002; Ruff & Aziz 2003).
- **Crisis management**: A systematic effort by organizational members to avert crises, or to effectively manage those that do occur (King III 2002).
- Critical success factor (CSF): The limited number of areas in which results, if they are satisfactory, will ensure successful performance for the organization (Rockart 1979, p. 85).
- **Economic crisis**: a long-term economic state characterized by unemployment and low prices and low levels of trade and investment (Princeton University 2011).
- **Risk**: Any unintended or unexpected outcome of a decision or course of action (Wharton 1992, p. 5).

Research Frame

In order to accomplish the research objectives, only recent economic crises from the year 2008 onwards will be covered in the study, whilst target populations are hotels in Phuket that have a room rate of at least 133 USD (approx 4,280 Baht) per night.

Research Limitations

Although data have been collected only by interviewing executives at Phuket hotels with a room rate of at least 133 USD (approx 4,280 Baht) per night, it is envisaged that selected hotels in Phuket will be able to provide sufficient insightful information in regard to the crisis management approaches used during crisis situations.

Research Justifications

This research primarily focuses on the impact of an economic crisis on Phuket hotels and how such a crisis can be managed from a hotel's perspective. Results from this research will enable tourism stakeholders, such as hotels, tourism authorities, tourism organizations, and tourism associations, to have a better understanding toward crisis management in order to be 'proactive' rather than 'reactive' when an economic crisis hits the tourism industry.

Moreover, it is envisaged that this study will provide a variety of key outcomes and specific deliverables to the tourism industry. The study will review the literature in this field and offer a series of recommendations which may be considered and implemented by various tourism bodies, not only in Phuket but also in Thailand.

Summary

This chapter has laid the foundations for this research and presented its key concerns, research considerations, and research focus. It has supplied background to the research by illustrating the significance of the tourism industry, particularly hotel businesses, in Phuket and how it has been affected by recent economic crises. Taken together, this forms the basis for the research objectives which underpin this inquiry.

Literature in regard to crisis management in the tourism industry will be reviewed in Chapter 2.

CHAPTER 2: LITERATURE REVIEW

Introduction

The key objective of this chapter is to develop an understanding toward crisis management in tourism during an economic crisis. Firstly, the chapter introduces the concept of crisis and types of crisis. The impacts of crises on tourism will then be explored in detail, followed by the concept of crisis management and economic crisis management.

Crisis

A crisis is an adverse incident with an unpredictable outcome (Bland 1998; Campbell 1999; Coombs 1999; Coombs & Holladay 2002; Ruff & Aziz 2003). Interestingly, it should be pointed out that there is a wide range of crisis categories, from a basic 'internal versus external' introduced by Evans and Elphick (2005, p. 135), to a more complex system proposed by Henderson (2007) who categorized crises into economic crisis; political crisis; socio-cultural crisis; environmental crisis; technological crisis; and commercial crisis. Although there are numerous approaches to crisis categorization, The Pacific Asia Travel Association (2003) has suggested that crises can be largely categorized into two major types, which are human-made and natural-made crises.

It is crucial for one to understand that not all types of crisis lead to the same consequences, differing from one another in terms of the scope and extent of damage caused (Aktas & Gunlu 2005). Different public reactions to both human-made and natural crises provide a clear example of the critical differences in the public's reaction to different types of crisis. The public normally reacts more negatively to the effects of human-made crises than to those of a natural crisis. While it is generally conceded that organizations have little control over natural crises, human-made crises can devastate the established reputation of an organization. As human-made crises are usually preventable, this type of crisis therefore often receives severe public condemnation (Pearson & Mitroff 1993).

Furthermore, different crisis types, particularly both natural and human induced crises, are neither absolutely predictable nor avoidable. This means while crises occur rarely and randomly, it is also true that no tourism destination is unaffected by those crises. In response to the near certainty of experiencing crises, it is suggested that tourism organizations come up with a plan for minimizing the damage of, and accelerating the recovering from, such crises through the development of crisis management strategies (Faulkner 2001). Therefore the concept of crisis management is discussed below.

Crisis Management

Being able to effectively respond to a crisis is critical to an organization's survival. Whether or not an organization is prepared for a potential crisis depends upon senior officials and other personnel operating within an organization. More importantly, studies have shown that organizations with an established crisis management approach are able to effectively communicate and respond in the event of a crisis (King III 2002). Clearly, it is crucial for an organization to have a crisis management approach in place.

In general, a crisis management approach can be viewed simply as involving the '4 Rs' of a four-stage process, which are reduction, readiness, response and recovery (Evans & Elphick 2005). The Pacific Asia Travel Association (2003) has summarized and described each stage as follows:

- Reduction. In this phase, an organization's analysis of strengths, weakness, opportunities, and threats (a SWOT analysis) will help the managers to assess a potential crisis and to prepare a contingency plan. After identifying potential crises, organizations need to be prepared by developing strategic, tactical and communication plans.
- 2. *Readiness*, the second phase, crisis response and crisis simulation exercises are very important in order to acquire and maintain crisis management skills as managers and staff need to be ready for the impact and stress from crises.

- 3. *Response*, the third phase, a contingency plan is implemented immediately after a crisis occurs, as organizations that have a well-established crisis management plan tend to be more successful in handling crises. A crisis communication strategy should be utilized to communicate with not only the customer, but also the stakeholders and the public.
- 4. *Recovery*. In the last phase, the crisis recovery could be measured by the speed with which an organization resumes full business operations; the degree to which a business recovers to pre-crisis levels, or the amount of crisis-resistance added since the crisis occurred.

Whilst corporate managers are faced with the reality of trying to implement this process (Evans & Elphick 2005), it should be noted that all stages of the crisis management process need to be flexible, which allows for potential evaluation and modification, depending on the nature of the crisis/disaster (its magnitude, scale and time pressure) and stakeholder response to strategies. Although crisis management is a requirement for organizations, and although business leaders recognize this, many do not undertake productive steps to address crisis situations. Managers who do take productive steps however will be in a much better position to respond when a crisis or disaster affects an organization or destination (Ritchie 2004).

Economic Crisis Management in Tourism

Tourism scholars (Coombs 1999; Henderson 2007) have emphasized that every crisis is unique. Different crises require different skills from crisis team members; an emphasis on different stakeholders; as well as different crisis communication strategies. Most importantly, lessons learned from particular crises could contribute to a measure of broader applicability. Consequently, a brief review of the major differences between an economic crisis and other crisis types are discussed below.

Economic Crisis versus Other Crisis Types

Although the tourism industry worldwide has been affected by a number of crises, the global economic recession posed the greatest risk to travel plans in 2010. This concern is reflected by research conducted in the US which investigated the relationship between the travel intentions of US residents and various risks. Data have been analyzed on leisure travel behaviors and attitudes. The study was of a nationally representative sample of 1,048 travelers who had taken a trip in the previous 12 months that was at least 50 miles from home or required an overnight stay (Wilkening 2011a).

From the research discussed above, over two-thirds of respondents reported the recession (financial risk) would affect their travel plans. The other travel impediments respondents reported were: concern about the H1N1 or swine flu, 7.7 %; having no one to travel with, 7.2 %; personal or general safety concerns, 6.2 %; and fear of terrorism, 5.3 %. The study found that respondents were less likely to travel if they had taken trips in the past 12 months. This may make sense given the financial constraints they expressed. If people have already traveled for pleasure in the past year and money is tight, then they may anticipate taking fewer trips in the next year (Wilkening 2011a).

Evidently, it is believed that an economic crisis does have a stronger negative impact than other crisis types. This is primarily why consumer demand is falling in both the business and leisure tourism sectors (Badr, Zakareya & Saleh 2009). It should also be pointed out, however, that each sector has different characteristics and reacts to an economic crisis differently as discussed below.

Business versus Leisure Tourists

The Global Business Travel Association predicts that business travel will remain steady even if oil price pass-on costs continue to rise. The availability of hotel discounts once travelers arrive at their destination is thought to play a role in continued business travel despite the increased cost of airfares (Wilkening 2011b).

Scrutiny of the need and cost of every trip is becoming standard practice. It means a new pressure for corporate travel managers to maintain a more exact and transparent view of travel spending. Once the financial crisis took hold, companies started scrutinizing every aspect of their business travel policies to see where money could be saved. Some have been very successful at this, saving millions of dollars. Once a CFO gets a taste of these cost savings, it is highly unlikely that he or she will want to let go of them (Brett 2009).

Leisure travel, on the other hand, may see a stronger negative shift. Instead of buying an airplane ticket, consumers who have foregone travel during the recession may decide to take their vacations within driving distance. Although rising oil prices will impact the cost of a road trip, a destination within driving distance is still likely to be less expensive than one that requires international air travel. The gas prices will almost certainly mean some cutbacks on travel expenses, at the very least. Travelers may stay at less expensive hotels, and eat at cheaper restaurants (Wilkening 2011b).

In terms of destination choice, leisure tourists in the years to come will be more likely to travel closer to home, a phenomenon recently called 'staycation.' Domestic tourism is expected to boom as a repercussion of global economic recession, and segments such as visiting friends and relatives, repeat visitors, special-interest, and independent travelers are expected to be more resilient. In the meantime, decline in the length of stay and international tourism expenditure will be more pronounced than volume (or number of arrivals); value-formoney destinations (e.g., places with favorable exchange rates) are likely to be preferred destinations among the traveling public (Papatheodorou, Rosselló & Xiao 2010).

Economic Crisis Management

With economy the major concern, the World Tourism Organization has warned that people will think twice before deciding to travel. The trend therefore points to travelling to destinations closer to home, meaning more domestic travel. This is expected to be favored as against long-haul travel. Visiting friends and relatives, repeat visitors and special interest and independent travelers are expected to be more resilient. Moreover, the decline in the average length of stay and expenditure is likely to be more pronounced than the decline in overall volume. Destinations offering value for money and with favorable exchange rates have an advantage as price becomes a key issue. Consumers will wait for special offers before

making decisions resulting in an increase in late bookings, while companies will focus on containment of cost (UNWTO 2009).

During an economic crisis, it is therefore recommended that tourism organizations focus on markets that will generate revenue (Johnson, Scholes & Whittington 2005, p. 524). In turn, discounting has been widely used as a marketing strategy to attract potential customers. In fact, a number of tourism organizations consider discounting to be one of the most important marketing strategies. The Tourism Internet Marketing (2009) argued however that discounting is not the most effective strategy during an economic crisis and is not recommended due to a number of reasons.

Firstly, it sends a very dismissive signal to past loyal customers - essentially saying their loyalty is worthless and implying that the profit margin is so high that the supplier can afford to discount indiscriminately now. Secondly, it reinforces the notion that if the seller does not value their own product, why should the buyer? Thirdly, it further commodifies the industry and, by necessity, downgrades service levels. How do 5 star hotel properties manage to offer over 50% discounts without reducing back of house staff and dropping service levels? Fourthly, it will make it very difficult to raise prices and re-capture customers when interest rates, taxes and the price of energy, carbon and other key inputs rise, and rise they most certainly will within the next 18-24 months (Tourism Internet Marketing 2009).

To cope with an economic crisis effectively, tourism scholars have suggested a number of best practices. Cooperation between public and private sectors appears critical to sustain international tourism in a region. Arguably, while tourism in a single economy is likely to remain more vulnerable in an economic downturn, it is believed that collective strategies through collaboration, regional cooperation, and partnership will serve as effective coping strategies for the recovery of inbound and outbound tourism (Papatheodorou, Rosselló & Xiao 2010).

Summary

In order to gain a profound understanding toward this research topic, this chapter has drawn literature from major areas which are central to this research. In the next chapter, Chapter 3, methodological approaches employed in this research will be discussed.

CHAPTER 3: METHODOLOGY

Introduction

This chapter outlines the methodological framework utilized in this research to guide data collection and data analysis. To achieve this, the discussion firstly outlines the research design, and is followed by the rationale for employing qualitative methods of data collection, in particular in-depth interviewing. In doing so, the chapter covers key methodological considerations including sampling strategy, data collection, and data analysis strategy.

Research Design

The key reason and motivation for this research is to study the critical success factors of economic crisis management using Phuket hotels as a case study. By drawing on literature from areas relevant to economic crisis management in tourism, this research developed three main research objectives:

- 1. To examine local negative factors affecting Phuket hotels.
- 2. To examine economic crisis as a global negative factor affecting Phuket hotels.
- 3. To investigate the critical success factors (CSFs) of crisis management implemented by Phuket hotels during an economic crisis.

Essentially, this research is motivated by the lack of relevant research and literature concerned specifically with crisis management during an economic crisis. As little is known about this key issue, a vital consideration for this research was to adopt qualitative research methods utilizing semi-structured in-depth interviews to obtain rich and substantively meaningful data.

It should be pointed out that qualitative research aims to provide an in-depth and interpreted account of the social world through the participation of social actors (Snape & Spencer 2003). Qualitative researchers study 'things' in their natural settings, attempting to make sense of and interpret phenomena through the meanings people bring to them (Denzin

& Lincoln 2005). To best achieve this, qualitative research usually emphasizes words as opposed to the quantification of data (Bryman & Bell 2003), and one of the key instruments employed in both this research and more generally, is the in-depth interview. In this research in-depth interviewing was chosen as its key method of data collection for three major reasons.

Firstly, an in-depth interview is possibly the most widely employed method in qualitative research (Bryman & Bell 2003). Secondly, the method has also been used in a wide range of crisis management researches (e.g. Elsubbaugh, Fildes & Rose 2004; Santana 1997). Thirdly, in-depth interview allows researchers to explore factors which underpin a respondent's answers, including key factors such as their reasons, feelings, opinions, and beliefs (Legard, Keegan & Ward 2003).

Using semi-structured interviewing, interviewers are able to direct interviews to a greater extent in accordance with a specific list of topics or subject areas. In this way, the timing, exact wording, and time allocated to each question area are left more to the interviewer's discretion (Aaker, Kumar & Day 2004).

Sampling Strategy

Sampling strategy implemented in this research began with the process of defining the target population, identifying the sampling frame, and then choosing a sampling method as explained below.

Target Population

As the central aim of this research is to identify critical success factors of economic crisis management approaches utilized by Phuket hotels, this research chose high-level executives (e.g. directors, general managers, company advisors, and presidents) at hotels in Phuket that had already been in business prior to the year 2008 in which the global economic crisis started (C9 Hotelworks 2010a) and have a room rate of at least 133 USD (approx 4,280 Baht) per night, which is an average room rate in Phuket (Koldowski 2009), as a target population.

Sampling Frame

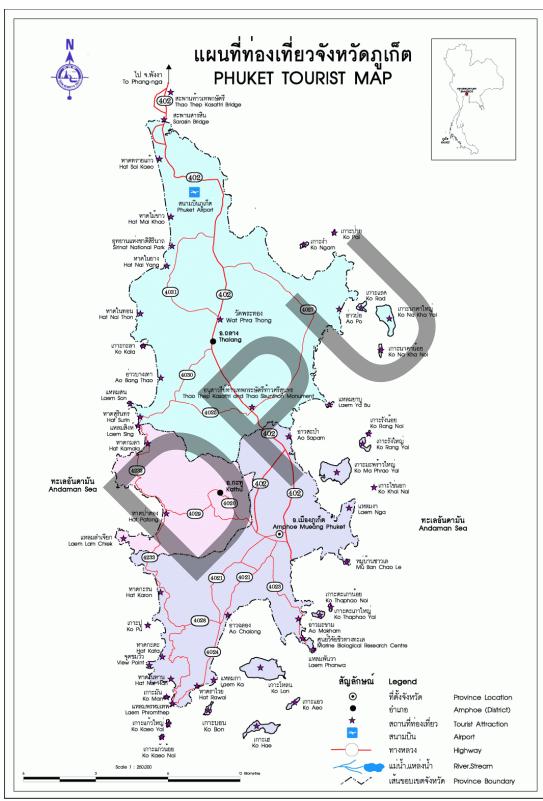
The researcher has contacted the local tourism authority with an attempt to obtain a database of Phuket hotels with up-to-date room rates. Unfortunately, the existing database does not provide such information. Therefore, a sampling frame has been obtained mainly from an internet search (Google) of hotels in Phuket with a room rate of at least 133 USD.

Sampling Method

By using multi-stage sampling, this research initially employed purposive sampling to identify hotels located in Phuket's main tourist areas (see the figure below). Convenience sampling has been used to choose one high-level executive (e.g. a director or general manager) from each hotel in selected tourist areas that would be able to provide insightful information in regard to this research topic. Convenience sampling constitutes a non-probability technique which attempts to obtain a sample of convenient elements; overall, it is both less expensive and less time consuming when compared with other sampling techniques (Aaker, Kumar & Day 2004, p. 388; Malhotra 2004), and thus is particularly suitable to this research given its resource limitations.

In addition to convenience sampling, the other non-probability technique employed in this research is snowball sampling. Using this technique, respondents are selected based on direct referral, or alternatively information provided by initial respondents, thus constituting ultimately a snowball effect to obtaining interviewees (Malhotra 2004). While in this research convenience sampling is expected to dominate the sampling process, snowball sampling is also envisaged to act as a supplementary device when it becomes difficult to approach certain respondents.

Figure 5: Phuket tourist map



Source: Tourism Authority of Thailand (2010)

Data Collection

To provide an overview of data collection in the context of this inquiry, this section discusses the pilot interviews utilized in this research; the major in-depth interviews which form the core of the data collected; and the relevant ethical considerations raised by the study. Details of each part are discussed as follows.

Pilot In-Depth Interviews

As suggested by Vant, Leven and Jonsson (2002), a pilot interview can be conducted to test the interview guidelines, as well as help the researcher become acquainted with an interview situation.

With these aims in mind, five pilot interviews for this research were conducted with hotel executives, prior to the main interviews. Each hotel executive in the pilot interviews, however, is at a different level within an organization. Observations from the pilot interviews revealed that respondents in a higher position tend to have a better understanding and knowledge of crisis management than respondents in a lower position. This has strengthened the researcher's decision to interview only high-level hotel executives.

Main In-Depth Interviews

This qualitative research employed semi-structured interviewing which enables the researcher to employ an interview guide outlining a specific list of topics needed to be covered during an interview (Aaker, Kumar & Day 2004). Using Internet search, the researcher has found a number of hotels that can be chosen as target populations. From the list of search results, 60 hotels that have sufficient hotel information provided on their websites have been chosen.

To start with, the researcher sent an email to those 60 selected hotels asking for cooperation with the in-depth interviews. In return, the researcher received a total of 25 responses out of 60 (a 41.6% response rate) from organizations willing to participate in an interview.

Table 2: Profile of respondent titles

Respondent Profiles	No.
General Managers	19
Board of Directors	3
Directors	3
Total	25

Source: Developed for this research

The major in-depth interviews in Phuket, Thailand were all undertaken in October 2010. Each interview lasted between 30 and 40 minutes, and it remained very difficult to extend interviews beyond 45 or 50 minutes given most interviewees were senior management with busy schedules. When the data became saturated, the researcher carefully decided whether the quantity of data was sufficient to achieve the research aims, and further interviews were therefore not needed.

Ethical Consideration

Crisis management has been considered a sensitive issue in a number of studies (Elsubbaugh, Fildes & Rose 2004; Santana 1997). In particular, while some organizations have managed crises successfully, through well developed crisis management plans, others remain comparatively unprepared and vulnerable. Moreover, an interview on an issue as sensitive as the organization's management of a crisis could be linked to management failings caused by poor or unsafe practices (Elsubbaugh, Fildes & Rose 2004). To ensure the confidentiality of respondents, all respondents were clearly informed prior to the interviews that any quotes that are used in this research will be anonymously attributed, and any descriptors that could result in their identification will be removed.

Data Analysis

This research has implemented the following data analysis steps. Firstly, the data analysis of this research began by typing interviews into a transcription format. Secondly, the researcher has categorized data based on themes, concepts, or other common features, from

which new concepts can then be developed, conceptual definitions formulated, and relationships between concepts drawn and examined. Such a process is commonly known as 'content analysis' (Ruhanen 2006), which can be defined as a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use (Krippendorff 2004). In this sense, content analysis is a technique for data collection, description, and interpretation (Norris & Jacobson 1998), with the goal of depicting the 'big' picture in terms of a given subject, and displaying conceptual depth through the thoughtful arrangement of a wealth of detailed observations (White & Marsh 2006).

Thirdly, this research has conducted a data confirmation process with a panel of tourism experts who were chosen using convenience sampling. Through online surveys, they were requested to rate their opinions on each major finding that has been identified in the indepth interviews. More detailed will be discussed in the next chapter.

Summary

This chapter has given an account of the methodological framework utilized in this study, and discussed its key methodological considerations. Firstly, this chapter has outlined the research design, and then discussed sampling strategy, the methods of data collection, and data analysis respectively. In the next chapter, key findings from the main in-depth interviews will be presented.

CHAPTER 4: DATA ANALYSIS

Introduction

Whilst the previous chapter outlined and discussed the methodology employed in this research, this chapter presents its findings in response to the following research objectives:

- 1. To examine local negative factors affecting Phuket hotels.
- 2. To examine economic crisis as a global negative factor affecting Phuket hotels.
- 3. To investigate the critical success factors (CSFs) of crisis management implemented by Phuket hotels during an economic crisis.

Before discussing issues underpinning this research with interviewees, it remained essential for the interviewer to place interviewees in the context of their industry (Elsubbaugh, Fildes & Rose 2004); namely, within the Phuket's tourism industry. To achieve this, at the beginning of each interview interviewees were asked for a general opinion about the Phuket's tourism industry.

To begin with, respondents have agreed that Thailand has been affected by a number of crises on many levels: worldwide (economic crisis), regional (outbreak), and domestic (political crisis). Thailand, nevertheless, seems to bounce back very fast after crises. The country has a variety of destinations and tourism products, which makes Thailand very competitive.

Phuket is undoubtedly a vital tourism destination in Thailand. Phuket has a competitive advantage over other tourist destinations in Thailand by having a large number of direct flights from overseas, such as V Australia and Air Asia. Domestically, Phuket is served by major airlines, particularly Thai Air Asia, that has chosen Phuket as one of its domestic hubs. It should be pointed that although Thai Air Asia set a hub in Phuket, it only draws tourists to hotels in the Patong area where mostly small hotels are located. Hence Thai Air Asia's hub in Phuket is not a major benefit for luxury hotels.

Internationally, Phuket has always been compared with Bali. During the Bali bombing crisis, a number of tourists, primarily Australians, moved their holiday destination to Phuket due to safety concerns. However, Bali is now growing again, and Phuket is going down in terms of attractiveness. This is because the tourism authority in Bali is employing effective strategies to promote Bali as a destination. In fact, what Bali has done is similar to what Thailand did after the tsunami crisis.

Although Phuket is well known for its sand-sea-sun nature, a few respondents commented otherwise that Phuket's main attractions have always be the same with nothing new. One respondent pointed that "the main product of Phuket is nature but has not been maintained very well. There are no new man-made products here. Our real entertainment that all international tourists can enjoy is very rare. For example, Phuket Fantasia is good but largely attracts Asians. European tourists, on the other hand, prefer culture which is authentic. We need to keep the originality. We can innovate but must keep originality."

Following the introduction to Phuket's tourism industry by respondents, this chapter will now move on analyze each research objective.

Local Negative Factors Affecting Phuket Hotels

Based on the interviews with respondents, the major local negative factors affecting Phuket hotels are: oversupply (Phuket's oversupplied hotel developments); the low season (Phuket's rainy season); and high cost for domestic tourists (Phuket's image as an expensive destination for Thai tourists). Details are shown in a table below.

Table 3: Frequency and percentage of respondents' opinions regarding local negative factors affecting Phuket hotels

#	Factors	Frequency*	Percentage
1	Oversupply	20	80
2	Low season	18	72
3	High cost for domestic tourists	16	64

*N = 25

Source: Developed for this research

Firstly, the main concern of tourism in Phuket is the over-development of hotels, especially in the low season, where there is a low tourist demand yet high competition among local hotels. One respondent has commented that "Phuket has a total of 40,000 rooms (registered) plus 10,000 rooms which are not registered. More hotels are being built in Phuket. It is easy to build hotels in Thailand but in fact it is hard to get customers. Therefore hotel rooms in Phuket are over supplied and we need to discount to compete. Another example is a comparison with Singapore's hotel industry. Singapore only has 20,000 hotel rooms with 8 million tourists, while Phuket has over 40,000 rooms with 6 million tourists. This is why the average room rate in Singapore is higher than Thailand."

Secondly, findings have shown that Phuket can be considered as a seasonal destination, particularly from May to October which is considered as the low season. Promoting Phuket hotels during the low season is therefore a very challenging task for hotel executives. This is because tourists from overseas generally travel to Phuket for a sun-seasand tourism activities. During the low season however, the weather becomes rainy which limits the number of outdoor activities. "Low seasons has (sic) low demand. It is very competitive in low season. So we need to come up with strategy as everybody competes for that market."

Although a majority of respondents believe that Phuket hotels have been negatively affected by Phuket's seasonal nature, some respondents disagreed. "We prefer to call it a 'Green Season' rather than 'Low season' whereby our customers can still enjoy a variety of activities such as visiting the tropical forests. The advantage is that the tourist attractions in Phuket will be less crowded, and the hotel rooms will be cheaper than normal season too."

Thirdly, Thai tourists perceive Phuket as an expensive destination, despite the fact that Phuket is largely considered as an affordable holiday by foreigners. This is mainly because Phuket is located far from Bangkok, which is Thailand's major tourist-generating province, whereby air travel is necessary for the majority of tourists from Bangkok who wish to spend a holiday in Phuket. However air travel can be expensive, as respondents have stated that "Why would Bangkok tourists want to travel to Phuket? They can travel to Singapore or Bali with nearly the same price. Local transport in Phuket is not cheap either. Alternatively they can go to Hua Hin which offers more value-for-money products than Bangkok."

Economic Crisis as a Global Negative Factor Affecting Phuket Hotels

This research has found that the economic crisis, as a global negative factor, has affected Phuket hotels in the following ways: reduced travel budgets (reduced travel budgets for Phuket's major overseas tourist markets); short haul travel (overseas tourists choosing short-haul holiday destinations closer to home); shortened stay (shorter stays for Phuket's tourists); and value-for-money travel (higher demand for 'value-for-money' travel for tourists visiting Phuket). Details are shown in a table below.

Table 4: Frequency and percentage of respondents' opinions regarding economic crisis as a global negative factor affecting Phuket hotels

#	Effects	Frequency*	Percentage
1	Reduced travel budget	24	96
2	Short haul travel	21	84
3	Shortened stay	17	68
4	Value-for-money travel	16	64

*N = 25

Source: Developed for this research

Firstly, an economic crisis is a global crisis which affects tourist-generating countries. There is a price issue as people tend to avoid travel in order to save money. Traveling is not as important as the basic needs in people's lives such as food and accommodation, and therefore travel spending is one of the first expenses to be reduced by those who have been affected by an economic crisis. A weaken Euro currency is a clear example that has resulted in the decrease of long haul scheduled flights from Europe.

Having said that, some respondents confirmed that an economic crisis has an impact on the tourism industry in Phuket, yet they believe that the impact is not high. "During an economic crisis, people do not stop travel (sic), but are more budget conscious. Yes, this crisis makes people hesitate to spend on travels. However if they have money, they will come regardless of financial crisis. I think people will travel, especially those in the middle class to upper class. They will come to Phuket."

Secondly, those that have been affected financially, but can afford to travel, may be more budget-cautious with their spending and spend less accordingly. This has resulted in

more short-haul travel, and this is primarily why the long haul market has not bounced back from the economic crisis. "World travelers are all experiencing an economic crisis. Fortunately, Asia has not been affected much and therefore Asian tourists still travel regionally within 4-5 hours (sic) flights. However we do have problems with the economic crisis-affected tourist markets. What happen (sic) with those markets is that they can go somewhere else. Therefore, other destinations near the tourist-generating countries are having a competitive advantage as Phuket's potential overseas tourists are choosing short-haul holiday destinations closer to home. That costs us."

Thirdly, respondents have also pointed that the airfare is not the only expensive part of the holiday as there are cheap flight alternatives. In fact, hotel stay is another costly expenditure as tourists will be charged per night plus tax. This is why a number of tourists who have a tight budget are shortening their duration of stay in order to reduce costs. "Even if they (tourists) have money, they shorten their stay. Less people are making booking (sic). And the average price they book is consequently decreased."

Fourthly, it should also be considered that Phuket's competitors, primarily beach destinations, have also been affected by the economic crisis. At this point, respondents highlighted that Phuket has a competitive advantage over other destinations by having a variety of value-for-money tourism products. "Even though people often say that Thailand is becoming more expensive, Thailand is still the highest value you can get. So when you have a product like Phuket, people know that you get a diverse range of products with high levels of service. The Maldives, for example, only focus on certain markets such as luxury honeymooners. Therefore Phuket always bounces back faster than its competitors, as it has a competitive advantage that other destinations do not have."

Critical Success Factors (CSFs) of Economic Crisis Management

This section will discuss the following themes related to the critical success factors (CSFs) of economic crisis management. Using a content analysis approach, similar individual CSFs are grouped together into five collective sets of CSFs, as shown in a table below. It should be noted however that the frequency below derives from the number of interviewees who discussed such CSFs, and not from how many times that particular word was mentioned.

Table 5: Frequency and percentage respondents' opinions regarding CSFs

#	Factors	Frequency*	Percentage
1	Crisis Management Plan	23	92
2	Crisis Market Segmentation	21	84
3	Crisis Marketing Promotion	20	80
4	Crisis Collaboration	17	68
5	Crisis Personnel Management	13	52

*N = 25

Source: Developed for this research

CSF1: Crisis Management Plan

Respondents agreed that a crisis management plan should be in place to ensure that a hotel retains its business. Although business may be lost, it is crucial for a hotel to keep existing businesses or clients. "It makes a lot of difference on how you react to crises, both potential and actual crises. A good crisis management plan could be a great success or failure. It is vital that our crisis management plan has to be well thought through as crises change all the time."

A crisis management plan should address how a hotel communicates with stakeholders. Risks should be identified using 'What If' scenarios. Risk can be mitigated in the beginning with good planning to estimate how an organization is going to be affected by the risks. Doing so effectively would help minimize the impact from an economic, or other, crisis.

A crisis management plan for large hotels is likely to be more systematic than for a small one because of the existence of crisis management guidelines from their headquarters. However, such guidelines may be basic and general. Such a plan might need to be adapted to the situation, location, and market. One respondent emphasized that different organizations would require different plans. "We need to be flexible. Each (hotel) property needs to do their homework because each hotel is different. The main guideline is given to us and then we need to adapt it."

A respondent also pointed that an economic crisis is different from other crisis types, and therefore a crisis management plan or guideline developed for an economic crisis is highly recommended. "Our plan has to be tailored to the call, logical and valid reasoning. For an economic crisis, we need to understand that people are having leaner pockets. For a

political crisis, we need to distance ourselves from a protest-affected destination. For outbreaks, we need to show that we have a quarantine system and medical preparedness"

A few respondents believe that hotels cannot plan for, and be proactive to, an economic crisis. "There are certain crises that you can prepare for such as fire or tsunami because you know more or less what will happen and what can be done. For a large scale crisis like an economic crisis, you can have a plan but you can only follow a plan to a certain extent. There is not much you can do. In fact, things never go according to plan. Therefore sometimes we do not have a plan for different scenarios. We make a plan as it happens."

A small group of respondents, mainly those working in non-chain hotels, prefer not to have a crisis management plan. For them, it is highly perceived that commonsense would drive the decisions during a crisis situation and therefore a plan is not necessary. One respondent stated that "We know all along that what we do is right and we would not think twice. If it is for the right reason, we would do it. Management decisions are well thought out. It is about believing in what we do."

It is evident, however, that hotels with a crisis management plan in place tend to cope with an economic crisis better than those who do not have a plan. Those with a crisis management plan also reported to be more cautious, alert, and ready should an economic crisis occur. "We have procedures and role play. We know what to do now as we have learned a lot from crises. When it comes to a crisis, we need to ask ourselves what we can do for our hotel. We need to sacrifice and understand our hotel. We need to be confident that we can manage the hotel with fewer staff during a crisis. We need to be more active with marketing. We need to respond faster. We need to stimulate the market during the short and long term. We change the way we manage our hotel."

One of the most important parts of a crisis management plan is a crisis marketing strategy. Details are discussed below.

Crisis Marketing Strategy

In order for hotels to come up with effective marketing strategies during an economic crisis, a crucial point to keep in mind is the crisis duration. In general, tourists tend to plan

and book their travel long in advance in order to obtain a special rate. While it is likely that tourists may cancel their trips during a political crisis or natural disaster, it is unlikely for them to cancel trips due to an economic crisis as most of their travel expenses have already been paid in advance. Moreover, an economic crisis generally does not involve a safety concern, unlike other types of crisis which may have health-risks. Clearly, there is no major reason why tourists would cancel their pre-booked holidays in Phuket.

Attracting new tourists during an economic crisis, however, poses serious challenges to hotels in Phuket. "For an economic crisis, the critical success factor is marketing. Marketing would keep us on the top of the list, and to remind people that we are here. We need to keep getting as much business as we can even though the business is down."

Some respondents strongly believe that an economic crisis is the right time for hotels to spend their marketing budget since a majority of the industry, particularly short-sighted organizations, will consider cutting their marketing budgets as soon as a crisis occurs. "During an economic crisis, a lot of hotels try to save cost but instead we increase our marketing budget trying to get as many as tourists as we can. If my (hotel) occupancy is good (during non-crisis situations), we do not need to advertise, right? Hence an economic crisis is the right time to advertise. You can gain more potential than your competitors because they will be saving their budget. I think it is a good strategy for us."

CSF2: Crisis Market Segmentation

During an economic crisis situation, hotels need to identify possible revenue streams for the period of economic crisis by using marketing strategies. To begin with, a large number of respondents emphasized that hotels must choose the right mix of market segmentation. Although Phuket has successfully attracted a number of tourists from both overseas and domestic markets, it is challenging for Phuket to attract tourists during an economic crisis. The characteristics of each market are explained below.

Overseas Markets

In normal situations, it is ideal that Phuket attracts high-spending tourists, sometimes known as high-quality tourists. During an economic crisis however, it is vital for hotels in Phuket to focus on markets that have not been affected. There is little benefit trying to compete for high-spending markets when there are low levels of demand, such as those carrying the weak Euro currency.

Since crisis-affected tourists have become difficult to target, hotels in Phuket have directed their marketing efforts to emerging markets instead. "We develop neighbor markets because they have not been affected much and to travel here is cheaper for them. We target emerging markets. Thanks to V Australia, more Australians can now afford to come to Phuket. There is no point competing for the affected market, so we widen our market. We used to focus on one market, but now we focus on several markets. We spread out, so if the market goes down, we focus on another one."

Some respondents pointed out that Phuket is a seasonal destination and therefore Phuket hotels would need to match the right market with the right season. "During an economic crisis, our strategy is to focus somewhere else. A crisis does not affect every market. We are looking more at Asians. This market is appropriate for crises, but markets bounce back fast. And let's not forget that Phuket is a seasonal destination. During low season, we attract Chinese and Korean tourists. Australians also come to Phuket during the low season as it is winter in Australia at that period of time. After October we move to the Russian and Scandinavian tourists. Pattaya used to be a prime destination for both markets. However the trend has changed and Phuket is now very appealing to them."

The Domestic Market

Like the overseas market, the domestic market is crucial to the Phuket's tourism industry as a respondent stated "One of the markets everyone tries to get is the domestic market. We need to have an immediate response as regional and domestic markets have less lead time for holiday planning. The domestic market is not sensitive to the rainy season as much as the overseas market. This is because tourists travel for different reasons. For

instance, European tourists generally come for the beach and a warm climate, whilst many Thai tourists come for sightseeing."

Whilst Phuket is considered as an affordable holiday destination by foreigners, Thai people perceive Phuket as a rather expensive destination. In fact, Phuket is largely considered by many Thais as a destination for tourists from overseas. Although hotels in Phuket have tried to attract domestic tourists, they have not been able to gain sufficient volume. "95% of our business comes from Europe, whereas the domestic market is less than 5%. So we tried to develop the domestic market when some Europe markets have been affected by the economic crisis. It helps us to certain extent but not so much."

Tourists from Bangkok also considered Phuket to be located quite far from Bangkok, and therefore prefer Hua Hin because of the relatively short distance from Bangkok. A respondent at a hotel chain with properties in different locations in Thailand stated that "During an economic crisis, our (hotel) property in Hua Hin would target Bangkok tourists, whereas our Phuket property would target overseas tourists."

Although some Bangkok tourists can afford Phuket products, they may decide to go to nearby overseas destinations such as Singapore or Hong Kong instead as the airfare is nearly the same as a flight to Phuket. On this matter, respondents complained that local airlines in Thailand must contribute more to help promoting Phuket to the domestic market. Moreover, Phuket does not have a tourist-friendly public transportation system like other leading destinations such as Singapore and Hong Kong. Hence, a car rental fee in Phuket can be expensive to a domestic tourist, and this is yet another reason that steers Thai tourists to overseas destinations instead.

Even if Phuket can successfully attract domestic tourists, they are likely to spend less than overseas tourists and also tend to stay at low-medium level hotel accommodation. Therefore, medium-high level hotels in Phuket would need to work harder to attract domestic tourists who could afford their products.

Clearly, attracting both overseas and domestic tourists to Phuket during an economic crisis appears to be a challenging operation. To overcome this challenge, respondents suggested that different marketing strategies should be considered. Such strategies are discussed below.

CSF3: Crisis Marketing Promotion

In general, tourists are cost conscious during an economic crisis. A simple question such as "I have 4,000 Euro for my family holiday. Where should I go?" has been commonly raised by tourists who would like to make the most of their limited travel budget. Hence a marketing promotion offered by hotels needs to explain the possibilities of having an affordable quality holiday.

Findings from this research have shown that there are largely two approaches of doing so, either by discounting or by adding value to the tourism products. Both marketing promotion approaches are discussed below.

Discounting

For a large number of hotels, the most important thing during an economic crisis is to generate cash, regardless of the room rates, as a respondent stated that "I have been working in the luxury hotel market. If the economy is good, people can afford your product. If the economy is bad, people can't afford it. So you need to compromise on your rate. Therefore 5 star hotels are selling at the room rate of 4 stars to capture more of the market. It is all about pricing."

Another respondent added that hotels should set the price based on customer demand: "Our hotel was built with one word in mind which is 'affordable luxury'. We thought for the long term that everyone would look for luxury. And in order to reach large clients, we make our products affordable. We never believe in setting the price according to the product. We set the price according to the demand. We do not feel bad about it, and we are quite happy if guests can afford our products."

It should be pointed out however, that discounting rates has a number of downfalls. Firstly, discounted rates can be perceived as a reduced level of service. In many cases, customers will not be satisfied if the quality of service does not match their expectation of the hotel. In some cases, disappointed customers will never return to the hotel. Secondly, it can take a long period of time for the hotel to reach normal room rates once the rate has been discounted. In turn, hotels need to have a rate-based crisis management strategy which

identifies different rates over different periods of time from the economic crisis period to post-crisis period.

Thirdly, discounting rate means that the hotel may be attracting tourists who are very cautious with their spending, which are not the hotel's preferred target market. "If you drop the price so much, guests will come to your hotel but they will go to 7-11 for dinner, and not spend at your hotel restaurants. Therefore, the key to attracting tourists during an economic crisis is not to discount, but instead to demonstrate that hotel guests will get more products and services than the value of the money spent."

Adding Value

An alternative to discounting rate is adding value to the tourism products, which appears to be a superior approach for attracting customers during an economic crisis. There are a number ways to add value to the product including, but not limited to, the following: hotel room upgrade, stay 3 pay 2 (3 nights stay for the price of 2 nights), privilege program for returning guests, complimentary airport transfer, complimentary spa, and so on.

One of many respondents who highly support the strategy of adding product value stated "We do not lower the rate even though the Euro currency has dropped. Instead, we look ahead a few months to when the economy bounces back, unless another crisis happens. We add value to our program only for a short period of time, as otherwise it would dilute the value of our products. We inform our customers that the value-added products have a validity of a certain period of time, and convince them that the right time to travel is now."

Respondents have suggested that necessary products, such as meals, should not be included in the value-added package as the customers need to spend on those products anyway. In addition, every hotel prefers that their guests spend on meals at the hotel's restaurants as much as possible.

In short, adding value to tourism products is crucial during an economic crisis in order to stimulate customer spending. Respondents have explained, however, that adding value is in fact part of the hotel's marketing expenditure: "Our strategy may increase our costs, but it

increases our revenue by stimulating customers to spend, so sometimes we need to spend more to get a bit more."

In order for Phuket hotels to maximize product value from a limited marketing budget, an effective collaboration with suppliers is needed. This issue is illustrated below.

CSF4: Crisis Collaboration

Respondents have agreed that a common problem during an economic crisis happens when hotels heavily compete with one another using discounting strategies. As discussed earlier in this chapter, a heavy discount can dilute the product value which is associated with a reduced level of service. Therefore, a better alternative for hotels is to work hand-in-hand with suppliers. This will allow them to come up with economies of scale which would lower the total product cost. A respondent stated that "We need to talk to suppliers such as tour operators to get a special price. We need to manage a rate to come up with the best option based on what our customers demand."

Partnering with airlines is also a win-win situation for both hotels and airlines. "We can't work in isolation and need to work with our partner, and the airline is very important as they bring in customers to Phuket. So our partners and our company will have to head in the same direction in order to get through an economic crisis together. Unfortunately, Thai Airways has been inflexible in supporting us. Hence, a lot of my hotel colleagues are searching for a partnership with other airlines. We are now partnering with Air Asia by combining a package of flight and hotel. Collaboration with partners is absolutely vital to the success of strategy."

Respondents also added "You need to come up with a collective package. A luxury hotel will not be able to compete against middle-level hotels as each hotel has its own market. You need to first identify the problem. Think as a team, not as an individual. Be friends with your competitors. You need to work hand in hand with suppliers; do not fight internally within the industry; and always communicate with each stakeholder. Without an initiative from the Tourism Authority of Thailand (TAT), industry collaboration will not be possible."

Nonetheless, the TAT has largely been criticized that it has not done enough to support industry partnership during an economic crisis situation. "TAT should create a team consisting of travel agents, hotels, etc, then set a policy, and plan what to do. Everybody can't do the same by discounting because the only people that benefit are middleman. We need to collaborate in order to communicate in a professional way as we can't afford to confuse the stakeholders."

In conclusion, respondents have pointed that "We are on the same boat with the whole industry when a crisis happens. No one is getting anything from anywhere. So the industry needs to work together. Sometimes we give up our share a bit, but it benefits the whole industry". Without a doubt, collaboration among the tourism industry is critical during an economic crisis.

CSF5: Crisis Personnel Management

Respondents have to be cautious with fixed and variable costs during an economic crisis in which generating revenue becomes difficult. It should be pointed out that the hotel's biggest costs are overhead costs. At the same time, employees are the most valuable asset. Therefore, it is important to have a personnel management plan that can be implemented and adapted during an economic crisis.

Employing casual staff has proved to be helpful during an economic crisis. "We are more cautious, and flexible. We try to have to have a leaner work force. We work more with casual staff so that we don't have to hire them during the low season. This is because Phuket is seasonal, and you need staffs during high seasons."

For hotels with a large number of employees, reducing labor cost would appear to be challenging. This means hotels need to have regular, open, and honest communication with employees to inform them about an organization's performance. The most important thing is that the leader explains clearly why the decision has been made, and how it would help an organization. "What we did was telling staff that there are times when things are not going as well as planned, and that staff needs to help the hotel. So we ask them to take 4 days of leave without pay per month...we have low occupancy anyway. This applies to all level of staff, and they understand if it's clearly communicated."

In regards to internal communication, another respondent added that "We communicate with our staff during a 'town hall' meeting each month which is a direct communication. I have staff in front of me, so there is no room to misinterpret my message. I never delegate my staff to tell other staff. That always works for me. And as soon as things go better, you need to pay back your staff. You need to be fair to your staff, and it works. This approach earns me loyalty among my staff. Of course staff may sometime disagree, but they are not part of the decision making. It is up to the managers to decide. 20 managers make decisions for 300 people."

Furthermore, hotels must carefully select human resource management options when attempting to lower labor cost. During low occupancy, there are a number of human resource management options. Firstly, there is paid leave, and also leave-without-pay. For large hotels with branches in different locations, staff can be transferred to a location that has not been affected by an economic crisis.

Data Confirmation

In order to ensure the validity of research findings, the researcher has conducted a data confirmation process. This has been achieved through online surveys where key findings were fed back to a panel of 10 tourism experts including senior hotel executives, senior tourism consultants, tourism academics, and senior executive at the Tourism Authority of Thailand (TAT). Data have been collected from 28th November to 2nd December 2011. All 10 surveys have been completed and presented below.

Local Negative Factors

Based on the in-depth interviews, this research has found that the following local factors have negative influences on Phuket hotels: oversupply, low season, and high cost for domestic tourists. In order to confirm such findings, this research has employed five-point Likert scales in order to obtain expert opinions through online surveys. Details are shown below.

Table 6: Local negative factors: Oversupply

How has Phuket's hotel industry been affected by an oversupply	Response	Response
situation?	Percent	Count
Strongly positively affected	0%	0
Positively affected	10%	1
Not affected	10%	1
Negatively affected	50%	5
Strongly negatively affected	30%	3
Total	100%	10

Source: Developed for this research

Table 7: Local negative factors: Low season

How has Phuket's hotel industry been	affected by Phuket's	Response	Response
low season?		Percent	Count
Strongly positively affected		10%	1
Positively affected		0%	0
Not affected		20%	2
Negatively affected		50%	5
Strongly negatively affected		20%	2
Total		100%	10

Source: Developed for this research

Table 8: Local negative factors: High cost for domestic tourists

How has Phuket's hotel industry been affected by Phuket's image as an expensive destination for Thai tourists?	Response Percent	Response Count
Strongly positively affected	10%	1
Positively affected	10%	1
Not affected	10%	1
Negatively affected	40%	4
Strongly negatively affected	30%	3
Total	100%	10

Source: Developed for this research

The survey results has illustrated that over 70% of the tourism experts agreed that oversupply, low season, and high cost for domestic tourists are factors that have negative effects on Phuket hotels.

Impact from the Economic Crisis

Reduced travel budget, short haul travel, shortened stay, and value-for-money travel are identified from the in-depth interviews as the four major changes of travel pattern caused by the economic crisis. Such findings have been confirmed by tourism experts as follows.

Table 9: Impact from the economic crisis: Reduced travel budgets

The economic crisis has resulted in reduced travel budgets for	Response	Response
Phuket's major overseas tourist markets.	Percent	Count
Strongly disagree	0%	0
Disagree	0%	0
Cannot comment	20%	2
Agree	30%	3
Strongly agree	50%	5
Total	100%	10

Source: Developed for this research

Table 10: Impact from the economic crisis: Short haul travel

Phuket's hotel industry has been affected by overseas tourists	Response	Response
choosing short-haul holiday destinations closer to home.	Percent	Count
Strongly disagree	0%	0
Disagree	10%	1
Cannot comment	10%	1
Agree	60%	6
Strongly agree	20%	2
Total	100%	10

Source: Developed for this research

Table 11: Impact from the economic crisis: Shorten stay

The economic crisis has resulted in shorter stays for Phuket's	Response	Response
tourists.	Percent	Count
Strongly disagree	0%	0
Disagree	20%	2
Cannot comment	20%	2
Agree	40%	4
Strongly agree	20%	2
Total	100%	10

Source: Developed for this research

Table 12: Impact from the economic crisis: Value-for-money travel

The economic crisis has resulted in higher demand for	Response	Response
'value-for-money' travel for tourists visiting Phuket.	Percent	Count
Strongly disagree	0%	0
Disagree	0%	0
Cannot comment	0%	0
Agree	50%	5
Strongly agree	50%	5
Total	100%	10

Source: Developed for this research

The survey results have illustrated that tourism experts agreed that reduced travel budget (80%), short haul travel (80%), shortened stay (60%), and value-for-money travel (100%) are the four major changes of travel pattern caused by the economic crisis.

Critical Success Factors (CSFs) of Crisis Management

Through the online surveys, tourism experts have confirmed that the following factors are very important for the success of crisis management during the economic crisis: crisis management plan (80%), crisis market segmentation (80%), crisis marketing promotion (80%), crisis collaboration (60%), and crisis personnel management (70%). Details are shown below.

Table 13: Critical Success Factors (CSFs) of crisis management

Please rate the importance of the following success factors of crisis management during					
an economic crisis.					
	Not at all important	Not very important	Somewhat important	Very important	Extremely important
Crisis management plan (Having crisis management plan)	0% (0)	0% (0)	20% (2)	30% (3)	50% (5)
Crisis market segmentation (Segmenting tourist markets)	0% (0)	0% (0)	20% (2)	50% (5)	30% (3)
Crisis marketing promotion (Promoting tourism products)	0% (0)	0% (0)	20% (2)	50% (5)	30% (3)
Crisis collaboration (Collaborating with tourism stakeholders)	0% (0)	0% (0)	40% (4)	50% (5)	10% (1)
Crisis personnel management (Managing personnel)	0% (0)	0% (0)	30% (3)	50% (5)	20% (2)

Source: Developed for this research

Summary

The value of findings presented in this chapter lies primarily in crisis management issues, particularly in the economic crisis situation in Phuket which interviewees raised and discussed. In turn, this chapter has adapted content analysis approaches to address issues found from the interviews. At this stage, this research can now consider relationships between the findings presented in this chapter and the relevant literatures. These relationships remain the main aim and objective of the final chapter.

CHAPTER 5: CONCLUSION

Introduction

The chapter comprises three major sections. Firstly, it will meet the research objectives by considering and discussing the relationships between the findings presented in Chapter 4, and the relevant literatures. Secondly, a summary of relevant managerial implications will be proposed. Thirdly, the recommendations for future research will be outlined. Finally, this chapter will conclude the research with a number of closing remarks.

The following research objectives will be discussed:

- 1. To examine local negative factors affecting Phuket hotels.
- 2. To examine economic crisis as a global negative factor affecting Phuket hotels.
- 3. To investigate the critical success factors (CSFs) of crisis management implemented by Phuket hotels during an economic crisis.

Discussion of Research Objective #1

The aim of the first research question underpinning this study was to examine local negative factors affecting Phuket hotels. Locally, Phuket has been affected by an oversupply situation, low season, and its image as an expensive destination for Thai tourists. Details are shown below.

Oversupply

This research has found that a main concern of tourism in Phuket is over development, especially in low seasons which have low tourist demand yet high competition among tourism organizations in Phuket. A concern over Phuket's oversupply situation is supported by tourism literature that states that significant trends are emerging including a greater number of Thai investment entities developing new hotels, both publicly listed firms

and private individuals. Much of this can be attributed to domestic liquidity and the greater availability of debt (C9 Hotelworks 2008). Moreover, Banks continue to fund new hotel projects in a market which is well past saturation and, over the next decade, the possibility of oversupply is a real and present danger to the overall health of hotel grade assets (Barnett 2009).

Tourism literature also explains that branding of hotels is also on the rise with 27 of the 30 hotels operated by international, regional and domestic chains. Thailand based brands are growing at a rapid pace and regional chains are now expanding throughout the country. There remains growing concern on possible oversupply issues facing Phuket in the coming years and what is currently a sleeping giant, in terms of supply growth, is the conversion of exclusive villas and condos, in the non-traditional accommodation segment, becoming a direct competitor to the mainstream hotel market (C9 Hotelworks 2008).

Low Season

Findings from this research support the literature that Phuket can be considered as a seasonal destination. Promoting Phuket hotels during the low season is apparently very challenging. According to The Phuket News (2011), Phuket and the Andaman region usually enter a low tourist period, or so call 'green season' or 'low season', following Songkran festival in April. In turn, tourism operators will have to work hard to attract more visitors and keep the local economy ticking over.

Mantanarat (2011) voiced a further concern that Phuket's low season is extremely poor, with occupancies dropping at hotels by the end of April to a breakeven level, while running costs remain high. Selling Phuket during the six months from May through to October requires travel agents to flag a warning that while the weather can be bright and sunny, it is just as likely to be stormy with torrential rains blowing off the Andaman Sea. Swimming in most of the bays is off-limits due to dangerous rip-tides. Moreover, very few hotels are geared for the rainy season. They lack indoor activities and entertainment for families.

In order to cope with such challenges, respondents have stated that the tourism industry in Phuket needs to match the right market with the right season. If the tourism package is appealing, it is possible to attract the Chinese, Korean, and Australian tourists to travel to Phuket during the low season.

High Cost for Domestic Tourists

Whilst Phuket is considered as an affordable holiday by foreigners, Thai people perceive Phuket as a rather expensive destination. In fact, literature has shown that Phuket is officially the most expensive place in Thailand to live, and is even more expensive than Bangkok (Kaenkrachang 2010). Moreover, Phuket is largely considered by many Thais as a destination for tourists from overseas. This is primarily the reason why Phuket has been perceived by domestic tourists as a 'foreigner's city', where everything has become expensive (Khamlo 2011).

For domestic tourists traveling to Phuket, tourism statistics have shown that revenue gained from domestic tourists was not as high as from overseas tourists. Compared with overseas tourists, domestic tourists (mostly Thais) spend much less per day and their trips are shorter, on average two days and a half (Thai Websites 2011). Moreover, foreign tourists generally spent a large proportion of their budget on accommodation and air transportation, whereas Thai tourists normally stayed at mid-to low-end hotels and traveled by ground transportation (Bank of Thailand 2010).

Furthermore, Phuket is not a mainstay destination for domestic travel agents who prefer to sell specialized tours to the North and Northeast with eco-tourism or soft adventure options (Mantanarat 2011). With all these reasons, this research has endorsed tourism literature findings that the tourism industry in Phuket has not been able to gain sufficient volume from domestic tourists.

Discussion of Research Objective #2

The second research objective aimed to examine economic crisis as a global negative factor affecting Phuket hotels. This research has confirmed the literature which shows that an

economic crisis has a stronger negative impact than other crisis types (Badr, Zakareya & Saleh 2009).

In order to meet the second research objective, this research has demonstrated that an economic crisis has negatively affected tourist decisions to travel to Phuket as they would rather save their money, travel to short-haul destinations, shorten their stay, and choose value-for-money destinations. The details are discussed below.

Reduced Travel Budget

According to this research's findings, an economic crisis is a global crisis which affects Phuket's tourist-generating countries. There is a price issue as people tend to avoid travel in order to save money. Traveling is not as important as basic needs in people's lives such as food and accommodation, and therefore travel spending is one of the first expenses to be reduced by those who have been affected by an economic crisis. Even if tourists could afford to travel, they may be budget-cautious with their spending and spend less accordingly, such as having dinner at local restaurants instead of eating in the hotel's restaurants.

Such findings are in line with tourism studies which show that tourists will think twice before deciding to travel during an economic crisis (UNWTO 2009). Travelers may stay at less expensive hotels, and eat at cheaper restaurants (Wilkening 2011b). Furthermore, tourists are likely to economize on the duration of their stay, scale back their expenditure per night and tend to sacrifice secondary holidays (Smeral 2009).

This complexity is further explained by Smeral (2009) who stated that tourism, as a non-necessary consumer good, will recover slower than other economic activities due to a number of reasons: firstly, high unemployment rates means tight consumer budgets will be first spent on necessary consumer goods; secondly, the loss in wealth will increase saving rates in the medium term; and thirdly, higher taxes and reduced public spending will limit consumer expenditure. Clearly, an economic crisis situation makes it difficult for people to justify travel spending.

Short Haul Travel

This research has pointed out that although some tourists can afford to travel, they would prefer short-haul travel. It supports literature which shows that tourists now tend to travel to destinations closer to home, meaning more domestic travel. This is expected to be favored over long-haul travel (Smeral 2009; UNWTO 2009).

In terms of destination choice, leisure tourists in the years to come will be more likely to travel closer to home, a phenomenon recently called 'staycation.' Domestic tourism is expected to boom as a repercussion of global economic recession, and segments such as visiting friends and relatives, repeat visitors, special-interest, and independent travelers are expected to be more resilient (Papatheodorou, Rosselló & Xiao 2010).

Instead of buying an airplane ticket, consumers who have foregone travel during the recession may decide to take their vacations within driving distance. Although rising oil prices will impact the cost of a road trip, a destination within driving distance is still likely to be less expensive to reach than one that requires an international flight. The gas prices will almost certainly mean some cutbacks on travel expenses, at the very least (Wilkening 2011b).

All these reasons are consistent with the research findings which explain why Phuket's long haul markets, primarily tourists from Europe and the USA, have not bounced back from the economic crisis.

Shortened Stay

As a result of economic and currency impacts, long haul arrivals into Phuket from Europe and the USA were down, but have been compensated by newer shorter-haul markets particularly those of emerging Asia; Russia and the Middle East. However, shorter haul visitors tend to stay for shorter time periods. Phuket currently has an average of 2.8 to 3.5 days per visitor, whereas the average for European long-haul visitors was 6 to 7 days (Daniel 2011).

Tourism scholars explained that a decline in length of stay and international tourism expenditure will be more pronounced than volume (or number of arrivals) (Papatheodorou,

Rosselló & Xiao 2010). Moreover, visiting friends and relatives, repeat visitors and special interest and independent travelers are expected to be more resilient. Moreover, the decline in average length of stay and expenditure will be more pronounced than the decline in overall volume (UNWTO 2009).

Literature discussed above has supported this research's findings that a number of tourists who have a tight budget are shortening their duration of stay in order to reduce costs. In fact, it should be pointed that an airfare is not the only expensive part of the holiday as low-cost airlines are offering affordable flight alternatives. A hotel stay is another expensive expenditure as tourists will be charged per night plus tax. Hence, offering attractive hotel rates as part of the value-for-money tourism package, to be further discussed below, is crucial.

Value-for-Money Travel

As pointed out in this research, Phuket's competitor destinations, primarily beach destinations such as Bali and the Maldives, have also been affected by the same global economic crisis. At this point, it is therefore crucial for hotels to highlight Phuket's competitive advantage by offering a variety of value-for-money tourism products. The Maldives, for instance, target primarily luxury and honeymooner markets whereby Phuket has a wide range of products from guest houses to five star hotels and resorts.

This statement is supported by tourism studies which demonstrate that valued tourism products should be emphasized during an economic crisis. With high priced indulgent tourism and hospitality products, travel demand will fall. More importantly, tourists will need to be convinced of the value and security of tourism products (Beirman 2011).

To promote the destination's value-for-money travel, stakeholders including hotels, airlines, cruise operators, land transport providers, tour operators and attractions all need to create, in concert, incentives for people to travel. Where possible rather than offer economically unsustainable discounts, attractive value added deals are highly recommended and air fares combined with add-on land products will offer perceived value for money

(Beirman 2011). Clearly, destinations offering value for money products have an advantage

as price becomes a key issue (UNWTO 2009).

Discussion of Research Objective #3

Central to this research, the third research objective aimed to investigate the critical

success factors (CSFs) of crisis management implemented by Phuket hotels during an

economic crisis. This research has identified five CSFs as follows:

CSF1: Crisis Management Plan

CSF2: Crisis Market Segmentation

CSF3: Crisis Marketing Promotion

CSF4: Crisis Collaboration

CSF5: Crisis Personnel Management

CSF1: Crisis Management Plan

The first critical success factor is to have a crisis management plan in place, which is

supported by a number of scholars (Augustine 2000; Campbell 1999; Coombs 1999; Faulkner

2001; Pacific Asia Travel Association 2003; Ruff & Aziz 2003; World Tourism Organization

2003).

This research has pointed out that an economic crisis is different from other crisis

types, and therefore there is a great need for a crisis management plan or guidelines

developed for an economic crisis. It should be noted, however, that a crisis management plan

is only a basic guideline. The plan needs to be adapted to the situation, location, and market.

Such findings have been supported by tourism scholars who stated that each crisis requires a

different crisis management plan (Aktas & Gunlu 2005; Henderson 2007; Tiernan et al. 2007,

p. 324)

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One of the most important components of a crisis management plan is a crisis marketing strategy. With a crisis management plan, hotels would be able to implement the right marketing strategy at the right time. This has been endorsed by Thompson (2010) who stated that preparing a marketing plan is essential during an economic crisis situation. This literature further suggested that the marketing plan should show sharp market segmentation, which means that a company should not run after the whole market, but only the segments in which it can make a higher bid and win. It is also crucial to come up with the right marketing promotion which generally consists of either lowering prices or adding some additional value.

Based on the research findings together with Thompson (2010)'s recommendations, this chapter now reviews crisis market segmentation (CSF2), and crisis marketing promotion (CSF3) strategies as shown below.

CSF2: Crisis Market Segmentation

This research has supported the literature in that organizations, during a crisis situation, should focus on markets that will generate revenue (Johnson, Scholes & Whittington 2005, p. 524). To begin with, hotels must choose the right mix of market segmentation (Thompson, S. 2010). Although Phuket has successfully attracted a number of tourists from both overseas and domestic markets in the past, attracting either overseas or domestic tourists to Phuket during an economic crisis has become complicated.

For overseas markets, it is vital for hotels in Phuket to focus either on markets that have not been affected, or emerging markets. Moreover, Phuket is a seasonal destination. Mantanarat (2011) has pointed out that promoting Phuket during the low seasons, six months from May to October, is extremely challenging. Therefore Phuket hotels would need to match the right market with the right season.

With regards to the domestic market, this research has supported tourism literature which shows that Thai tourists perceive Phuket as a rather expensive destination (Kaenkrachang 2010) which primarily welcomes overseas tourists (Khamlo 2011). This research also added that although Phuket can successfully attract domestic tourists, those

tourists are likely to spend less than overseas tourists and also tend to stay at low-medium level hotel accommodation (Thai Websites 2011). Therefore, medium-high level hotels in Phuket would need to work harder to attract domestic tourists who could afford their products.

CSF3: Crisis Marketing Promotion

As highlighted in this research, tourists are generally cost conscious during an economic crisis. Hence a marketing promotion offered by a hotel needs to explain the possibilities of having an affordable quality holiday. Findings from this research have shown that there are largely two approaches of doing so, either by discounting or by adding value to the tourism products. Both approaches are discussed below.

For a large number of hotels, the most important thing for them during an economic crisis is to generate cash by discounting, regardless of rates. This is in line with Thompson and Martin's (2005, p. 651) study which demonstrated that a price decrease can result in increased revenue by stimulating demand.

This research has argued, however, that discounting has a number of downfalls. Firstly, discounted rates can be perceived as a reduced level of service. Secondly, it can take a long period of time for hotels to reach normal room rates once the rate has been discounted. Thirdly, discounting rates means that hotels may be attracting tourists who are very cautious with their spending and are not the hotel's preferred target market.

An alternative to discounting rates is adding value to the tourism products, which appears to be a superior approach for attracting customers during an economic crisis. The Tourism Authority of Thailand (TAT), for example, launched a global campaign 'Amazing Thailand, Amazing Value' in 2009. By emphasizing Thailand's worthwhile proposition, TAT can better address travelers who still like to go on vacation, but to a less-costly destination. A survey by CNN has confirmed the campaign effectiveness, titling Thailand as the best value destination in Asia-Pacific (Ketter 2009).

In order for hotels in Phuket to maximize product value from a limited marketing budget, effective collaboration (CSF4) with tourism stakeholders is needed. In turn, the next CSF is presented below.

CSF4: Crisis Collaboration

A common problem during an economic crisis happens when hotels compete using discounting strategies. It is therefore suggested that hotels work hand-in-hand with suppliers in order to achieve an economy of scale which would lower the total product costs. As Beirman (2011) has explained, collaboration among tourism organizations would enable them to sell bulk tourism products as an attractive value-added package.

Aktas and Gunlu (2005) added that crisis collaboration requires partnership among various parties ranging from public and private authorities to the leading associations of all income-generating industries existing in the destination. Although no single authority can be expected to provide solutions to problems caused by a crisis, it is often governments who steer the joint efforts of numerous organizations and launch special public units and centers to accelerate recovery.

In regard to the government's push for crisis collaboration, The Phuket News (2011) reported that the Tourism Authority of Thailand (TAT)'s Phuket Office has recently launched a new campaign, encouraging domestic trips to Phuket from Bangkok. The campaign, 'Phuket Great Time – Click and Go', is a collective effort from over 100 tourism agencies in Phuket and Phang-nga. Whilst this campaign will only be available to Thai nationals, it is hoped an influx of domestic tourists will be able to compensate for the loss of other tourism markets.

Nonetheless, research findings have shown otherwise. Some leading tourism organizations, particularly TAT and Thai Airways, have been criticized for not doing enough to support the tourism industry during an economic crisis situation.

CSF5: Crisis Personnel Management

It should be pointed out that hotels' biggest costs are overhead costs. At the same time, employees are the most valuable asset. In turn, hotels in Phuket were cautious with fixed and variable costs during an economic crisis in which generating revenue became difficult. Therefore, it is important to have a personnel management plan that can be implemented and adapted during an economic crisis situation. In fact, the most important thing is that the leader explains clearly why the decision has been made, and how it would help the organization. This is endorsed by Ruff and Aziz (2003, p. 93) who stated that organizations that communicate well internally tend to communicate better overall, achieving a more favorable perception among external audiences.

This research has suggested that employing casual staff has proved to be helpful during an economic crisis. The advantage of hiring casual staff would provide hotels with the flexibility of not hiring them, not only during an economic crisis situation, but also during Phuket's low season. For hotels with a large number of employees however, laying off casual staff alone is not enough and therefore reducing labor cost would appear to be challenging.

During low occupancy, there are a number of human resource management options: firstly, there is paid leave, and also leave-without-pay. For large hotels with properties in different locations, staff can be transferred to a location that has not been affected by the economic crisis. Such strategies are endorsed by literature (Harrison & Enz 2005, p. 177) which shows that approaches to reduce overhead costs can help sustain the organization's financial outlook.

Managerial Implications

There are three major managerial implications from this research. Firstly, Phuket hotels have been affected by Phuket's disadvantages of being oversupplied, seasonal, and high cost for domestic tourists. Such local factors could complicate an economic crisis management. Owing to these negative factors, the hotel business in Phuket can no longer be recognized as 'business as usual' and therefore top executives at Phuket hotels must take this concern into consideration.

Secondly, the economic crisis has transformed travel patterns. With limited travel budget, travel spending is one of the first expenses to be reduced by those who have been affected by an economic crisis. Those who can afford to travel tend to prefer short haul travel, or 'staycation', in order to save money. In turn, short haul tourists tend to stay for shorter time periods as a hotel stay is an expenditure that is accumulatively charged per night. Consequently, tourists would prefer a tourism product with perceived value for money in order to justify their travel budget during an economic crisis.

Thirdly, it is important for hotels as well as policy makers to note that all five critical success factors identified in this research are considered very important by respondents. To begin with, it is strongly suggested that hotels develop a flexible, yet economic crisis-specific, crisis management plan in order to be proactive rather than reactive. Hotels then need to identify potential markets, possibly targeting a combination of overseas and domestic tourists, which will generate revenue.

Next, this research suggests that a marketing promotion which explains the possibilities of having an affordable quality holiday should be considered by hotels' marketing departments. To do so, collaboration with stakeholders, particularly suppliers, is recommended. Last, but not least, staff is considered by hotels as the most valuable asset, yet staff salaries appear to be the biggest business cost. A number of personnel management approaches have been addressed in this research, and should be carefully selected prior to implementation

Recommendations for Future Research

This research has achieved its aim of identifying and examining the critical success factors (CSFs) of crisis management implemented by Phuket hotels during an economic crisis. Its results provide a foundation for further research in three major ways.

Firstly, this research mainly investigated crisis management approaches generally used by hotels in Phuket. In turn, an aim of this research was not to compare approaches implemented by hotels of different sizes. Ruff and Aziz (2003) suggested however that the different size of organizations necessitates different approaches to crisis preparedness. Pechlaner et al. (2007, p. 159) also added that small businesses have limited resources (e.g.

human and financial resources), and are generally unable to devote resources in a similar manner to large organizations. Therefore, this research suggests that similar investigations in future economic crises need to be conducted by comparing the crisis management approaches utilized by hotels of different sizes.

Secondly, tourism literature has highlighted that each crisis is unique, and in addition, that the same crisis may often pose different degrees of severity across different destinations. Therefore, it would be beneficial if comparative studies are conducted in the future focusing on the same hotel sector, yet in different economic crisis-affected destinations. For instance, this could involve an examination of crisis management implemented by hotels in the Maldives or Bali where their tourism-generating countries have also been affected by an economic crisis. The findings of such research can potentially provide important insights into the similarities and differences of economic crisis management strategies in different regions.

Thirdly, while this research interviewed hotel employees on economic crisis management issues, another angle of this phenomenon needs to be investigated directly from tourists. On this point, there are a number of key issues upon which future researches in the area could focus including: the influence of an economic crisis on tourists' buying decisions; their attitude toward discounted tourism products; and their views on the value of tourism products.

Summary

Tourism is without doubt a major export service of Thailand, benefitting from its people's hospitality, rich culture, cultural heritage, and historical tourist destinations. Like the global and Asia Pacific tourism industry, Thailand's tourism however has been negatively influenced in recent years by a number of crises, and particularly by the recent economic crisis. Phuket, one of the most important tourist destinations in Thailand, is no exception. Such a crisis, in turn, has transformed travel patterns and discouraged tourists from spending their holidays at hotels in Phuket. Therefore, effective crisis management approaches and strategies are needed for Phuket hotels.

In partially redressing these and related omissions in the field, this research has examined economic crisis management issues in the context of Phuket hotels. Its findings

have provided in-depth and substantially meaningful insights and understanding of an economic crisis, and the ways such a crisis affects tourists more severely than other crisis types, whilst simultaneously complicating its crisis management processes.

More importantly, this research has not only provided tourism researchers with a number of contributions to the knowledge of the field, but has also provided hotels, together with the tourism industry, with several potentially valuable managerial implications. In sum, both the contributions and implications of this research have the potential to contribute to better economic crisis management in the tourism industry as a whole.



APPENDIX

Interview Questions

Research Objectives	Issues	Interview Questions
Jan 19 Color Color	Introduction	How would you describe current tourism situation in Phuket?
1	Local negative factors affecting Phuket hotels	What are the local negative factors affecting Phuket hotels? Please explain why.
		In what ways have those factors affected Phuket hotels?
2	Impact of the economic	In what ways has the economic crisis affected
	crisis as a global negative	Phuket hotels?
	factor affecting Phuket hotels	In what ways has the economic crisis affected your hotel?
3	Critical success factors	In what ways did your hotel manage the economic
	(CSFs) of crisis	crisis?
	management implemented	Based on your answers, what are the most
	by Phuket hotels during an	important factors in managing economic crisis?
	economic crisis.	Please explain why.

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