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## GOVERNMENT REGULATION OF URBAN TOURISM SYSTEM: PROBLEMS AND LIMITATIONS OF EFFICIENCY (CASE OF BANGKOK METROPOLITAN, THAILAND)

*In this study some hypotheses about the issues of Bangkok tourism potential promotion and realization were offered and improved by the results of international and local tourists' survey. Main focus of this study highlights the most important problems of the today's urban tourism industry of Bangkok functioning and contains the set of governmental and municipal tools for Bangkok tourism system modernization in the future (including city planning, Metropolitan transport strategy, national/regional policies in migration, public-private partnership, infrastructure, promotion etc.*

*Keywords: tourism industry; urban tourism; Bangkok.*

Денис Ушаков

## ДЕРЖАВНЕ РЕГУЛЮВАННЯ ТУРИСТИЧНОЇ СИСТЕМИ МЕГАПОЛІСУ: НА ПРИКЛАДІ АГЛОМЕРАЦІЇ БАНГКОК, ТАЇЛАНД

*У статті описано проблеми розвитку туристичного потенціалу Бангкоку на основі опитувань зарубіжних та місцевих туристів. Акцент зроблено на найбільш розповсюджених проблемах розвитку міського туризму та функціонування Бангкоку як туристичного центру. Представлено інструменти державного та муніципального рівнів, що використовуються для модернізації туристичної системи міста, зокрема, міське планування, стратегія розвитку транспортної системи мегаполісу, національна та регіональна міграційні політики, державно-приватне співробітництво, інфраструктура, просування тощо.*

*Ключові слова: індустрія туризму; міський туризм; Бангкок.*

*Табл. 5. Рис. 2. Літ. 15.*

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## ГОСУДАРСТВЕННОЕ РЕГУЛИРОВАНИЕ ТУРИСТИЧЕСКОЙ СИСТЕМЫ МЕГАПОЛИСА: НА ПРИМЕРЕ АГЛОМЕРАЦИИ БАНГКОК, ТАИЛАНД

*В статье описаны проблемы в развитии туристического потенциала Бангкока на основе опросов зарубежных и местных туристов. Акцент сделан на наиболее распространённых проблемах развития городского туризма и функционирования Бангкока как туристического центра. Представлены инструменты правительственного и муниципального уровней, используемые для модернизации туристической системы города, в частности, городское планирование, стратегия развития транспортной системы мегаполиса, национальная и региональная миграционные политики, государственно-частное сотрудничество, инфраструктура, продвижение и т.д.*

*Ключевые слова: индустрия туризма; городской туризм; Бангкок.*

### Introduction

It is difficult to overestimate the role of international tourism in economic development of big cities. International tourism stimulates the development of different sectors of economy; significantly increases local markets capacities; attracts investors, leading manufacturers and sellers; becomes a leading employer and a taxpayer; improves local business environment.

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On the other hand, we should note that tourism development does not always fully meet the strategic targets of urban economy development. For example, tourism system formation can increase the prices of commercial and residential property, essential goods and services; can exacerbate traffic problems, the economic impact of seasonality; can stimulate budget expenditures related to social and cultural infrastructure and even the crime rate growth.

This stimulates city authorities create and develop effective programs for tourism development, which are to meet the global tourism market requirements and take into account the peculiarities of business, social, legal and cultural environment of cities.

**The purpose of the study** is based on the best foreign experience analysis and the results of the survey on the latest tourism market trends, to identify the tools for enhancing the efficiency of urban tourism industry of Bangkok (Thailand), to develop a set of tools for overcoming the challenges of the present stage of city tourism development.

**Research objectives:**

- to analyze the historical stages of the world's tourism cities development;
- to identify the main directions of state and municipal tourism industry regulation;
- to characterize Bangkok as a tourist center, the problems of city tourism future development;
- to survey the tourism market of Thai capital highlighting the main problems of urban transport infrastructure and service industry functioning;
- to develop recommendations for modernizing the instruments of state and municipal regulation of urban tourism.

**Literature review**

Urban management issues are the subjects of numerous economic, sociological and management researches. Professor of Chicago University S. Sassen described the cities' important role in services (including tourism) and identified 4 key groups of high-tech activity in the service sector: financial and business services, power and influence, creative activities and tourism.

Urban tourism industry as a tool of modern city competitiveness enhancing was researched by Begg, I. (1999). He noted that the cities global competitiveness can be achieved through increasing productivity and urban environment attractiveness not only for business but also for public. Bramezza, I. (1996) noted that the presence of location-specific factors (business services, travel services of high quality, skilled labor etc.) creates positive economic effects for a city.

The trend of "urban marketing" is directly related to city tourism industry development. Visser, E. (1996) determined city marketing as a set of actions aimed at optimizing the ratio between urban functions (services) and local population, companies, tourists and other city visitors' demand. In case of city marketing, city is considered as a product to be efficiently promoted at the market of potential residents, business residents and possible temporary visitors (tourists).

However, despite the large number of tourism industry researches, the problems of tourism industry efficiency enhancing in the context of its transition from extensive to intensive stage of development have not been considered yet.

Most of the available studies (including the ones held in Bangkok, for example, "The intermodal service integration for the improvement of mobility, accessibility and livelihood for Bangkok Metropolitan Region", 2006) were aimed at improving the quantitative development of urban tourism industry (for example, increasing the number of tourist arrivals, the city tourism image promotion, diversification of urban tourism product foreign demand). But as practice and historical experience of successful tourist centers of the world shows, at a certain stage of urban tourism development the issues of quality changes in tourism industry, institutional and infrastructural problems of urban tourism industry become most important. Most of them will be discussed in this paper.

#### **Theoretical framework of the study**

City as a tourist destination passes through a number of logical stages in its own evolution. The features of the initial stage of city's tourism development are the huge investments realized by administration and business, small inbound tourists flows, high prices of domestic tourism products and relatively low prices for domestic travel services. Further tourism center popularization stimulates the transition to the second level of development – the stage of extensive growth. At this stage the profitability of tourism industry is growing due to the growth in the number of guests, increased capacity of local tourism infrastructure. The price of domestic tourism product sharply decreases and prices for individual travel services are kept affordable, or reduce through the economies of scale.

In the future, an urban tourism center faces the factors limiting the growth of inbound tourism (for example, tourism infrastructure capacity, capacity of tourism resources, tourism negative impact on the local community). This defines the city's tourism transition to the stage of intensive growth, where the growth of inbound tourist flow slows down, but the economic efficiency of urban tourism industry increases due to the increasing quality of tourist services, their differentiation, and tourist center orientation on serving "premium class" customers.

The current tourist system of Bangkok is on its extensive phase of development (huge inbound tourist flows, permanent increase in the number of city visitors, large proportion of repeated visits, low prices of travel services).

But, despite these achievements Bangkok urban tourism income grows very slowly (or even falls for some types of travel services); average daily tourist's expenditure decreases, the cheapest and mostly uncertified accommodation facilities become most popular. These define the tourism attractiveness of Bangkok only through the lens of services of low costs and availability.

We can assume that further urban tourism extensive development will reduce its profitability, its investment attractiveness, will distort the tourist image of Bangkok and Thailand in general. The urban tourism system transition from one stage to another in its development logically requires some functional and structural changes, searching for new sources of income, modernization of local tourism supply, shift of emphasis in domestic tour-product promotion at global and regional markets. A big role in ensuring the city's tourism industry smooth transition to upper stages belongs to city administration which is the only one market agent with high regulatory and mandatory competencies.

**Hypotheses of the study are the follows:**

H1 – tourists are well aware about the tourism potential of Bangkok, make decisions about visits to Bangkok independently, but tend to stay in Thai capital for a short time (no more than 2–4 days);

H2 – despite Bangkok's popularity, most visitors prefer other provinces of Thailand, and would not come in Thailand only for visiting Bangkok;

H3 – the image of Bangkok at the global tourism market is positive in general (even after the negative and tragic events of the last few years), but is not in full match with the city's real tourism potential and does not correspond with strategic orientations of the city's tourism system;

H4 – incomes of the city tourism industry are in direct relation with the number and with the "quality" of visitors;

H5 – "quality" of tourists visiting Bangkok is getting worse every year. This limits the growth of urban tourism system potential, affects the city image;

H6 – state/municipal authorities have the ability and the need to upgrade the system of tourism industry regulation and support following the requirements of urban tourism system transition to a higher level of industrial organization.

**Main focus of the study**

Within the study a survey of 700 tourists who live or stay in Bangkok was realized (personal characteristics of the surveyed tourists are shown in Table 1). For the survey, the questionnaires on 2 pages in 8 languages were prepared and distributed in the places of foreign/Thai tourists' location.

*Table 1. Personal data about the surveyed tourists*

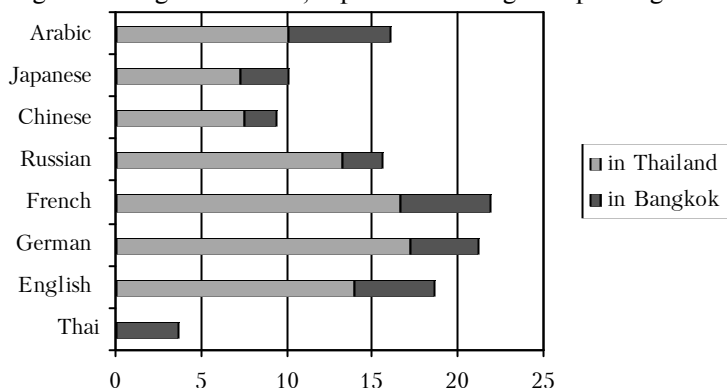
#	Personal data	Criteria	Number of tourists	Criteria	Number of tourists
1	Gender	Female	419	Male	281
2	Age	<25 y.o.	76	35-55 y.o.	259
		25-25 y.o.	216	>55 y.o.	149
3	Languages	English	311	Chinese	102
		German	42	Japanese	20
		French	34	Arabic	42
		Russian	71	Thai	78
4	Personal income	<20000\$	270	30000-50000\$	72
		20000-30000\$	310	>50000 \$	48
5	The quantity of visits to Thailand	Firstly	233	Thirdly	162
		Secondly	217	More than thirdly	88
6	The regions of permanent residence	Asia	360	Australia	59
		Europe	120	Americas	35
		Russia	75	Africa	9
		Middle East	42		

Source: Authors.

As obvious from Table 2, the majority of tourists come to Thailand for holidays. Table 2 also shows that the historical potential of Bangkok is the most interesting issue for the Chinese, nightlife is of the most interest for Middle Eastern residents, and shopping is an important addition for travelling of Japanese and Thais.

According to the survey results, the average number of days that tourists stay in Bangkok is modest, 2.8 days. This is too low, if compared with the number of days of tourists staying in other provinces of Thailand (Figure 1) and in comparison with the criteria of the world leading tourist centers.

Bangkok's amount of tourist's daily expenditure is obviously low too. By this criterion (Figure 3) Thai capital is far behind the major tourist centers (not only European but neighboring countries). As seen from Figure 4, the biggest average daily spent in Bangkok belongs to Russian, Japanese and English-speaking tourists.



Source: Developed by the author.

Figure 1. Average number of days the surveyed tourists spent in Bangkok and in other provinces of Thailand (grouped by the language)

Table 2. The surveyed tourists travelling preferences in Bangkok and the language used for the survey (# of questionnaires)

Tourists' travelling preferences	Language used							
	Thai	English	German	French	Russian	Chinese	Japanese	Arabic
History	28	110	11	8	39	81	6	9
Night life	22	87	4	11	21	12	7	23
Shopping	19	35	3	5	6	0	4	3
Spa and healthcare	2	39	12	6	4	9	2	7
Business	6	11	2	1	1	0	1	0
Other	1	29	10	3	0	0	0	0

Source: Authors.

As the reasons of short stay in Bangkok we can identify, first of all, that most European / American/Russian tourists consider travelling to Bangkok as a additional trip apart from the leisure on Thai resorts (Pattaya, Hua Hin) or as a short-term transit destination (for flights to Samui, Phuket). Of course, the residents of relatively cold Europe, Russia, and USA are attracted to Thailand by nature, climate, seas, and the historical and cultural potential of Thai capital cannot be regarded as a full competitor for recreational possibilities of the country. In most cases it determines the short-term tourists stay (1–2 days) in Bangkok just for rest after a long flight from Moscow or London. Taking in account that more than 8 mln passengers from Western countries arrive in Bangkok every year, only increasing the number of days of average tourists stay to average European level (4 days) would increase the income of urban tourism industry for more than 1 bln USD a year.

Many problems limit foreign tourists in their individual, quiet and safe walking around the city, using the services of local catering, trade, transport etc. This firmly binds tourist to local tour operators and hotels, the prices of which are rather high.

As a long-term consequence of this situation, we can determine the continuation of the time spent and tourist's expenditures falling, the city tourism image distortion.

Another negative consequence of this situation would be the refusal of European tourists with high and upper middle income to visit Thai capital. It will set the Bangkok city popularity as a place for cheap and low quality holidays with a tarnished reputation.

**Table 3. The average number of days spent by tourists in top-9 world popular tourism cities in 2011 (the International Tourism Organization data)**

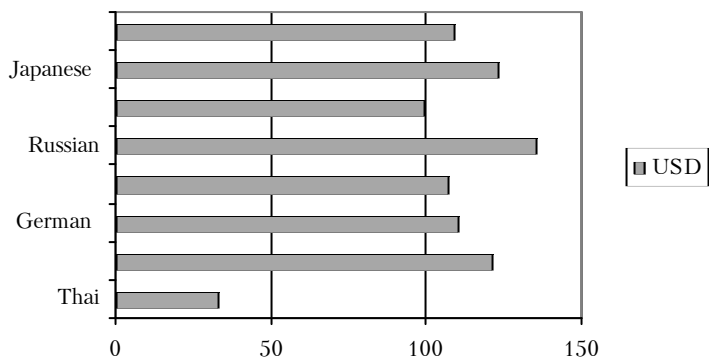
	Paris	London	New-York	Singapore	Kuala-Lumpur	Hong-Kong	Dubai	Istanbul	Bangkok
Number of tourists in 2011, mln	15.6	15.3	10.2	9.2	9	8.7	8.1	8	7.4
The average number of days spent in 2011	4.8	4.2	4.2	3.7	1.6	2.4	6.3	4.1	2.8

Source: Authors.

**Table 4. The average tourists daily expenditures in the tourism cities of the world, 2011**

	Paris	Zurich	Venice	London	Tokyo	New-York	Prague	Warsaw	Budapest	Dubai	Beijing	Kuala-Lumpur	Bangkok
Daily expenditures, USD	450	390	384	370	362	332	180	162	151	150	132	129	108

Source: Authors.



Source: Developed by the author.

**Figure 2. The average daily expenditures of the surveyed tourists (grouped by the languages used)**

As in all major Asian centers, the history of Bangkok did not have any strategically zoning basing on the needs of tourist development in the metropolis. As a result, there are more currently unsolved problems: the absence of tourist center, the geographical spread of popular tourists' attractions and their autonomy from tourist infrastructure.

At the same time the experience of successful tourist destinations in Europe demonstrates the necessity for functional zoning. By the similar path United Arab Emirates, Turkey, China, Malaysia, Singapore are going now.

The absence of clear functional zoning of the city determines the low degree of city's tourism system integration with tourist's attractions, located close to the city (at the distance of no more than 150–200 km). The development of integrated tourist products enables covering almost all central Thailand.

The city's tourism infrastructure effectiveness is substantially undermined by illegal work of numerous guides, agents, realtors, shopping assistants, translators. Often, they are foreigners who legally have no education and work in Thailand. Most of these migrants couldn't be successfully employed in their native countries, can't speak Thai (and even English). They survive in Thailand only by cheating (sales services at inflated prices, imposition of unnecessary extras, deceit or fraud), causing the image distortion for the city and the country.

Bangkok city's tourism transition to the intensive phase of its development requires huge increase in supply. The prior kind of tourism in Bangkok is business and conference tourism (today Bangkok has unique advantages for MICE – infrastructure, diverse hotel base, combination of business, educational, recreational and entertainment purposes climatic conditions).

In order to form a steady flows of Western tourists and to transform the existing image of the city, Bangkok needs to actively develop its own role as a multicultural center, to contribute to the formation of own music, theater, dance, working both in the direction of traditional Asian, European and Islamic art, to organize competitions, performances and festivals.

This vector of Bangkok tourism industry progress will be useful for the locals too. Bangkok residents will have more opportunities of familiarizing with the world culture. This will greatly enhance the quality of life in the metropolis. The development of multiculturalism will give Bangkok additional benefits comparing to other Asian capitals and tourist centers.

Required transformation of municipal tourism regulation in Bangkok should be based on the principles of tourism industry needs priority. The state of inbound tourism reflects the level of the host center livability and development. In this connection, the tourism industry priority in urban development strategies does not infringes upon the needs of local population, aggregating such important indicators of local living standards as social infrastructure, law enforcement, healthcare, culture, transport, environment etc.

As the patterns of Bangkok tourism industry regulation may be considered:

- the principles of zoning of the areas for prior tourism development (for example, zones, oriented on premium tourists, business travelers, family travelers, backpackers and so on);
- effective transportation between selected areas of tourist development;
- conditions for the formation of unique exterior appearance of the city in the future (for example, the priority of projects of the originally shaped skyscrapers, shopping centers, public buildings in downtown) keeping full conservation of historic neighborhoods (eg, Ratanakosin Island);
- new forms of public/municipal-private partnership in city development (land allocation, business preferences, redemption of dilapidated housing, communications programs etc.);
- development of the "Ring" of tourist facilities on the Western outskirts of the city (theme parks, water parks, amusement parks, floating markets etc.);
- development of pedestrian areas and "sky walking" in the central part of the city, hoods of historic buildings completely free from traffic;

– development of area adjacent to the river Chaopraya (as a promenade), future construction of a pedestrian bridge across the river and development of the left bank of the river;

– development of national cultural and religious center on the Kret island ensuring its rapid water communication with the city center.

### Summary and conclusions

The study confirms the suggested hypotheses on Bangkok urban tourism industry development. In particular, the hypothesis about the needs to modernize the system of city tourism administration for transition to intensive phase of industrial development confirmed by tourists personal data, income, country of residence, number of days of stay in the city, daily expenditures, purpose of visit.

The direction of city's tourism industry and tourism administration modernization are placed in Table 5.

**Table 5. Directions of increasing the efficiency of Bangkok tourism industry**

Objectives	Tactical decisions	Strategic goals
Increasing the length of an average tourist stay in the city (to 4-4,5 days)	<ul style="list-style-type: none"> <li>- the system of outdoor signs, providing simple and free international tourists orientation in the city;</li> <li>- the system of signs on public transport (which bus, MRT, BTS stop is the closest to a particular tourist attraction);</li> <li>- creating and implementation of special city tour routes by water and land;</li> <li>- forming special pedestrian zones on the territories near the river and around the Rathanakosin island, prior tourism development of these areas;</li> <li>- conducting national competition (sculptural and architectural) and construction of the walking street «Discovering Siam», representing all the provinces of the country;</li> <li>- construction of passages, protected from rain, in the pedestrian areas of the city</li> </ul>	Formation of the urban complex of 5-7 large tourist areas, integrated in the urban transport system. These areas would be mostly pedestrian, more oriented on servicing tourists, who arrived with cultural, historical, recreational purposes, for shopping, healthcare and spa.
Increasing tourists expenditures on tourists services	<ul style="list-style-type: none"> <li>- to attract foreign and domestic artistic groups, to conduct festivals and shows, focusing on European, Asian and Muslim culture;</li> <li>- to develop the inter-museum exchanges by historical and cultural masterpieces;</li> <li>- active information support of the city cultural life;</li> <li>- global promotion of city events;</li> <li>- government/ municipal encouraging of service, transportation, trade companies, providing special services for foreign tourists in various languages (staff training, legal foreign specialists employment, special tourists transfers from hotels, responsible translators);</li> <li>- attraction of world well-known entertainment operators</li> </ul>	<p>Bangkok's transformation into the multicultural center, the capital of Asian cultural life, the center of international cultural exchange and contacts.</p> <p>Increasing educational and cultural tourism.</p> <p>Development of the city global "interface" which is clear and easy understandable for any foreigner.</p>



Continuation of Table 5

Global tourism image of Bangkok	<ul style="list-style-type: none"> <li>- development and promotion of additional tourists brands (e.g., «Bangkok Mahanakhon» – for business and congress tourism, “@BKK.TH”, “BANGK-OK!” – for youth and event tourism);</li> <li>- development of special programs for VIP-visitors (special cards of elite guest, additional services in airports, hotels, restaurants of premium segment, immigration preferences);</li> <li>- involvement of global celebrities for city promotion</li> </ul>	Create the image of Bangkok as aimed at serving the premium segment customers
City tour-product differentiation	<ul style="list-style-type: none"> <li>- promotion of science, marketing, corporate researches aimed at integrated tourism programs and tours development and promotion (with nearby provinces tourist attractions involvement);</li> <li>- development of new types of city tourism;</li> <li>- prior development of elite types of tourism in the city (yacht tourism, river cruises and luxury train tours from Bangkok, medical and spa tourism, golf tourism, business tourism, events with world celebrities);</li> <li>- new tourist attractions in the suburbs of Bangkok</li> </ul>	Maximum differentiation of the city tourist product. Transformation of Bangkok into an all-season center of most types of trips.
Tourism industry governmental control	<ul style="list-style-type: none"> <li>- enforcement lawful restrictions on foreigners' employment in tourism together with encouraging the employment of skilled foreign guides to work in Thai travel agencies and hotels;</li> <li>- fighting monopolization of foreign tourism markets by foreign tourism companies (markets of Chinese and Indian tourists) and the outright dumping (Russian market);</li> <li>- lawful restrictions of Thai hotels discounts for foreign tour operators;</li> <li>- introduction of sanctions for flight schedules failures (flights cancellation or delaying) of charters by foreign tour operators;</li> <li>- charter flights and low-cost flights movement to Don Muang airport for direct flights to Thai resorts (Phuket, Samui, U-Tapao) by overseas tour operators and for passenger traffic normalization in Suvarnabhumi airport;</li> <li>- attracting and supporting global operators interested in Bangkok promotion;</li> <li>- active HR-support of tourism industry (development of the state/municipal system of staff training and skills development)</li> </ul>	Ensuring Thai national interests. Protection from ethnic criminalization of Thai tourism market, its monopolization. An open, globally competitive tourism industry in the city.

Continuation of Table 5

State licensing and certification	- Development and implementation of standards of care in small accommodation facilities and guest houses, the removal of illegal accommodation; - Certification of transport companies, restaurants (recommended with guaranteed quality of service), shopping centers and shops, travel agents, tour guides etc.	Rapid growth of the urban tourism product quality through high guarantees of promised services realization and huge services differentiation and availability. Maximum orientation on foreign clients.
Public-private partnership	- development of provincial preferences for investors on the projects in designated territories of priority tourism development (land allocation, government guarantees, cofinancing, infrastructure, transport, promotion and staff support)	- development of chain of entertainment and water parks in the west of the city; - development of international financial center and rice (food) stock-exchange in Bangkok
Special national and metropolitan infrastructural projects	- the principles of urban tourist areas functional zoning implementation into the Bangkok strategic plan; - taking into account the tourism image interests during the governmental approval of new projects of shopping malls and skyscrapers downtown - development of the areas adjacent to waterfront and river ports	- construction of promenades, marina, Bangkok transformation into the center of international yachting and cruise tourism (using Lem-Chabang sea port).

Source: Authors.

It should be noted that these measures implementation is not only a desirable goal of tourism strategic development for Bangkok, but also a need for adapting the city's tourism industry to the requirements of the global market and interests of Thai society.

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