

YANGON INSTITUTE OF ECONOMICS
Ph.D Programme

BUSINESS STRATEGIES
OF
COMPANIES IN TOURISM INDUSTRY OF MYANMAR

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MARCH, 2007

**BUSINESS STRATEGIES OF COMPANIES IN TOURISM
INDUSTRY OF MYANMAR**

Partial fulfillment of the requirement for the degree of
Ph.D
of the Department of Commerce
Yangon Institute of Economics

Submitted by

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Ph.D (Za)-4

BUSINESS STRATEGIES OF COMPANIES IN TOURISM INDUSTRY OF MYANMAR

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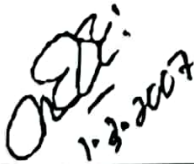


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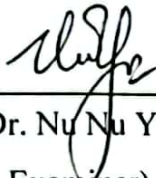
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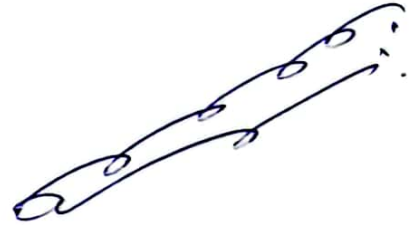
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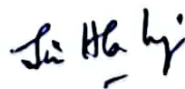
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Abstract

This study attempts to identify the driving factors that determine the development of the tourism industry in Myanmar and to suggest appropriate strategies for the tourism industry. The study analyzed (a) the situation of tourism in Myanmar and (b) the performance of tour companies in Myanmar.

The study examined the influential factors for the development of the tourism industry in Myanmar namely historical and geographical factors, tourism related and supporting industries, the competitive strategies and structure of the tour companies and the international demand of the tourism market. The study observed that regional cooperation led to increases in the tourist arrivals from Asian countries and upgraded the tourism-related infrastructure such as hotels and transport facilities. The study also found that there were barriers which impeded the development of tourism industry such as poor infrastructure, transport, and financial facilities. Therefore, generally both cooperative and competitive strategies could be used to develop the tourism sector in Myanmar and in particular, improvement is required in customer services, promotion, and international marketing.

The analysis on tour companies suggested that although there were more than 600 tour companies registered in Myanmar, only a few were actively operating. Low capital, narrow tour product area, lack of foreign experience, lack of strategy flexibility are the issues of local companies. These tour companies need to practice the competitive and cooperative strategies which match the companies' strength and against the companies' weaknesses. Maintaining and improving the service quality, on-line marketing, focusing on niche market, participating in tourism related associations and working with strategic alliances can improve the image of the companies and tourism industry.

ACKNOWLEDGEMENT

I wish to express my extreme thanks to Professor Dr. Kan Zaw, Rector of Yangon Institute of Economics for his kind permission and guidance the Ph.D dissertation.

My heartfelt gratitude goes to Dr. Khin May Hla, Pro. Rector of Yangon Institute of Economics, for her in valuable advice, help and close supervision without whom this thesis will never be completed. Also I am indebted to U Kyaw Min Htun, Pro. Rector of Yangon Institute of Economics, who provides guidance and suggestion to me for preparing the thesis.

Also, my sincere thanks go to Dr. Nu Nu Yin, Professor and Head of Department of Management Studies, for her valuable comment and advice. My greatest debt goes to my supervisor Dr. Khin San Yee, Professor of Department of Management Studies. She was my benefactor who motivated much me to finish my thesis and give continuous assessment to complete my thesis. I am very really thankful to my supervisor.

In addition, I owe my heartfelt gratitude and special thanks to Professor Tin Win and Professor Dr. Khin San Yee for their valuable comments.

I am indebted to Brigadier General Aye Myint Kyu, Deputy Minister for Hotel and Tourism Ministry who shared his knowledge and experience willingly and earnestly to prepare this paper.

The same gratitude goes to Daw Khin Swe Myint, Professor, Myanmar Department, Yangon Arts and Sciences University who gave lecture, and shared her experience wholeheartedly.

It would not be possible to produce a list of all those who helped me in one way or the other, but I would like to mention that I would always be in their debt for their help. In particular, I would like to express my gratitude to the staff of the Myanmar Hotels and Tourism Services.

I also wish to mention my gratitude to the Sayagyis and Sayamagyis from Yangon Institute of Economics who have bestowed on me this education and shaped my career so far.

I would also like to thank the staff of the library, Yangon Institute of Economics, for giving me valuable help in literature research.

Finally, I would like to thank my colleagues and staff of the Yangon Institute of Economics for enabling me to prepare this thesis completed in time.

To my parents.

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Abbreviation

ACCSTP	ASEAN Common Competency Standard for Tourism Professionals
ACTT+3	ASEAN +3 Communication Team for Tourism
ACEMEC	Ayeyarwady-Chao Phraya Mekong Economic Cooperation Strategy
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
ASTA	American Society of Travel Association
ATF	ASEAN Tourism Forum
BIMST-EC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (Formerly Bangladesh, India, Myanmar, Sri Lanka, Thailand-Economic Cooperation)
ESCAP	Economic and Social Council for Asia and the Pacific
GMS	Greater Mekong Subregion
ITB	International Travel Berlin
IATA	International Air Transport Association
JATA	Japan and Asia Travel Association
MGC	Mekong-Ganga Cooperation (Cambodia, Lao, Myanmar, Thailand, Vietnam and India)
MHA	Myanmar Hotel Association
MHT	Ministry of Hotel and Tourism
MMC	Myanmar Marketing Committee
MTA	Myanmar Travel Association
NGO	Non-Governmental Organization
NTO	National Tourism Organization
MTPB	Myanmar Tourism Promotion Board
PATA	Pacific and Asia Travel Association
PEST	Political Economics Social and Technological
TAT	Tourism Authority of Thailand
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
WTM	World Travel Mart
WTO	World Tourism Organization
WTTC	World Travel and Tourism Council
VAC	Visit ASEAN Campaign

Chapter I

Introduction

Tourism has become a major socio-economic sector in the present global arena. Regardless of the level of development of the countries, the tourism sector is probably the only service sector that provides concrete and quantifiable trading opportunities for them. During times of reduced performance in the export sector, a number of developing countries have encouraged tourism as a source for quickly earning foreign exchange vital for their development (ESCAP, 1996a: 1). Moreover, many countries have been motivated by tourism not only as a source of increased foreign exchange earnings but also because of other several tangible economic benefits.

1.1 Rationale of the Study

Tourism provides important benefits for alleviating balance of payments problems, creating employment and raising overall national income. Therefore, tourism strategies have been formulated as integral and important components of the overall economic development process. These countries have developed their tourism sectors, even at the cost of other sectors. Several international agencies, such as the World Bank, the Asian Development Bank (ADB) and other regional and global multilateral funding agencies have also helped countries to develop their tourism sectors by providing financial and technical support. Over time, international arrivals and receipts from tourism in developing countries grew. Between 1995 and 2003, the average annual growth in tourism arrivals and receipts was 3.3 percent and 5.08 percent, respectively. Among the various developing regions, Asia and the Pacific made the most remarkable progress. In 1995, Asia and the Pacific accounted for only 16.5 of total arrivals, but by 2003 this increased to 19.8 percent. Between 1995 and 2003, the average annual growth of arrivals for Asia and the Pacific was 7.8 percent (WTO, 2004:9).

In most countries today, tourism businesses either local or global are faced with conditions, which require the adoption of appropriate strategic actions to compete successfully with businesses in other countries, or with other local businesses. These conditions include growth in the number of tourism businesses, increasing demand made by tourists, technological changes, increasing competition among existing tourist destinations as well as new ones entering the market, increasing economic problems,

terrorism, environmental disasters, interdependence of different organizations in the sector, globalization, depleting natural resources etc. These conditions have become very influential factors in changing or influencing the strategic decisions of the organizations immediately or urgently according to the pace and strength of these factors.

Myanmar, a relatively diversified economy, possessing ample natural resources has encouraged tourism development, recognizing that the sector is a major source of foreign exchange and employment opportunities. The Government is pursuing means to have a wide range of development in tourism. Also, the Government has recognized the importance of regional cooperation between the regional partners such as Greater Mekong Subregion (GMS), Association of Southeast Asian Nations (ASEAN), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (Formerly Bangladesh, India, Myanmar, Sri Lanka, Thailand-Economic Cooperation—(BIMST-EC) and actively participated in these regional affairs for all-round development in tourism sector. International tourist arrivals to Myanmar was about 208,230 in 1995 and increased to about 657,000 in 2004 with an average annual growth rate of 17.12 percent.

The Ministry of Hotel and Tourism (MHT) is now implementing tourism development by making necessary plans and arrangements for the development of the country as a world-renowned tourist destination. The industry has made an overall target to reach 750,000 tourists in 2005 and one million tourist arrivals in the near future (Myanmar Times, February 2004). Although Myanmar is fortunately endowed with unique natural, cultural and historical resources as sources of competitive advantages, it is imperative that Myanmar tourism industry follows appropriate national strategies in order to achieve the goal of sustainable economic development of the country.

However, despite Myanmar's adoption of the market-oriented economy since 1989, most private-owned local businesses within the tourism industry could still not be considered to have reached the growth stage that parallels those of the other regional competitors. Only a few joint venture companies, which are subsidiaries of foreign companies, have sustained a certain level of success and progress. Furthermore, foreign economic sanctions against Myanmar also are major detriments to the tourism promotion and development.

Counting the number of tourist arrivals to Myanmar including border tourists, there were about 0.66 million of arrivals in 2005. Myanmar, a regular participant in GMS cooperation, as well as in a group of emerging ASEAN members (Myanmar, Cambodia

and Lao) had been participating in the regional cooperation in tourism sector. This is one of the cooperation strategies of the Government to expand tourism.

However, compared to the regional partners of Myanmar, the number of the arrivals is far below the arrivals of those countries. In 2004, Thailand had 11 million arrivals, Cambodia, 1.1 million and Lao, 0.9 million respectively. Myanmar, with the lowest tourist arrivals of 0.66 million, should adopt the appropriate competitive strategies to achieve the competitiveness of the country as a destination.

Considering all these factors, the rational course for Myanmar to pursue is to attract greater contribution from the tourism sector and to assist the organizations concerned in formulating and implementing suitable and practical tourism strategies. In exploring the strategies for greater competitive advantages, it is necessary to understand the strategic position, strategic capabilities, and the aims and objectives of the organizations. In practice these elements may not take this linear form – they are inter-linked and inform each other.

Therefore, it is a timely and worthwhile endeavour to study and determine the factors that constitute the sources of competitive advantage for tourism development in Myanmar and from that to identify the most suitable strategy to maintain for improving the competitiveness of tourism offered by the destination. Moreover, the study could also suggest strategies for the private sector tourism organizations for sustenance and development with the current arrival status of tourism industry in Myanmar.

1.2 Objectives of the Study

Given the environmental framework of the tourism industry in Myanmar, the study has taken the general objective simply as—to identify the factors that determine the growth of the tourism industry and to suggest strategies appropriate for Myanmar's tourism industry to gain competitive advantage in the long-term. Consequently, the following specific objectives are adopted:

- (1) To measure the impact of tourism on Myanmar economy in terms of its contribution to the Gross Domestic Product; employment opportunities; and foreign investment.
- (2) To study the current trends in the tourism industry in Myanmar with those of GMS regional partners and to identify the forces that are determinants of competitive advantages for the industry and the member companies.

- (3) To examine the existing strategies and practices adopted by tourism companies and to recommend appropriate strategies for the companies and industry, and to suggest a national tourism strategy.

1.3 Hypothesis

The following hypotheses have been adopted to implement the objectives mentioned above:

- (1) Myanmar tourism industry contributed to the national economy to a certain extent.
- (2) Government's regional cooperation strategy has enhanced the growth of national tourism market and improved the tourism-related infrastructure development.
- (3) The small companies focused on a single target market segment using a single business strategy.
- (4) Most of the local-owned companies use single marketing strategy distributing the tour package service through the indirect channels using agents abroad.
- (5) The joint venture companies follow multidomestic strategy rather than single country strategy.
- (6) The strategic alliances with the principal providers of tourism supplies render competitive advantages for tourism companies.

1.4 Methodology

This study is an attempt to understand the strategies and practices of tourism businesses. First, the theoretical concepts given in the literature are reviewed to understand the concepts of tourism, and tourism strategy, and strategic management in the context of the tourism organizations. The study used the descriptive and exploratory methods of analysis employing both primary and secondary data. The review of the benefits of tourism to the economy and the current trends in the tourism industry in Myanmar, and its regional partners in GMS was made in the use of the secondary data from Ministry of Hotel and Tourism (MHT), Central Statistical Organization (CSO) of Myanmar, World Tourism Organization (WTO), ASEAN, and GMS statistical reports and Internet web-site. Additional sources of secondary data were materials distributed at tourism seminars and workshops and the reports issued by the Directorate of Rail Transport, Directorate of Air Transport, Directorate of Forestry.

Two research instruments were used to collect primary data. Questionnaire surveys were then conducted, one on the demand side of the industry, on the profile of the tourists and the other on the supply side, that of tour companies. About 600 incoming tourists were interviewed to gain relevant information necessary to examine their attitude, experience and reactions to what is being offered by Myanmar tourism. The survey was conducted through the year 2004 and the popular tourist sites such as *Shwedagon Pagodas*, *Bogyoke Market* and *Yangon International Airport* were chosen as interview points for the field survey. Before the survey was conducted, a pilot study was undertaken in some selected hotels in Myanmar. Subsequently, the questionnaire was redesigned to shorten the time necessary for respondents in the interviews. To overcome the language barriers in communication, some guides were requested to help in the interviews. Out of the survey responses, 500 respondents' questionnaire were analyzed to study the demand pattern of the tourism market.

As the study aims to explore the business-strategies used by the tourism business in Myanmar, the sound instrument was used to conduct a field study on the tour companies. According to the official tourism statistics (2005), about 660 tour companies were registered with Myanmar Investment Commission. However, there are only 120 tour companies (about 18%) which are actively in operation according to the report of Tourism Regulation Department under the Ministry of Hotel and Tourism. From this list, 55 tour companies were randomly selected and the interviews were made with the owners and tour managers of these companies in the year 2004-2005.

1.5 Scope and Limitations

The study is mainly concerned with the business strategies of companies engaged in international tourism. Thus the factors related to the foreign tourist arrivals coming to Myanmar were considered. The period of the study is covered from 1995 to 2005. Moreover, since most of the earning from tourism comes from the tourists who arrive by air; the analysis is focused only on these arrivals.

In the empirical survey, only tour companies are included for study of their business strategies. Since they are intermediaries between the basic suppliers (hotel and transport etc.) and tourists, their responses are deemed to be representative of the business practices of organizations involved in industry. Although further study on hotels, restaurants, the transport companies and souvenir shops, should also be included in this study, time and resource limitations have not made this possible.

The study is performed mainly using qualitative data. Because of the limited financial data regarding their sales and profit performance, the study would not be able to determine the most successful strategies for four companies in Myanmar. However, some analysis have been made using the available data. One other limitation that can be cited of the study is that the study had only used simple frequencies and percentages to indicate the practice of business strategies.

1.6 Organization of the Study

The study is organized into six chapters. Chapter II discusses strategy and the process of strategic management. The strategy and practice of the organizations according to the size and nature of business are also reviewed along with the factors that influence the industry and the strategy of the firms with it. Since the purpose of the study is to understand the strategic management in tourism industry, the theory, concepts and issues related to tourism are also discussed. Chapter III presents the background study of tourism industry including driving forces such as historical, geographical forces, natural, cultural and human resources in Myanmar. The Tourism contribution to Gross Domestic Product (GDP), employment opportunities, and the investment in the tourism sector are discussed and the improvement in tourism supporting and related infrastructure in Myanmar is assessed. In Chapter IV, the profile of international tourism of Myanmar in comparison to that of GMS countries is reviewed. Chapter V presents the detail study of the business strategies practised by tour businesses in Myanmar using the result of the empirical survey on tour operator businesses of the country and the key factors determining the development of the industry. It points out that how tourism businesses do strategically the business to compete and survive in the industry of Myanmar. Chapter VI presents the conclusion and recommendations. This chapter outlines areas for further studies and suggests measures for tourism development of countries. It highlights the issues for tourism strategies for tourism industry as well as for private sector organizations in order to enjoy sustainable tourism development in the country for the long-term.

Chapter 2

Framework of the Study

This chapter discusses the theories and concepts that form the theoretical framework of the study. The aim of this chapter is to review theories and concepts of the strategy and strategic management that are relevant to the tourism industry. In this endeavour, the study examines the strategies that are formulated by various types of organizations at different levels. The output of the observation is a conceptual framework of the study, which forms the basis of using empirical study on the business strategies of the companies in the tourism industry of Myanmar.

2.1 Concept of Strategy

Strategy is an important determinant of success in most area of human activity. There is no single definition of strategy, but it is frequently defined as “the overall plan for deploying resources to establish a favourable position”.

Definitions of Strategy

Jewell (2000:547) referred to the term strategy as "the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, and produces the principle policies and plans for achieving these goals". In other words, it concerns the big issues of where the organization is going, which markets it seeks to operate in, the range of its products and its intentions for the medium to long term.

Hill, C.W L (200:380) referred to a firm’s strategy as “the actions managers take to attain the goals of the firm”. He explained the strategy of firms operating in a competitive global environment. To be highly profitable, a firm must pay continual attention to both reducing the cost of value creation and to differentiating its product offering so that consumers are willing to pay more for the product than its cost to produce it. Thus, strategy is often concerned with identifying and taking actions that will lower the cost of value creation and /or will differentiate the firm’s product offering through superior design, quality, service, functionality, and the like.

More completely, Thompson *et al* (2005:3) defined a company’s strategy as “*the management’s game plan for growing the business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operations, and achieving*

targeted objectives". The definition of company's strategy thus considers all the stakeholders and indicates the choices its managers have made about how to attract and please customers, how to respond to changing market conditions, how to compete successfully, how to grow the business, how to manage each functional piece of the business and develop necessary capabilities, and how to achieve performance targets. It puts the spotlight on the products/services, buyer segments, geographic areas and business approaches the management intends to emphasize.

Strategic Management

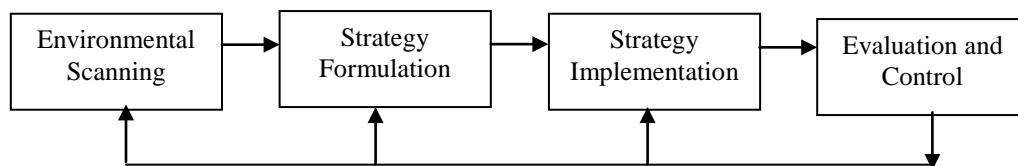
Strategic management is the process by which managers choose a set of strategies for an enterprise. It is different in nature from other aspects of management in its complexity. The scope of strategic management is greater than that of any one area of operational management. Research has revealed that organizations that engage in strategic management generally outperform those that do not. The attainment of an appropriate match or "fitness" between an organization's environment and its strategy, structure, and processes has positive effects on the organization's performance.

A survey of nearly 50 corporations in a variety of countries and industries, Wheellen and Hunger (2002:4) found the three most highly rated benefits of strategic management to be:

- Clearer sense of strategic vision for the firm;
- Sharper focus on what is strategically important; and
- Improved understanding of a rapidly changing environment.

Wheelen and Hunger (2002:9) mentioned the strategic management as a process, and divided into four stages as shown in Figure 2.1: environmental scanning, strategy formulation, strategy implementation and strategy evaluation and control.

Figure 2.1
Basic Elements of the Strategic Management.



Source: Wheelen and Hunger 2002, *Strategic Management & Business Policy*, P. 9.

Environmental scanning is the monitoring, evaluating, and disseminating of information from the external and internal environments to key people within the corporation. Its purpose is to identify strategic factors—those external and internal elements that will determine the future of the corporation.

Strategy formulation includes developing a vision and mission, identifying an organization's external opportunities and threats, determining internal strengths and weakness, establishing long- term objectives, generating alternative strategies and choosing particular strategies to pursue.

Strategy implementation is the action stage of strategic management. It involves mobilizing people to put the formulated strategies into action.

Strategy evaluation and control of performance completes the strategic management model. Based on performance results, the management may needed to make adjustments in its strategy formulation, in implementation, or in both.

This approach considers that organizations should continually monitor internal and external events and trends so that timely changes can be made as needed. However in practice, the elements do not take this linear form – they are interlinked and informed each other. In some circumstances, an understanding of the strategic position may best be built up from the experience of trying a strategy out in practice. According to Johnson *et al* (2005:17), the strategic management process might not follow a neat and tidy path.

Managing strategy involves change, thus strategies develop in two ways in an organization. Most often the process of strategy development is described in terms of intended strategy whereas the strategies may emerge from within organizations. In relation to this, Mintzberg (1985) described how strategy formation process can be seen as two ends of continuum along which real world strategies lie: there are two forms of strategy: deliberate and emergent strategies. Deliberate strategies are the intended strategies that are first formulated and then implemented. Emergent strategies, on the other hand, arise while implementing the strategy. The strategy had to be conceived informally before it could be programmed formally.

2.2 External Environment Analysis

External environment audit is performed with the objective of identifying strategic opportunities and threats in the organization's operating environment. Hill and Jones (1998:7)

mentioned three interrelated environments such as the macro-environment, the national environment, and immediate or industry environment.

2.2.1 Macro-Environment: Drivers of Change

The macro-environment consists of the rather broader set of forces that may have a bearing upon the company, including political legal, international, economic, social, cultural, and technological factors. These factors are interdependent and managers need to understand how these factors might impact on and drive changes in general.

The fundamental change or the *key drivers* that are increasing the competition of some industries and markets are globalization of production and markets (Hill and Jones 1998:96). Regarding globalization production, individual companies are increasingly dispersing parts of their production process to different locations around the globe to take advantage of national differences in the cost and quality of factors of productions such as labor, energy, land and capital. As for globalization of markets, the companies are moving away from an economic system in which national markets are distinct entities and towards a system in which national markets are merging into one huge global market place. Therefore, this trend has several implications for competition within industry.

Moreover, with respect to the technology change, the Internet generates market globalization while country-specific costs such as labor or exchange rates encourage businesses to gain competitive advantage upon the cost lower than their origin of country. They pointed out that the drivers of environmental change are of particular concern to multinational corporations (MNC) and the specific drivers will vary by industry and sector. For the tourism industry, the factors that have the most significant impact are possibly Government policies, economic, social, natural environment and technological advances etc.

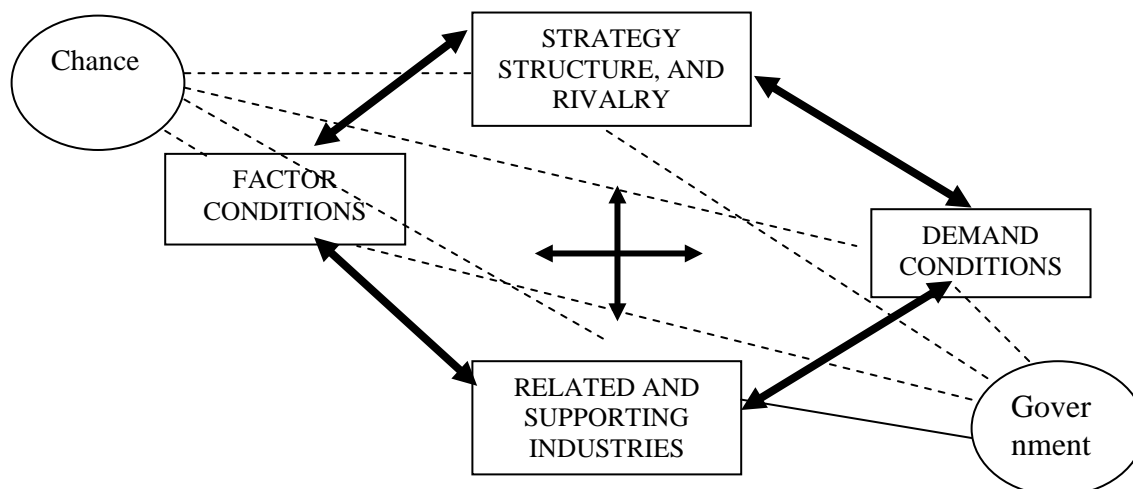
Competitive Advantages of Nations

Business organizations need to understand how national factors can affect competitive advantage. They can then identify where their most significant competitors are likely to come from, and where they might want to locate certain production activities.

Michael Porter (1998:69) asserted that the nature of competition and the sources of competitive advantages differ widely among nations' industries and even industry segments. He then explained why a nation achieves international success in a particular industry. He claimed that the answer lies in four broad attributes. The four attributes that constitute factor

conditions, demand conditions, relating and supporting industries, and firm strategy, industry structure and rivalry. Figure 2.2, mentions *Porter Diamond* of a nation that shapes the environment in which local firms compete that promote or impede the creation of competitive advantages.

Figure 2.2
Porter's National Diamond Framework



Source: Porter, M.E. 1998, *The Competitive Advantages of Nations*, P.127.

The specific *factor conditions* of the country such as human resources, infrastructure, natural and cultural resources provide initial advantages that are subsequently built upon to yield more advanced factors for competition. The factor conditions of a country—the cost and quality of factors of production—are a prime determinant of the competitive advantage that certain countries might have in certain industries.

The *home demand conditions* also reinforce national advantage in an industry. Porter (1998:93) emphasized that the role of home demand is particularly important in shaping the attributes of domestically made products and in creating pressures for innovation and quality. He argued that a nation's companies gain competitive advantage if their domestic consumers are sophisticated and demanding. The sophisticated and demanding consumers pressure local companies to meet high standards of product quality and to produce innovative products. In this way, the businesses are dominant players in the industry.

The presence of *related and supporting industries* may be a critical resource and strength of new competitive industries of the country. The benefits of investments in advanced factors of production (for example, technological leadership, success in research and development) by the related and supporting industries can spill over into the new

industry, thereby helping it to achieve a strong competitive position internationally. One consequence of this process is that successful industries within a country tend to be grouped into clusters of related industries.

The fourth factor, the characteristics of *firm strategy, industry structure and rivalry* explains why the industry is more successful. National competitive performance in a particular sector is inevitably related to the strategies and structures of the firms in those industries. Porter (1998:107) put particular emphasis on the *role of competition* between domestic companies in innovation and the upgrading of competitive advantage. As a result, the maintenance of strong competition within domestic markets is likely to provide a powerful stimulus to innovation and efficiency. (The level of firms' competitive structure is explained in the next section).

In sum, Porter's argument is that the degree to which a nation is likely to achieve international success in a certain industry is a function of the combined impact of factor endowments, domestic demand conditions, related and supporting industries and domestic rivalry. He argued that for this "Diamond" to affect competitive performance positively, the presence of all four components is usually required (although there are some exceptions). Here, the actions of Government can influence each of the four components of the diamond either positively or negatively.

For instance, factor endowments can be affected by subsidies, policies towards industry development, and the like. For domestic demand, the establishment of local product standard or regulations can enhance the competitiveness of the industry influencing upon buyer needs. Johnson *et al* (2005:75) also agreed that the Government can foster competitive advantages by ensuring high expectations of product performance, safety or environmental standards or encouraging vertical cooperation between suppliers and buyers on a domestic level, which could lead to innovation. Then, the Government can influence supporting and related industries and rivalry through the regulation.

Finally, Porter (1998:124) highlighted the role of chance. And he implied that so far it can create lack of continuity and provide opportunity for competitive advantages of the nations. Chance events are occurrences that have little to do with circumstances in a nation and are often largely outside the power of firms (and often the national government) to influence. Porter gave the following examples which are particularly important in influencing competitive advantage:

- Acts of pure invention,
- Major technological discontinuities,
- Discontinuities in input costs such as the oil shocks,
- Significant shifts in world financial markets or exchange rates,
- Surges of world or regional demand,
- Political decision by foreign governments, and
- Wars

Moreover, Porter emphasized that chance events are important because they create discontinuities that allow shifts in competitive position. They can nullify the advantages of previously established competitors and create the potential that a new nation's firms can supplant them to achieve competitive advantage in response to new and different conditions.

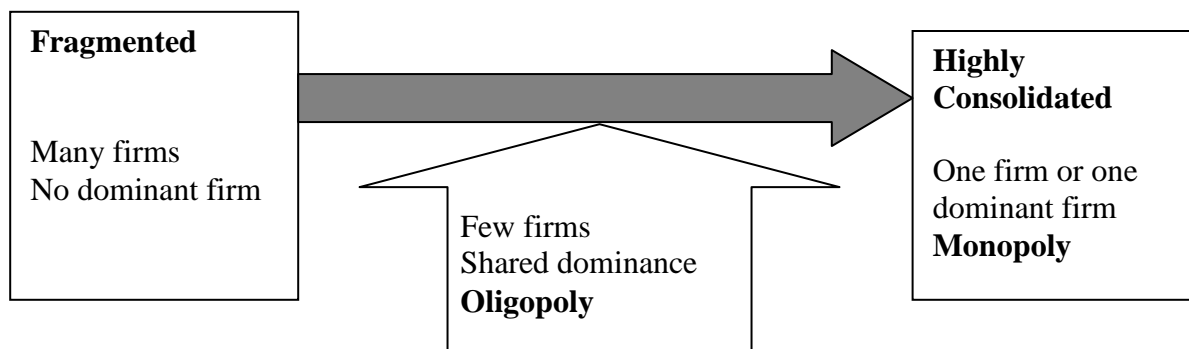
Industry Structure

Industry structure refers to the number and size distribution of companies in an industry. Structures vary from fragmented to consolidated and have different implications for rivalry. A fragmented industry contains a large number of small or medium-sized companies, none of which is in a position to dominate the industry. A consolidated industry may be dominated by a small number of large companies (in which case it is referred to as an oligopoly) or, in extreme cases, by just one company (a monopoly). The range of structures is illustrated in Figure 2.3 (Hill, C.W and Jones, G.R. 1998:76).

Many fragmented industries are characterized by low barriers to entry and commodity-type products that are hard to differentiate. The combination of these traits tends to result in boom-and-bust cycles as industry profits rise and fall. Low barriers to entry imply that whenever demand is strong and profits are high, there will be a flood of new entrants hoping to cash in on the boom.

A fragmented industry structure, then, constitutes a threat rather than an opportunity. Most booms will be relatively short-lived because of the ease of new entry and will be followed by price wars and bankruptcies. Since it is often difficult to differentiate products in these industries, the best strategy for a company to pursue may be cost minimization. This strategy allows a company to rack up high returns in a boom to survive any subsequent bust.

Figure 2.3
Continuum of Industry Structures



Source: Hill, C.W and Jones, G.R. 1998, *Strategic Management Theory*, P.77.

The nature and intensity of rivalry in consolidated industries is much more difficult to predict. In consolidated industries companies are interdependent, such that the competitive actions of one company directly affect the profitability of others in the industry. Thus, in a consolidated industry, the competitive action of one company directly affects the market share of its rivals, forcing a response from them. The consequence of such competitive interdependence can be a dangerous competitive spiral, with rival companies trying to undercut each other's prices, pushing industry profits down in the process.

Clearly, high rivalry between companies in consolidated industries and the possibility of a price war constitute a major threat. Companies sometimes seek to reduce this threat by following the price lead set by a dominant company in the industry. However, companies must be careful, for explicit price-fixing agreements are illegal, although tacit agreements are not. (A tacit agreement is one arrived at without direct communication). Instead, companies watch and interpret each other's behavior. Often tacit agreements involve following the price lead set by a dominant company.

More generally, when price wars are a threat, companies tend to compete on nonprice factors such as advertising and promotions; brand positioning; and product quality, functionality, and design. This type of competition constitutes an attempt to differentiate the company's product from those of competitors, thereby building brand loyalty and minimizing the likelihood of a price war. The effectiveness of this strategy, however, depends on how easy it is to differentiate the industry's product. Although some products (such as cars) are relatively easy to differentiate, others (such as airline travel) are difficult.

2.2.2 Micro-Environment: Competitive Forces

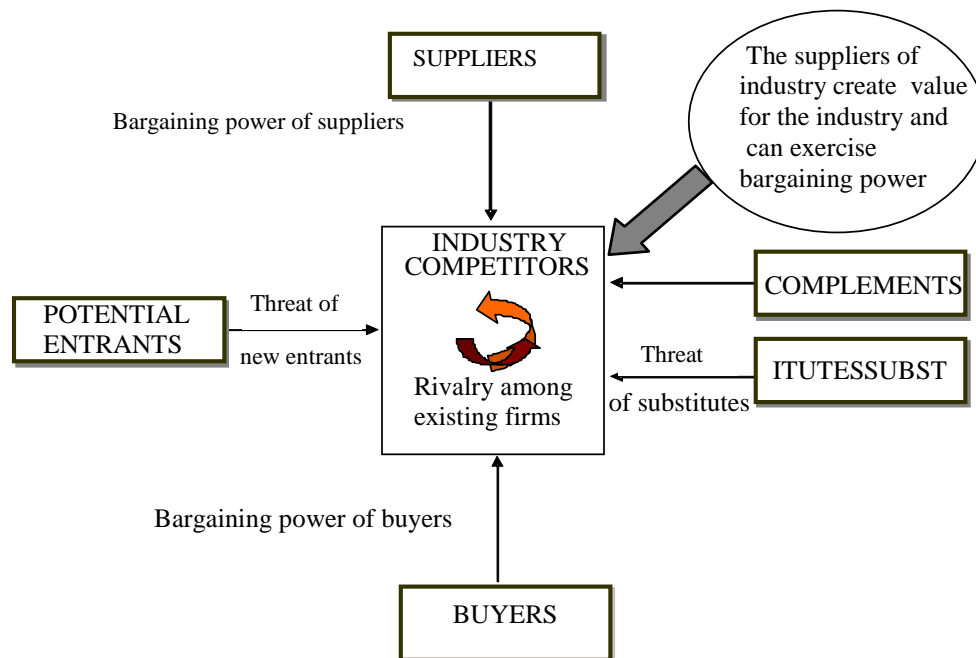
The micro-environment/ industry environment is made up of those elements which are closest to the company and which exert the greatest and most direct influence over its ability to deal the markets (Wilson and Gilligan,1999:240). According to this, the immediate environment of tour companies includes the companies themselves, the suppliers (hotels, airlines, restaurants, entertainment and other service providers), the distribution network (travel agents), the customers (the tourists), the competitors (tour companies) and the public at large.

Grant (2002:66) reminded that the firm must understand the customers, suppliers, competitors and the relationship between them and among themselves. By focusing the industry environment, the firms determine which macro level influences are important for the firm and how they are likely to affect the firm's relation with customers, suppliers and competitors. The purpose of a company is to survive and make money, thus the determinant factors are (1) company's creation of value to the customers, (2) the intensity of competition and (3) the relative bargaining power at different levels in the value chain.

Grant (2002:90) presented *Six Forces Framework* adding the complements as a key role in a firm's competitive environment. Michael Porter's *Five Forces Framework* views the intensity of competition and the level of profitability as determined by the three sources of horizontal competition: competition from substitutes, entrants and established rivals; and two sources of vertical competition: the bargaining power of suppliers and buyers. However, economic theory identifies two types of relationship between different products: substitutes and complements. While substitutes have a negative impact on value, complements have a positive impact on value.

Figure 2.4 shows six forces of framework including the *complements* as a sixth force to Porter's *Five Forces Framework*. It depicted that unlike the other five forces, complements are not a competitive forces; on the contrary, the more complements there are, and the closer their relationship to the products supplied by the industry, the greater the potential profit within the industry. A key of their analysis is the need to manage relationship with the suppliers of complements. Where products are close complements, they have little value to customers individually; customers value the whole the system. Here the bargaining power and its deployment are the key, which enhance the advantages. These cooperation strategies will be highlighted in the next section.

Figure 2.4
Five Forces or Six Forces



Source: Grant, R.M. 2002, *Contemporary Strategy Analysis*, P. 91.

2.3 Internal Environment Analysis

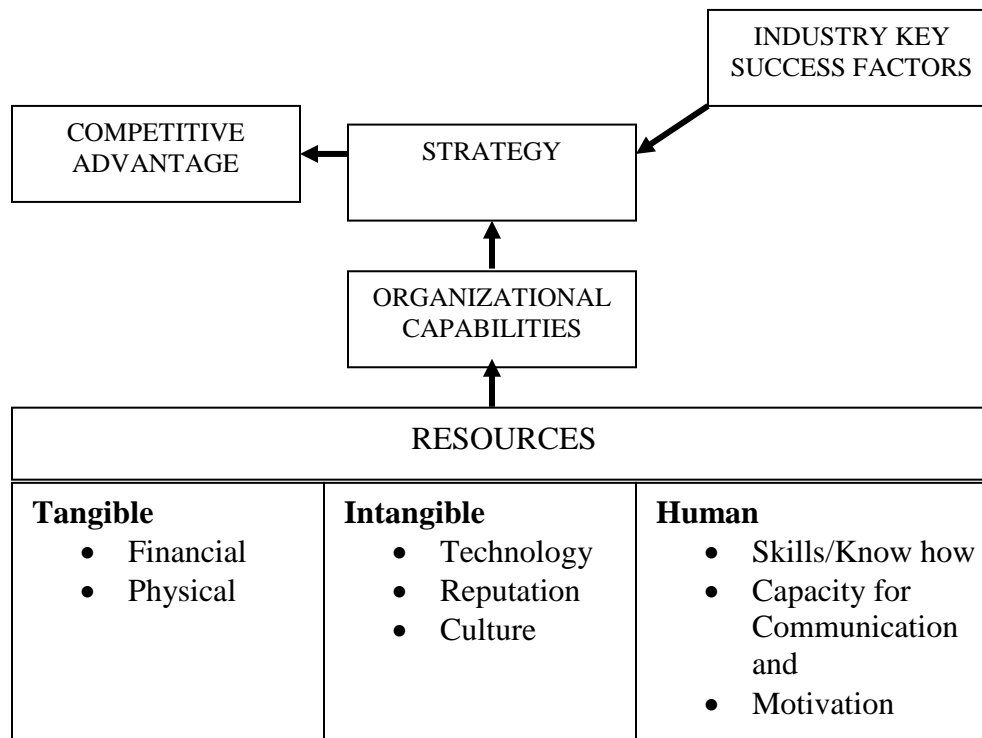
There are different approaches to internal environment analysis: resource-based approach, value chain analysis, 7-S Framework and functional analysis.

2.3.1 Resource-based Approach

Grant (2002:134) presented that the companies whose strategies have been based on developing and exploiting internal capabilities have successfully adjusted to and exploited external changes. He explained that the resource-based view of the firm has profound impact on companies' understanding of strategy formulation. The greater the rate of change in a firm's external environment, the more likely it is that internal resources and capabilities provide a secure foundation for long-term strategy.

When the primary concern of strategy was industry selection and positioning for cost and differentiation advantage, the tendency was for companies to adopt similar strategies. The resource-based view emphasized the uniqueness of each company and suggests that the key to profitability is not through doing the same as other firms, but rather through exploiting differences. Establishing competitive advantages involves formulating and implementing a strategy that exploits unique features of each firm's collection of resources and capabilities.

Figure 2.5
The Links among Resources, Capabilities, and Competitive Advantage



Source: Grant R.M 2002, *Contemporary Strategy Analysis*, P. 139.

In order to establish competitive advantage for the firm, the firm's resources such as tangible resources (capital and physical resources), intangible resources (brand reputation, technology and culture) and human factors (skills, knowledge, reasoning and decision-making capabilities, intellectual capital etc) must work together, in order to create organizational capabilities. Their relationship is shown in Figure 2.5.

A company's strength can take any of several forms of such resources as skill or important expertise, valuable physical assets, human resources, organizational assets (quality control, technology) etc., and intangible assets, competitive capabilities (innovation, strong dealer network) competitive valuable alliances or cooperative venture. And taking them together, these strengths determine the *core competencies* of the company that are the things that the company can do exceedingly well. When these capabilities or competencies are superior to those of competitors, they are called *distinctive competencies*.

Grant (2002: 158) proposes a 3-step, resource-based approach to strategy analysis.

- (1) Identify and classify the firm's resources in terms of strengths and weakness and combine the firm's strengths into specific capabilities.

- (2) Appraise the profit potential of these resources and capabilities and select the strategy that best exploits the firm's resources and capabilities relative to external opportunities.
- (3) Identify resource gaps, fill them and build for the future.

Whellen and Hunger (2002: 82) discussed that just because a firm is able to use its resources and capabilities, to develop a competitive advantage does not mean it will be able to sustain it. Two characteristics determine the sustainability of a firm's distinctive competencies: durability and limitability.

Durability is the rate at which a firm's underlying resources and capabilities (core competencies) depreciate or become obsolete. New technology can make a company's core competencies obsolete or irrelevant. In this case, the firm needs to have own basic Research and Development (R & D).

Limitability is the rate at which a firm's underlying resources and capabilities (core competencies) can be duplicated by others. To the extent that a firm's distinctive competencies give it competitive advantages in the market place, competitors will do what they can to learn and imitate that set of capabilities.

2.3.2 Value Chain Analysis

The *value chain analysis* is a good way to begin an organizational analysis to ascertain where a firm's products are located in the overall value chain (Whellen and Hunger 2002: 84). It separates the activities of the firms into sequential chain. The analysis distinguishes between *primary activities* and *supporting activities*. The *primary activities* are foremost in creating value for customers and the requisite *support activities* facilitate and enhance the performance of the *primary activities*. The value chain includes a profit margin because a mark-up over the cost of performing the firm's value-creating activities is customarily part of the price (or total cost) borne by buyers.

2.3.3 7-S Framework

Khoo & Nigel (1999:60) mentioned the *7-S Framework* (developed by the McKinsey consulting firm) which manager needs to look at. According to the model, they are *structure*, *systems*, *style*, *staff*, *skills*, and *strategy* and at the center *shared values*. The framework views culture as a function of these seven variables. However, Khoo & Nigel, (1999:60) consider

that some of these factors are crucial factors to take into account but are impossible to measure, especially style.

2.4 Competitive Advantages and Business Strategies

It is generally believed that competitive advantages are achieved by an organization when it outperforms its competitors in terms of profitability and market share growth. The higher return means that it will be able to commit more retained profit to reinvestment in its strategy, thus maintaining its lead over its competitors in the industry.

However, Thompson (1992:102) argued that a company has competitive advantages, whenever it has an edge over rivals in securing customers and defending against competitive forces. He further added that the winning business strategies are grouped in sustainable competitive advantage. Thompson explored the sources of competitive advantages as follows:

- Making the highest-quality product,
- Providing superior customer service,
- Achieving lower costs than rivals,
- Having a more convenient geographical location,
- Designing a product that performs better than competing brands, and
- Providing buyers more value for the money (a combination of good quality, good service, and acceptable price).

Michael Porter (1998:90) argued that low cost and differentiation are two basic strategies for creating value and attaining competitive advantages in an industry. According to Porter, competitive advantage (and higher profits) goes to those companies that can create superior value, and the way to create superior value is to drive down the cost structure of the business and / or differentiate the product in some way so that consumers value it more and are prepared to pay a premium price.

2.4.1 Business Strategies

There are countless variations in the competitive strategies that companies employ, because each company strategic approach entails custom-designed actions to fit its own circumstances and industry environment. The major contribution of Porter's generic competitive strategies lies in his offering of two routes to superior performance: either the lowest-cost of producers in the industry or the differentiated quality producer. When one

strips away the details to get at the real substance, the biggest and most important differences among competitive strategies boil down to as follows:

- (1) whether a company's market target is broad or narrow, and
- (2) whether the company is pursuing a competitive advantage linked to low cost or product differentiation.

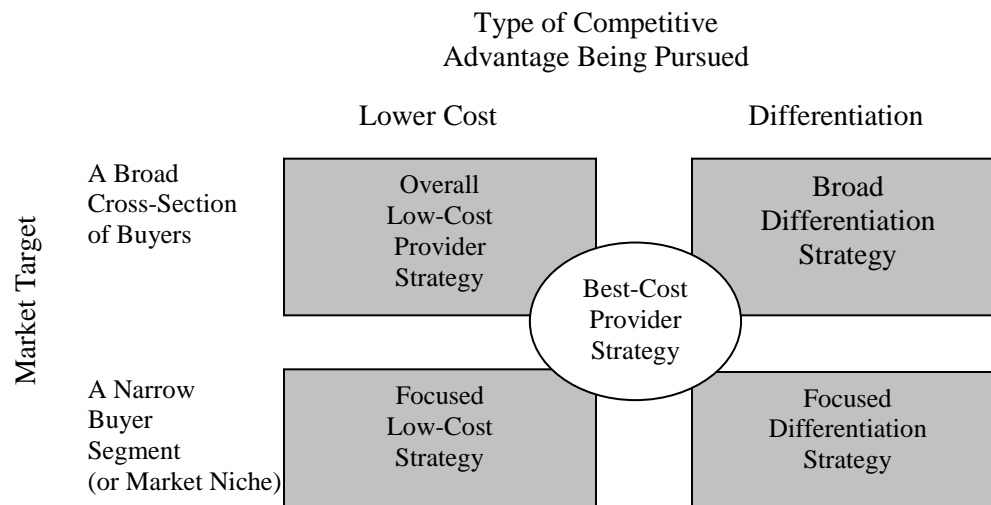
Thompson *et al* (2005:116) presented the five distinct competitive strategies approaches based on Porter's Generic strategies as shown in Figure (2.6): low cost leadership strategy, differentiation strategy, focus strategy based on low cost, or on differentiation, and best-cost provider strategy.

Low Cost Leadership Strategy: Striving to be the low-cost producer is a powerful competitive approach in markets where many buyers are price-sensitive. The aim is to open up sustainable cost advantage over competitors and then use lower cost as a basis for either underpricing competitors and gaining market share at their expense or earning a higher profit margin for selling at the going price (Thompson and Strickland 1992:103). This is possible for large and small organization, while large organizations can benefit from their mass purchasing power and economies of scales, small ones can keep a tight control over their overheads and minimize costs. Thompson and Strickland (1992:117) suggested the two ways for achieving a cost advantage:

1. Outmanage rivals in the efficiency with which value chain activities are performed and in controlling the factors that drive the costs of value chain activities.
2. Revamp the firm's overall value chain to eliminate or bypass some cost-producing activities.

Differentiation Strategy: Differentiation strategy comes into play whenever buyers' needs and preferences are too diverse to be satisfied by a standardized product. A successful differentiation studies buyer's needs and behavior carefully to learn what they consider important and valuable. Then, the differentiation incorporates one or several of those features into its product offering to encourage buyer preferences for its brand over the rivals' brands. Differentiation is more likely to produce an attractive, longer-lasting competitive edge, if it is based on technical superiority quality, more customer support service, more value for money etc. (Thompson and Strickland 1992:109).

Figure 2.6
Five Generic Competitive Strategies



Source: Thomson *et al* 2005, *Crafting and Executing Strategy: The Quest for Competitive Advantage Concepts and Cases*, P.116.

Focus Strategy: Focusing starts by choosing a market niche where buyers have distinctive preferences or requirements. The niche can be defined by geographical uniqueness, by special requirements in using the product or by special product using attributes that appeal only to niche members. Thompson and Strickland (1992:111) mentioned that a focuser's basis for competitive advantage is either lower costs than competitors in serving the market niche or an ability to offer niche members something different from other competitors. A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy compared to the rest of the market. A focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes.

Best-Cost Provider Strategy: Thompson *et al* modified porter's generic strategy by adding new one Best-cost Provider Strategy, which aims at giving customers more value for the money. The objective is to deliver superior value to buyers by satisfying their expectations on key quality/service/features/performance attributes and beating their expectations on price (given what rivals are charging for much the same attributes). A company achieves best-cost status from an ability to incorporate attractive attributes at a lower cost than rivals. To become a best-cost provider, a company must have the resources and capabilities to achieve good-to-excellent quality, incorporate appealing features, match product performance, and provide good-to-excellent customer service—all at a lower cost than rivals.

As shown in Figure 2.6, best-cost provider strategies stake out a middle ground between pursuing a low-cost advantage and a differentiation advantage and between appealing to the broad market as a whole and a narrow market niche. From a competitive positioning standpoint, best-cost strategies are a hybrid, balancing a strategic emphasis on low cost against a strategic emphasis on differentiation (superior value). The target market is value-conscious buyers, perhaps a very sizable part of the overall market. The competitive advantage of a best-cost provider is lower costs than rivals in incorporating good-to-excellent attributes, putting the company in a position to underprice rivals whose products have similar appealing attributes.

A best-cost provider strategy can be quite powerful in markets where buyer diversity makes product differentiation the norm and where many buyers are also sensitive to price and value. This is because a best-cost provider can position itself near the middle of the market with either a medium-quality product at a below-average price or a high-quality product at an average price. But unless a company has the resources, know-how, and capabilities to incorporate upscale product or service attributes at a lower cost than rivals, this strategy is ill-advised.

2.4.2 Corporate Strategies

Globalization of the world economy, revolutionary advances in technology across a border front, and untapped opportunities in national markets in Asia, Latin America, and Europe that are opening up, deregulating and/ or undergoing privatization have made partnership of one kind or another integral to competing on abroad geographic scale (Thompson *et al* 2005:143). Many companies now find themselves thrust into two very demanding competitive races: (1) the global race to build a presence in many different national markets and join the rank of companies recognized as global market leaders, and (2) the race to opportunities on the frontiers of advancing technology and build the resource strengths and business capabilities to compete successfully in the industries and product markets of the future. Even the largest and most financially sound companies, along with others have determined that the fastest way to fill the gap is often to form alliances with enterprises having the desired strengths.

Strategic alliances

Strategic alliances refer to cooperative agreements between potential or actual competitors. Strategic alliances run the range from formal *joint ventures*, in which two or more firms have equity stakes, to short-term *contractual agreements*, in which two companies agree to cooperate on a particular task. Collaboration between competitors is fashionable; 1980s and 1990s have seen an explosion in the number of strategic alliances. (Hill C.W.L and Jones, G.R 2001:444)

Firms ally themselves with actual or potential competitors for various strategic purposes. There are some advantages of strategic alliances: first, strategic alliances may facilitate entry into a foreign market. Second, strategic alliances also allow firms to share the fixed costs (and associated risks) of developing new products or processes. Third, an alliance is a way to bring together complementary skills and assets that neither company could easily develop on its own. Fourth, it can make sense to form an alliance that will help the firm establish technological standards for the industry that will benefit the firm.

Despite this, some commentators have criticized strategic alliances on the grounds that they give competitors a low-cost route to new technology and market. Alliances have risks. Unless a firm is careful, it can give away more than it receives. But, there are so many examples of apparently successful alliances between firms.

Growth Strategies

In a study of 358 *Fortune 500* companies, Khoo and Nigel (1999:71) found that over 57 percent chose growth as a primary strategy. The variations of growth strategy are as follows:

Concentration: This is a widely used growth strategy which is intended to increase the sales and market share of a concentrated product line or market at an increasing rate. Here, the firm concentrates on producing a single or small group of products or services.

Diversification: Growth can also be pursued through diversification. Two basic forms are:

Concentric diversification, where a firm diversifies through related, (note that the word is related and not similar) products or services, using existing technology, or marketing skills.

Conglomerate diversification, where a firm diversifies through unrelated products or services, using new technology and reaching out to new customers.

Integration: This is actually a form of diversification when looked at from another angle. There are two basic forms: Vertical Integration and Horizontal Integration.

(i) *Vertical integration:* As a growth strategy, it involves the expansion of the business through moving backward ('upstream') or forward ('downstream') from the present position:

Forward integration: The products or services are moved 'downstream' or closer to the consumer. This move is primarily aimed at reducing the bargaining power of buyers, particularly 'middlemen' like distributors, wholesalers and retailers.

Backward integration: In this case, the products or services are moved 'upstream' or further away from the consumer. The main aim is to reduce the bargaining power of suppliers to ensure stability of supplies, prevent price variations or maintain/improve the quality of raw materials.

(ii) *Horizontal integration:* This happens when a firm moves sideways, through acquisition of competing firms in the same line of business. This move can be driven by either the desire to secure distribution channels or expand market share.

Outsourcing Strategies

Outsourcing the performance of some value chain activities traditionally performed in-house increasingly popular over the past decades. Some companies have found vertical integration to be so competitively burdensome that they have deintegrated and withdrawn from some stages of the industry value chain. Moreover, a number of single-business enterprises have begun outsourcing a variety of value chain activities formerly performed in-house to enable them to better concentrate their energies on a narrower, more strategy-critical portion of the overall value chain. Today, most companies are abandoning such approaches in favour of alliances and strategic partnerships with a small number of highly capable suppliers or specialists. Some firms form a virtual organization in which there is no formal structure and physical proximity of people, but partnership, collaboration and networking (Johnson *et al* 2005:430).

Ansoff product/ market development strategy

Ansoff presented 4 spectrums of product/ market development strategy such as Market Penetration, Market Development, Product Development and Diversification as shown in Figure 2.7.

Figure 2.7
Ansoff Matrix: Product/Market Development

Market	Product	
	Existing	New
Existing	Market Penetration	Product Development
New	Market Development	Diversification

Source: Ansoff, H.I.1965, *Corporate Strategy*, P.99.

Market Penetration: This is the situation whereby one seeks to sell more of an existing product or service to an existing market. Thus, this strategy is similar to that of the corporate-level growth strategy of concentration, for which it has been called, together with another name, *intensive strategy*. Khoo and Nigel ((1999:84) suggested many ways to induce customers to buy more of company's products or services which are as follows:

- Increasing the size of purchase,
- Increasing the rate of product obsolescence,
- Advertising other uses,
- Giving price incentives for increased use,
- Establishing sharper brand differentiation,
- Increasing promotional effort,
- Initiating price cuts,
- Inducing trial use through sampling, price incentives etc. and
- Pricing up or down (creative pricing).

Market Development: If one is trying to sell an existing product or service to a new market, it is called market development strategy. There are 2 levels to consider in trying to sell existing products to a new market.

Geographical Market: In territorial expansion, first the firm can develop new markets within parts of existing country, then across borders to different countries.

Market Segmentation: This can be thought of as developing 'a market within a market'. Indeed, every market can be broken down into market segments, niches, and ultimately, individuals.

Product Development: This is when a new product is offered to the existing market. There are various ways of developing the strategies of adapting new features, modifying, magnifying, minifying, substituting, and rearranging the existing product.

Diversification: Diversification is defined as a strategy that takes the organization away from both its current markets and products. Diversification: it has its good and bad sides. Porter has said: “Successful companies must deploy resources only when they know they can beat the opposition, and must avoid over-stretching themselves through trying to be all things to all people.” (Khoo and Nigel 1999:94)

2.4.3 Global Competitive Strategies

Typically, a company will start to compete internationally by entering just one or may select a few foreign markets. Competing on a truly global scale comes later, after the company has established operations on several continents and is racing against rivals for global market leadership. Thompson *et al* (2005:174) mentioned the two types of competitors: *international competitors* and *global competitors*. The former is a company whose competitive scope of markets is a few foreign country markets. The latter company operates in 50 to 100 countries and is expanding its operations in to additional country markets.

The strategies a company uses to compete in foreign markets have to be situation-driven—cultural, demographic, and market conditions vary significantly from country to country. One of the biggest concerns of competing in foreign markets is whether to customize the company’s offerings to cater to the taste and preferences of local buyers in all or most different country markets or whether to offer a mostly standardized product worldwide. While being responsive to local tastes makes a company’s product more appealing to local buyers, customizing a company’s products country by country may have the effects of raising production and distribution costs due to the greater variety of design and components, shorter production runs, and the complications of added inventory handling and distribution logistics. In contrast, greater standardization of the company’s product offering enhances the capture of scale economies and learning experience curve effects, contributing to the achievement of a low-cost advantage. The tension between the market pressures to customize and the competitive pressures to lower costs is one of the big strategic issues that participants in foreign markets have to resolve.

Strategy Options for Entering in Foreign Markets

Thompson *et al* (2005:180) suggested the generic strategic options for a company that enters the foreign markets and competes internationally or globally, which are mentioned as follows:

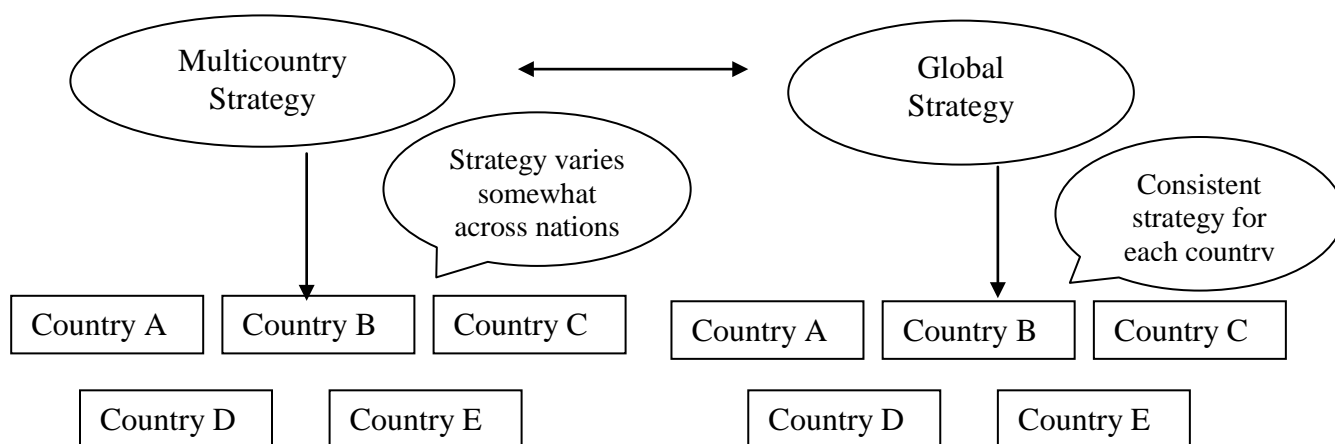
1. Maintain a national (one-country) production base and export goods to foreign markets, using either company-owned or foreign-controlled forward distribution channels.
2. License foreign firms to use the company's technology or to produce and distribute the company's products.
3. Employ a franchising strategy.
4. Follow a multi-country strategy, varying the company's strategic approach (perhaps a little, perhaps a lot) from country to country in accordance with local condition and foreign buyer tastes and preferences.
5. Follow a global strategy, using essentially the same competitive strategy approach in all country markets where the company has a presence.
6. Use a strategic alliance or joint ventures with foreign companies as a primary vehicle for entering foreign markets and perhaps also using them as an ongoing strategic arrangement aimed at maintaining or strengthening its competitiveness.

The export strategy is an excellent initial strategy for pursuing international sales. The amount of capital needed to begin exporting is often minimal; existing operation capacity may well be sufficient to make goods for export. The company can establish its own distribution and sale organizations in some or all of the target foreign markets.

When a firm with valuable technical know-how or a unique patent product has neither the internal organizational capability nor the resources to enter foreign markets, licensing makes sense. Licensing has the advantage of avoiding the risks of committing resources to country markets that are unfamiliar, politically volatile, economically unstable, or otherwise risky. Franchising has much as the same advantages as licensing and it is better suited to the global expansion of services and retailing enterprises.

Multi-country strategy is appropriate for industries when competition in one national market is independent of competition in another national market—there is no “international market”, just a collection of self-contained country markets. Global strategy works best in markets when competitive conditions across national markets are linked strongly enough to form a true world market and when leading competitors compete head-to-head in many different countries.

Figure 2.8
Multicountry Strategy and Global Strategy



Source: Thompson *et al* 2005, *Crafting and Executing Strategy*, P.183.

Figure 2.8, provides a point-by-point comparison of multicountry versus global strategies. The issue of whether to employ essentially the same basic competitive strategy in the markets of all countries or whether to vary the company’s competitive approach to fit specific market conditions and buyer preferences in each host country is perhaps the foremost strategic issue firms face when they compete in foreign markets.

Multi-country strategy is essential when there are significant country-to-country differences in customer needs and buying habits; when buyers in a country insist on special order or highly customized product; when host Governments enact regulations requiring the product sold locally meet strict manufacturing specifications or performance standards; when the trade restrictions of host Governments are so diverse and complicated that they preclude a uniform, coordinated worldwide market approach. However, it has two big drawbacks: it hinders transfer of a company’s competencies and resources across country boundaries, and it does not promote building a single, unified competitive advantage—especially one based on low-cost leadership.

As a rule, most multinational competitors endeavour to employ as a global strategy as consumer needs permit. A global strategy can concentrate on building the resource strengths to secure a sustainable competitive advantage over both domestic rivals and global rivals racing for world market leadership. Whenever country-to-country differences are small enough to be accommodated within the framework of a global strategy, the global strategy is preferable to a multicountry strategy because of the value of creating both a uniform brand offering and strong competencies and capabilities not readily matched by rivals.

Finally, Thompson *et al* (2005:180) highlighted the merits of strategic alliances, joint ventures, and other cooperative agreements with foreign companies. The cooperative strategies are a favorite and potentially fruitful means for entering a foreign market or strengthening a firm's competitiveness in world markets.

2.5 Theoretical Background of Tourism

Tourism is a recent phenomenon. The word tourism did not appear in the English language until the early nineteenth century. The word `tour` was more closely related with the idea of a voyage or peregrination or a circuit as in the case of theatrical tour, than with the idea of an individual being temporarily away from home for pleasure purpose which is such a significant feature of the use of the word `tourist` today (Burkart and Medlik, 1981: 41).

2.5.1 Concept of Tourism

Burkart and Medlik (1981: 41) put forward the term of tourism as follows:

“Tourism is the sum of the phenomenon and relationship arising from the travel and stay of non-residents, in so far as they do not lead to permanent residence and are not connected with any earning activity.”

According to this, they identified 5 main characteristics of tourism as follows:

- (1) Tourism arises from a movement of people to, and they stay in, various destinations.
- (2) There are two elements in all tourism: the journey to the destination and the stay including activities at the destination.
- (3) The journey and the stay take place outside normal place of residence and work, so that tourism gives rise to activities that are distinct from those of the resident and working population of the places.
- (4) The movement to destinations is of a temporary, short-term character, with intention to return within a few days, weeks or months.

- (5) Destinations are visited for purposes other than taking up permanent residence or employment remunerated from within the places visited.

Definitions of Tourism

Within the broad concept mentioned above, tourism is variously interpreted for particular purposes such as study purpose, statistical purpose and legislative and administrative purpose, industrial purpose etc. Burkart and Medlik (1981:42) points out the three dimensions to define the tourism; the purpose of travel or visit, time element, and particular situation.

The standard technical definitions adopted by WTO and which are used in statistics of informational flows are as follows: (Leiper, 2004:32)

For statistical purposes, the term *international visitor* describes *any person who travels to a country other than that in which they have their usual residence but outside their usual environment for a period not exceeding twelve months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country visited*. Figure 2.9 explains the classification of visitors adopted by the WTO. International visitors include international tourists and excursionists.

International Tourists: Temporary visitors staying at least 24 hours in the country visited and the purpose of whose journey can be classified as

- (a) *Leisure, i.e., recreation, holiday, health, study religion or sport; or*
- (b) *business;*
- (c) *family;*
- (d) *mission; or*
- (e) *meeting*

Excursionists: Temporary visitors staying less than 24 hours in the destination visited and not making an overnight stay (including travellers on cruises).

Myanmar tourism statistics are prepared by following the definition of the WTO and the thesis will apply these definitions for conducting the research studies.

Classification of Tourism

In order to understand the type of tourism product provided by the tourism organizations, the products are divided by the following classifications (Burkart and Medlik 1981:43).

Domestic Tourism and International Tourism

Domestic tourism represents the tourism movement of citizens and residing foreigners inside the country while *international tourism* includes the tourism movement between different countries in the world.

Holiday, Business and Common Interest Tourism

Holiday tourism serves the reformation of physical and mental capacities of tourists and relaxing from work, *business tourism* represents the movement for the purpose of trade and commerce rather than for leisure or other personal reasons. *Common interest tourism* includes tourists with specific purpose for their journey and is sometimes sub-divided further into visits to friends and relatives, or for study, health, religion and other miscellaneous purposes.

Individual Tourist and Group Tourist

The terms denote no more and no less than the tourists move about individually or as a member of a group, irrespective of the way the travel and stay is arranged. The distinction is also of some significance for tour companies in handling the tour traffic and in the reception of tourists at destinations. Usually, tour cost per head for group tour is less than the cost for the individual tourists.

Independent Tour and Inclusive Tour

The classification is based on the how the individual elements of a trip are bought by the tourist. In *independent tour*, transport, accommodation, and possibly other elements are arranged separately either by the tourist himself directly with the carrier, hotel or another supplier, or through a travel agent. In *inclusive tour*, the tourists buy a whole trip, for which he is unable to distinguish the pre-paid cost of his airfare from the cost of accommodation and other elements; this arrangement is also known as the *package tour*. The tourist may then move about as an individual or as a member of a group according to the particular

arrangement entered into; the terms 'group' and 'inclusive' may, coincide in specific instances, but they are two distinct forms of holiday or trip.

In addition, there are the several forms of tourism according to the types of attractions and purposes of visit which are as follows: (Wahab 1975:10).

Cultural Tourism, Recreational Tourism and Eco-tourism

Cultural tourism serves to enrich information and knowledge about other countries and satisfy the need for entertainment. It includes visit to exhibitions and fairs, cultural events, places of natural interest, archeological excavations, etc. *Recreational tourism* or *leisure tourism* is similar to holiday tourism. *Eco-tourism* aims to encourage the preservation of the environment. It includes visit to study the endangered species such as wildlife, flora and fauna etc. Thus its focus is on environmental issues. (Leiper, 2004:17)

MICE Tourism and Incentive Tourism

The term MICE represents *meeting, incentive travel, conference and events* (Leiper, 2004:7) and it is partly related to business tourism. In all cases, the expenses paid for are incurred by a sponsor. The *incentive tourism* involves schemes to reward winners among certain employees, for achieving more than they would without incentive. (Leiper, 2004:205)

Sustainable Tourism

It is an approach to development aimed at balancing social and economic objectives with environmentally sound management. It is not synonymous with unlimited growth of tourism development.(ESCAP, 1999:7)

Characteristics of Tourism

Middleton (2002:42) highlighted the principal characteristics of service product such as inseparability (sometimes it is associated with intangibility and heterogeneity/variability) and perishability (which is associated with inability to hold physical stocks of products for future sales.)

Inseparability of service product means that the staff of service companies have some consumer contact and are seen by the clients to be an inseparable aspect of the service. In tourism, the clients must make travel themselves to experience attraction, facilities and other

services provided in destinations. The two other characteristics that flow from inseparability are heterogeneity and intangibility. *Heterogeneity* means that every service performance is unique to each customer. It is because performance may vary from one individual or service to another within the same organization or in the service as one individual provides from day to day and from customer to customer. Then an *intangible* aspect of product service is also an important characteristic of tourism service product, in the sense that most services cannot easily be measured, touched or evaluated at the point of sale before performance. In fact, the core product provided by tourism service is an idea in the minds of prospective buyers which is the essential need or benefit as perceived and sought by the customers.

The nature of tourism service product as being *perishable* means that the service production is typically fixed in time and space and has a fixed capacity on any day. This means that if the hotel room capacity is not sold on a particular day, the potential revenue it represents is lost and cannot be recovered.

The characteristics mentioned above are the basic or generic ones common to this, Schmoll (1977:39) added the *instability* nature of tourism product. The following are the specific features that are contributing to demand-instability of travel and tourism services:

- Price and Income Elasticity of Demand,
- Seasonal Variation of Demand,
- External Environmental Factors,
- The Low Level of Customer Loyalty,
- Changes in Demand Structure, and
- Wide Range of Heterogeneity.

In addition, the following two factors are also important characteristics that the business managers of the tourism organizations must consider in formulating their business strategies in the competitive nature of tourism market (Middleton, 2002:47).

High Fixed Cost of Operation

The tourism facilities such as accommodation, aircraft coach lines etc, are needed *high fixed cost of investment* and also are incurred high fixed cost of operating the available level of capacity, but relatively low level of variable cost. The facts of high fixed cost of operation in combination with seasonal fluctuation focus all service operators' attention on the need to generate extra demand.

Interdependence Nature

The *interdependence* nature is also associated in providing the tourism service. Tourists choose attractions at a destination together with the products of accommodation, transport and other facilities.

2.5.2 Component Sectors of the Tourism Industry

The tourist product is defined as "an amalgam of tangible and intangible elements centered on a specific activity at a specific destination."(Burkart and Medlik 1982:48). Hence the travel and tourist product can be divided as the tourist supply of a destination as follows:

Attractions: Primary natural attractions like climate, scenery, beach, hill resorts etc. And secondary man-made attractions such as theme parks, wildlife parks, sports facilities, hot-water spas etc.

Accessibility: External transport and communications which enable a destination to be reached like the airport and air crafts, road transport and facilities.

Amenities: Accommodation, catering, entertainment, as well as internal transport and communication which enable the tourist to move round during his stay.

Also Burkart and Medlik pointed out that tourism organizations are important suppliers, who determine the success of a destination. As regards this, Gee (1989:5) mentioned the 3 categories of organizations that participate in the tourism economic activity; direct providers, support services, or developmental organizations.

Types of Organizations in Tourism Industry

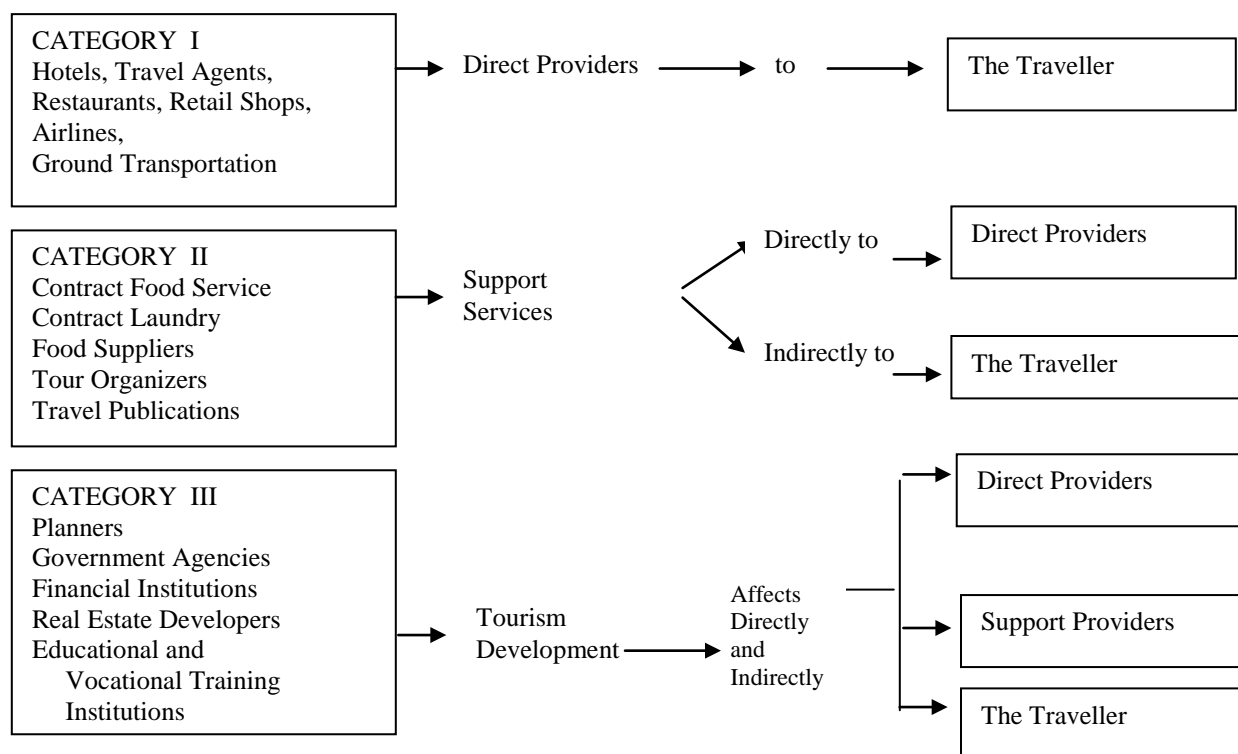
Figure 2.10 mentions the 3 categories of tourism organizations. The first category, *direct providers*, includes businesses typically associated with travel, such as airlines, hotels, ground transportation, travel agencies, restaurants and retail shops.

The second category, *support services* includes specialized services such as tour organizers, travel and trade publications, hotel management firms, and travel research firms. It also includes basic supplies and services, such as contract laundry and contract food service. Business providing specialized services such as those listed above, are dependent on the travel market for almost all of their business.

The third category, *developmental organizations* includes planners, government agencies, financial institutions, real estate developers, and educational and vocational training institutions. It will involve sensitive issues regarding the environment, people, and culture of

an area. Highly skilled individuals within a professional field such as planning, real estate, or architecture, but specializing in tourism project are employed in developmental organizations. The decisions and resulting outcomes of tourism development by these organizations are more long-term in nature than the first two categories, which focus more on operations.

Figure 2.10
Types of Organizations in the Tourism Industry



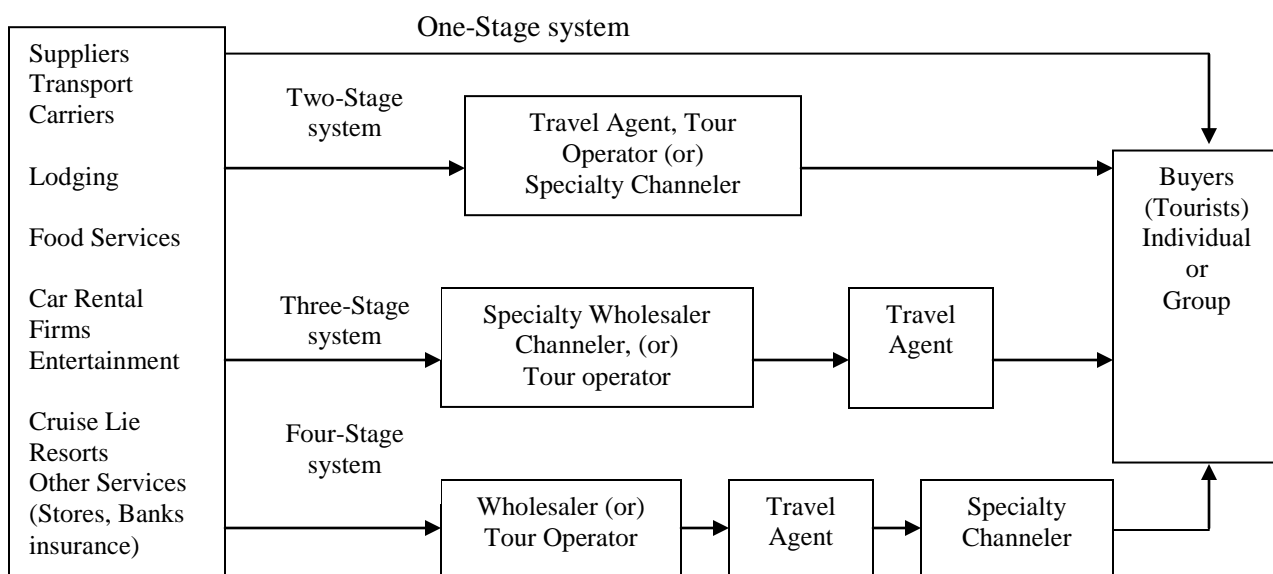
Source: Gee *et al*, 1989., *The Travel Industry*; P.7.

As mentioned above, the product supplied by tourist destination includes attractions, accommodation, transport, caterings, entertainment etc. The product must be well-organized by tourism organizations to develop the tour product (tour package or inclusive tour) and to promote it in an appropriate tourism market.

Therefore, the growth of international tourism has been accompanied and often brought about by the increasingly important role of the group of tourist services, those provided by the travel agent and even more so by the tour operator and the specialty channeler. Here the travel agent and tour operator take the intermediary role between the basic providers such as hotels, transport, restaurants etc. and the market which consists of international tourists and domestic tourists etc.

The linkages between them are seen in Figure 2.11. According to this, the individual tourists may buy the tour elements separately from the basic providers of transport, accommodation and other service enterprise without using the intermediary network of tour operator channels. Alternatively, the tourists will use the intermediary network to buy either the whole package of tour with inclusive price or the tour element what he wants to buy; for example, he may only buy the air ticket for local transport and guide service but he will stay in his friends' house for accommodation needs.

Figure 2.11
Distribution System in Tourism Industry



Source: Gee *et al.*, 1989, *The Travel Industry*, P. 178.

In this Figure, there are 4 types of distribution network. The first one-stage system directs sales from primary suppliers of travel services to the traveller. For example, an airline makes selling tickets directly to customers through own sales and reservation department. The two-stage system involves a single intermediary for example, a travel agent, interacting with the supplier and the traveller. The three-stage system involves two intermediaries usually a retail travel agent and a wholesaler or tour operator. The last four-stage system also follows the three-stage distribution process, but there is an additional intermediary, generally a specialty channeler, who is involved in the consultation of a tour package.

Role of Travel Intermediaries

Travel agents arrange for travel services from suppliers such as Airlines, Cruise ship companies, railroads, car rental firms, hotels and sightseeing operators. Now the role of travel agents are very vital in the sale of many travel services. Most of the airline sales are through travel agents. Some are represented as "IATA" accredited travel agents", which means that they represent all members of the *International Air Transport Association (IATA)* (Leiper, 2004:196). Also travel agents book clients on a commission basis for car rental firms, hotels, destination resorts and other suppliers. Travel agents may also sell traveller's checks, insurance and other travel services and products such as luggage to increase agency revenues.. There are two types of travel agents: wholesale and retail.

Wholesale Travel Agents or Wholesalers specialize in organizing tour packages, which are marketed to the public through a network of retail agents or airlines. Sometimes, the wholesalers may have many retail divisions if they have the capability to open them. The wholesalers may or may not operate the tours they market. They contact with a tour operator at the tourist destination regions for the ground or land arrangement included in the tour package sold to tourists.

Retail Travel Agents or Retailers sell travel services directly to the consumer. They typically represent their principals such as airlines, cruise lines, motor coach companies, railroads, hotels, car rental firms, or sometimes wholesale travel agencies.

Tour Operators: As mentioned above, wholesale or retail travel agent contacts with the tour operator at the tourist destination for delivering services specified in the tour package, which is designed according to the tourist needs. Services that may be normally included in a package include transportation for the destinations, transfer to accommodation, certain meals, sightseeing activities (including or excluding admission), car rental and other special arrangements. Some tour operators (they are referred to as ground operators) normally provide services at the destination only and do not package or market transportation to or from the destination. They are also called receiving agents or inbound tour operators.

Tour operators may own road transport facilities, hotel accommodation, restaurants, handicraft or souvenir shop and can sell the tour package for the lowest price at the time of low season or when there are many tour operator competitors. Otherwise, they may make

contractual agreement for those services provided by hotels, transport companies, food and snack shops or other tour operators.

In some cases, tour operators' offerings are developed for and marketed directly to general public through internet or on-line marketing. In other cases, they are designed to the specification of a wholesale travel agent who markets them under the agency's name through agency owned retail agents and/or through airlines. (Gee, 1989:181)

Specialty Intermediaries: Specialty Intermediaries include incentive travel firms, meeting and convention planners, hotel representatives, interline representatives, association executives, corporate travel office, travel consultants, motor coach-brokers and so on. The specialty channelers may receive commission fees from clients or serve as salaried employees who contract for travel services at an efficient cost on behalf of their organizations. (Gee, 1989:182)

2.6 Conceptual Framework of the Study

The previous studies mentioned the various theories and concepts of the strategy and strategic management that are relevant to the tourism industry. For the study purpose of exploring the national tourism strategy, the first attempt is to identify the factor conditions that determine competitive advantages of the tourism industry of Myanmar.

2.6.1 Determinants of National Strategy

To study the determinants of the national strategy, *Michael Porter's Diamond* framework will be adopted to assess these conditions. These factors are *factor endowments of broad categories of resources, presence of related and supporting industries, demand conditions in the domestic markets, and strategy and structure of firms* in the tourism industry. However, the demand conditions of the industry will be occupied with the present conditions of the international tourism market, especially inbound tourism market of Myanmar, which is the focused area of the study. Moreover, Porter (1998: 24) emphasized the important role of the Government and the role of chance as the influencing determinants in shaping these four factors, thus the study deals with the following determinants of achieving competitiveness of the country:

- *Factor condition*: historical, geographical, natural, cultural resources, human resources of the country;
- *The presence of internationally competitive supporting and related industries*: hotel accommodation, transport, tours operators/ travel agencies and training facilities and tourism-related associations;
- *The characteristics of the present international demand* for the products and services offered by the destination;
- *The strategy and structure characteristics of private tour companies*;
- *The role of Government*: Government policy, rules and regulations towards tourism development of the country; and
- *The role of chance*: World demand, Regional demand, technological changes, and foreign Government's policy decisions.

2.6.2 Determinants of Firms' Strategy

For the study purpose of exploring the business strategies of the private companies, the study begin with the analysis on the most influencing factors from the economic, social and technological (PEST) environment. The key issue of the study is how these general environment factors affect the industry structure of the private tour companies as a whole. Then, the second step of the study is how the critical factors of the micro-environment (task-environment) such as their number of market segment and type of the target market country, their distribution channels and the degree of the strategic alliances with the suppliers and the relationship with the tourism-related associations determine the strategies of a company.

To analyze the internal factors of the private tour companies that affect the firms' strategies and their competitiveness in the industry, the following firms' resources and capabilities are used as determinants:

- Size of the Company (Number of staff, Investment Level)
- Age of the Company
- Type of the Ownership
- Type of Management
- Geographical Extent
- Advanced Technology

The study categorizes the tour companies particularly in terms of their type of ownership and their size of the companies. Based on these criteria, the study tests the

hypotheses mentioned in the previous chapter. The study assumes that the companies may follow one of the five generic competitive strategies or they may use the strategies flexibly according to their internal and external factors mentioned above for winning the competitive advantages in the long term. The criteria of the degree of competitiveness of the company are measured with its earning level and the business growth degree.

Small Business Contexts

According to Johnson *et al* (2005:22), small businesses are likely to be operating in a single market or limited number of markets, probably with a limited range of products or services. The scope of the operation is likely to be of less strategic issue than it is in a large organization. The small companies with limited capital may follow the limited choice of the strategy.

Searborough *et al* (1996:96) also suggested that because of their size and particular characteristics small firms need a different approach to strategic management. He pointed out that if a small firm can improve the product/ service performance, reduce the customer's cost and reduce the cost and risk of purchasing it or both, it has the potential to differentiate. Using the technology applied to traditionally high-cost activities permit the company to provide the required service at a cost well below that of competitors. Moreover, a small firm whose ability to identify the changing needs of its customer groups and to develop the skills required to serve them, can select a specific target market or niche and can follow focus strategy. Most of strategy specialists suggested that focus strategy is ideally suited to many small businesses.

Multi-National Corporation (MNC)

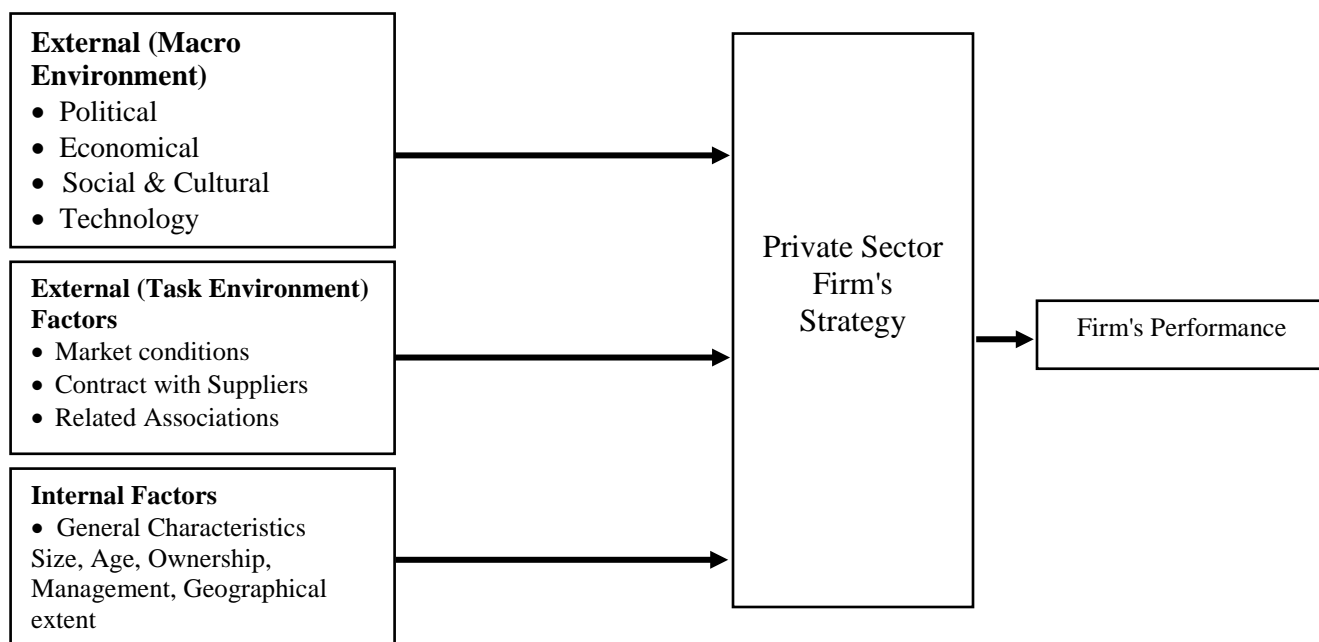
As its size is large and multinational, the organization is likely to be diverse in terms of both products and geographical markets. It may be that it has a range of different types of business in the form of subsidiaries and divisions. Therefore, the issue of structure and control at the corporate level and relationship between businesses and the corporate parent are usually a major issue for the multi-national corporations. At the business level, many of the competitive strategic issues will, perhaps, be similar to those faced by smaller firms—though the strength of the organizations within a given geographical area may be greater than that of any smaller firm (Johnson *et al* 2005:22).

The multinational companies may have significant issues such as allocation of resources, coordination of operational logistics across different businesses and different

countries etc. Grant (2000:430) presented that the international scope can be a source of competitive advantage over nationally based competitors. He mentioned the superiority of global strategy by explaining that it permitted flexibility in relation to locations.

Considering all the contributions mentioned above, the conceptual framework for the study purpose is depicted in Figure 2.12. It explains that the firm can achieve high organization outcome when a firm matches its internal strengths in resources and capabilities to the key success factors of the industry. When firms are located in different countries, their potential for achieving competitive advantage depends not only on their internal resources and capabilities, but also on the conditions of their national environments—in particular, the resources availability within the countries where they do businesses.

Figure 2.12
Conceptual Framework: Internal & External Factors; Determinants of Firm's Strategy



Source: Own Compilation

Chapter 3

Background of Tourism Industry in Myanmar

According to the theoretical concept of the sources of competitive advantages, an industry can gain the competitive advantages if the country possesses the four factors such as unique factor endowments, the strategic business practice and structure of the private firms, the characteristics of the demand conditions for the tour service and the presence of the internationally competitive supporting and related industry. Accordingly, this chapter aims to study the forces mentioned above which are the determinants of the competitiveness of the tourism industry in Myanmar. Moreover, the encouragement of the government is essential to enjoy the competitive advantages of the industry.

Consequently, to examine the determining forces of the tourism industry of Myanmar, the chapter is divided into four portions. The first introduces the geographical and historical aspects of Myanmar in the context of tourism industry. This section also studies the driving factors that force the development of tourism industry such as historical and geographical factors, local population and cultural factors, natural resource factors and human resource factors. The second section is occupied with the study on the role of the Government and it explores to the Government's support measures for the promotion of tourism and the third section presents the analysis on the development of tourism-related infrastructure of the country. The chapter ends with the studies on the role of tourism in economic development of Myanmar. In this section, the contribution of tourism industry to foreign exchange earnings and growth of the country, the employment opportunities created and the investment level in the tourism sector are assessed. The study also finally verifies the first hypothesis of the study, which is “Myanmar tourism industry contributed to the national economy to a certain extent”.

3.1 Driving Factors

In this section, factor conditions in Myanmar particularly supporting the tourism development of the country such as historical factors, land and location, local population cultural factor, natural resources factors and human resources factors are presented as follows:

Historical Factors

Myanmar has a long history of greatness dating back to the early 11th century when *King Anawrahta* unified the country through his strong leadership and intellect. The Empire with its capital *Bagan* lasted until the end of the 13th century. The second Myanmar Empire

with its capital, *Bago (Pegu)* was founded by *King Bayinnaung* in the mid 16th century. The third and last Empire was established by *King Alaungpaya* in 1752 and had a number of capitals, the last being Mandalay.

Since early periods, the famous foreign travellers had been to Myanmar according to the historical records. Early in the 13th Century A.D, *MarcoPolo*, an Italian traveller passed through *Tagaung*, the ancient capital of Myanmar, on his way from China. Also in the 15th Century AD., *Vasco-de Gama*, a Portuguese, first discovered a sea-route to India through the '*Cape of Good Hope*'. Since that time adventurous Europeans such as Portuguese, Dutch, French and English had travelled to the East including Myanmar in search of knowledge in geography and fortunes, astronomy and navigation as well as for missionary and trading purposes. Thus the 15th Century AD. was the period in which most Westerners came to Myanmar and reached as far as *Ava*, an ancient capital of Myanmar. In 1569 AD. and 1587 AD., *Caesar Frederick*, an Italian, and *Ralph Fitch*, an English, also came to Myanmar and they wrote personal records on Myanmar and thus introduced Myanmar to the whole world. In the 19th century, Myanmar was administrated under the British Colony Government, after three Anglo-Myanmar Wars. Moreover, during the period of the Second World War, the Japanese occupied Myanmar for nearly three years. Myanmar has now become a sovereign independent state.

By the 20th Century AD., many foreign travellers visited Myanmar. Among them was *Rudyard Kipling*, an English poet who composed the famous poem "*On the Road to Mandalay*". The publication of this book of verse became a major attraction for visitors to Myanmar and this contributed largely to tourism of Myanmar. Added to this was the fact that Myanmar was a British Colony and a place with which westerners had been familiar. All these combined to help create favourable conditions for the tourism industry of Myanmar.

As mentioned above, Myanmar has existed with her own long history and also possessed a great deal of unique cultures of capital cities. Added to this, she was a colonalized country for many years. Thus some ancient colonial architectural style of buildings can be seen in the capital city (*Yangon*) of Myanmar. Also there has been the *Allied War Memorial Cemetery* for the prisoners of war who gave their lives in the building of the famous *Death Railway* in *Thanbyuzayat* township. Thus, these historical events, cities and buildings became the interesting tourist sites for international tourists today. These help to make Myanmar a popular tourist destination (ESCAP 1996 a: 48).

Land and Location

Geographically, Myanmar is the second largest country in South-East Asian, sharing borders with Bangladesh, India, China, the Lao People's Democratic Republic and Thailand. With a total area of 676,577 sq.km, it is twice the size of Viet Nam and about the size of United Kingdom of the Great Britain, Northern Ireland and France combined. The topography varies from flat land at sea level and river valleys to snow-capped mountain peaks and deep ravines in the North.

The northern and western regions of the country are very rugged and mountainous. Three parallel chains of mountain ranges run from north to south, starting from the eastern extremity of the *Himalaya* mountain range. At 5,881 metres (19,296 feet) *Hka Kabo Razi* is the highest peak in South-East Asia. Three mountain chains separate the country into three river systems: the *Ayeyarwady*, *Sittaung* and *Than-Lwin*.

Local Population and Cultural Factors

Although Myanmar is located between two great civilizations of India and China, its culture has its own distinctive features of dress, custom, tradition, food etc. This fact also becomes important as one of the tourist attractions to see and enjoy the unique culture. According to the official sources (Ministry of Information 2006:4), Myanmar is a moderately populated country having a number of population 54.7 million compared with ASEAN country in December 2005, more than 80 percent of Myanmar people are embracing *Theravada Buddhism*. There are also *Christians*, *Muslims* and *Hindus*. Myanmar as a predominant Buddhist country, is also a factor to boost tourism based on own culture and religion of the country.

Another distinctive feature of Myanmar is that it is a union of 135 nationalities and ethnic communities with their own dialects and traditions. Thus, the tourists came with the purpose of enjoying different types of indigenous people, their unique cultures, traditions, ways of living, dresses etc. The unique factors mentioned above are the basic features of Myanmar tourism, which are marketed competitively among other neighboring countries.

Natural Resource Factors

Myanmar is very rich in tourist attractions, it possesses enormous potentials for sustainable tourism industry. Myanmar Government designated the places with historical, cultural, natural attractions as the major tourist destinations of Myanmar. The existing well-known tour centers are *Yangon*, *Mandalay*, *Bagan* and *Inlay*. The centers are easily accessible

by coach, train and plane. The tour business enterprises prepare the tour programs by identifying these centers as main tourist centers. For example, in the tour program from *Yangon to Southern Shan State (Inlay)*, other towns on the way such as *Heho, Kalaw, Pindaya, Taunggyi* etc. can be visited by the tourists. Similarly, the tour program (*Yangon-Bagan-Mandalay-Yangon*) includes visits to other famous places like *Nyaung-Oo, Mount Popa, Inwa, Amarapura*, etc. Therefore, the tourists can enjoy many types of tourist attraction once they buy one package in Myanmar with 4 or 5 days length of stay. In other words, tourists coming to Myanmar enjoy the choice of many types of tourism product such as *cultural tourism, recreation tourism, beach tourism, Eco-tourism, marine tourism, hiking and adventure tourism, pilgrimage tourism* etc. to satisfy their diverse needs and interests.

Generally identified, as cultural tourism are the trips to *Mandalay and Bagan*, which are the ancient capitals of Myanmar Kings. *Mrauk-Oo*, is abundant with fabulous pagodas, thus the trip to the city is also considered as cultural tourism. The unique historical and cultural heritage, which is of great interest to Western Europeans. The tour centres such as *Taunggyi, Inlay, Pindaya, Kyaingtong and Tachileik* possess many natural tourist attractions such as waterfalls, spas, mountains, natural caves etc. and cultural attractions like the various indigenous people's way of living, their traditions, customs and beliefs. Thus the trips to these centers embrace a wide range of tourism products such as nature tourism, study-tourism and cultural tourism.

Myanmar is generally considered to have a green landscape covered by diverse forests and grassland, which are habitats of large variety of wildlife species and that provide an ideal setting for nature oriented Eco-tourism. Over time, the countries, that recognize the important role of Eco-tourism for sustainable development of the country, have emerged to specialize in particular forms of tourism, types of tourists and categories of tourists' needs. Also many writers have discussed the relationship of the concept of sustainable tourism and Eco-tourism. Therefore, Eco-tourism is assumed and pursued as a core strategy for achieving the goal of sustainable tourism development (Leper, 2004:395).

In keeping with this trend, Myanmar Government currently maintains 15 Eco-tourism sites¹ with the objective of promoting Eco-tourism in Myanmar. The sites are managed and

¹ Alungdaw Kathapa National Park, Chatthin Wildlife Sanctuary, Indawgyi Lake Wildlife Sanctuary, Inlay Lake (Wetland) Sanctuary, Kakaborazi National Park, Hlawga Parks, Meinmahla Kyun Wildlife Sanctuary, Moeyingyi Wetland Wildlife Sanctuary, Myaing Hay Wun Elephant Camp, National Botanical Garden (operated by *Woodland Travel and Tour Company*), Nat Ma Taung National Park, Popa Mountain Park (operated by *Woodland Travel and Tour Company*), Sein-Ye Forest Camp (operated by *Asia Green Travel and Tour Company*), Shweseztaw Wildlife Sanctuary and, Yangon Zoological Garden.

controlled by the Forest Department. Among them, 3 sites¹ have been leased to local private companies. (The growth of Eco-tourism market in Myanmar is examined in the next chapter.)

Human Resource Factors

According to the study up to June 2006, it was found that there were over 10,000 trainees who had received certificates on hotel training courses. The study also noted that the ratio of tourists to trained persons is (20:1)². However, if all the tourists, who come through border points, are considered, the ratio would increase to (56:1)².

The study on the tour guide pointed out that there were 6430 tour guide certificate holders up to 2005. If all tour guides are competent and all participate actively in the industry, the ratio of the tourists to tour guide was 36:1. Compared to Thailand's ratio of (488:1)³ (as of March 2004), it can be said that the tourist guide ratio for Thailand is very higher than that of Myanmar so that Thailand provides efficient guides services than Myanmar to the tourist arrivals.

The study on specialization of language for guide services in Myanmar showed that the majority of the tour guides specialized in English language was about 70%. The remaining 30% is distributed in other languages such as Japanese, Chinese, French, German, Thai etc. Table 3.1 and Figure 3.1. According to this study, it can be concluded that the number of German and Thai Language guides is fewer compared to the number of tourist arrivals of that nationality.

Table 3.1
Number of licensed Tour Guides, 2004- 2005

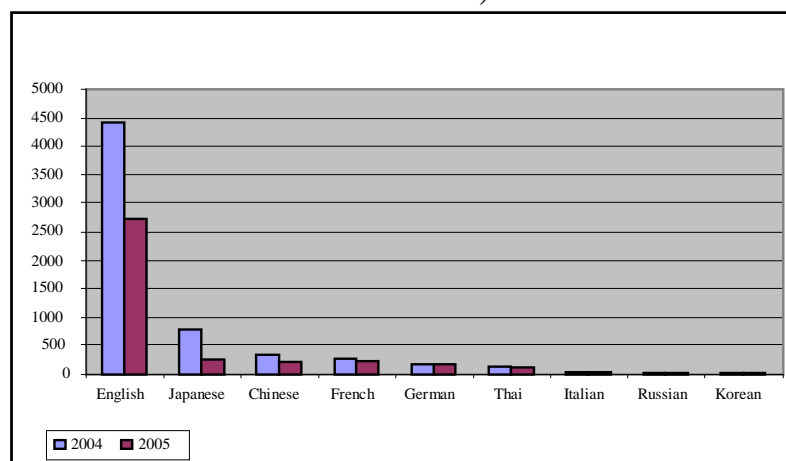
Language	2004	2005
English	4411	2733
Japanese	795	558
Chinese	341	208
French	282	220
German	188	181
Thai	150	110
Italian	40	35
Russian	27	22
Korean	16	12
Total	6250	4079

Source: Myanmar Tourism Statistics Bulletin, 2004-2005.

² The ratios are estimated figures with the assumption that all the staff have multiple skills to operate the various hotel operations such as front office operation (F.O), housekeeping operations, food and beverage production and services, hotel management and accounting etc

³ The arrivals in Thailand in 2004 were 11,737,000 and the number of total tourist guides was 24,057.

Figure 3.1
Licensed Tour Guides, 2004-2005



Source: Myanmar Tourism Statistics Bulletin, 2004-2005.

3.2 The Role of the Government in Tourism Development

The Myanmar Government has been striving to achieve the overall economic development of the country since 1988, when the market-oriented economic reforms were implemented. During the late 1980s and early 1990s, some adjustments of the Government policies also have been made to attract more tourist arrivals. The following measures were taken to reduce restrictions on travellers and tourism service businesses:

Private Sector Participation: The Government believes that tourism industry will not grow rapidly without the active participation of the private sector. The Myanmar Tourism-law was promulgated in 1990 with the objective to encourage more participation of private sector in tourism development. Accordingly, licenses were issued to 657 tour operators/travel agents, 603 hotels/ motels/inns, 508 tourist transport operators and 4079 tour guides as shown by Myanmar tourism statistics of March 2005. Furthermore, as a move towards privatization, the Ministry of Hotel and Tourism (MHT) has leased 32 of its hotels for management by private operators.

Regarding foreign investment, there were 23 hotel projects in operation and 5 projects under construction. Myanmar's participation in regional cooperation has led to increases in foreign investment values in the hotel industry with Singapore leading as the major investor was the highest percentage (Table 3.2). Besides, the local private companies have also been encouraged to invest in the hotel and tourism sector, so that 90% of the hotels were owned by Myanmar citizens, a very encouraging trend for the promotion of domestic and international tourism.

Table 3.2
Foreign Direct Investment Hotels by Investing Country (Up to March 2005)

Sr. No.	Investing Country	No. of Hotels	No. of Rooms	Investment Value	
				US\$ (million)	%
1	Singapore	11	3197	613.531	52.78
2	Thailand	8	1448	215.50	18.54
3	Japan	5	488	93.75	8.06
4	Hong Kong	4	676	77.00	6.62
5	Malaysia	3	821	162.70	13.99
	Total	31	6630	1162.481	100.00

Source: Ministry of Hotel and Tourism, 2005.

Upgrading the National Tourism Organization: Before 1992, tourism industry in Myanmar was operated at the corporation level (i.e. at that time, Hotel and Tourism Corporation was under the control of Ministry of Trade and operated at the subsidiary level). Subsequently, the Government authority reformed the organization by upgrading it to the Ministry Level in late 1992. Thus, the Ministry of Hotel and Tourism (MHT) has taken the responsibilities for formulation of tourism policy, and planning for long-term sustainable development of Myanmar Tourism.

Facilitating the Movement of Tourists: To facilitate travel formalities, the Immigration Department, Customs Department and the Foreign Trade Bank simplified their procedures in 1992. The period of visas has been extended from 14 to 28 days. Visas were issued upon arrivals¹⁴ to travellers, including those on package tours, cruise ships and independent tourists. At the same time, to attract more tourists, the sub-committee for facilitating the entry and exit of tourists opened a number of gateways/check points along the Myanmar-China and Myanmar-Thailand borders in North-East, South-East and Eastern part of Myanmar.

Promoting and Marketing Tourism: Myanmar is relatively unknown as a tourist destination, due to poor attempts at publicity. Therefore, it is necessary to enhance awareness of Myanmar as a tourist attraction. The *Ministry of Hotel and Tourism* (MHT) is promoting world-wide publicity through the media, satellite television, videotapes and brochures. In addition, travel writers and tour agents abroad have been invited on familiarization tours and briefed on the current developments in tourism industry. Moreover, "*Visit Myanmar Year*" was promoted on a grand scale in 1996 with the main objective to make Myanmar better known internationally

and to attract more visitors. However, the effort was only partly contributed to fulfil the target level of the tourist arrivals.

For promotion overseas, the Ministry of Hotel and Tourism has organized and encouraged private hotels, airlines and tour agencies, to participate in the international tourism fairs such as *International Travel Berlin* (ITB) in Germany, *World Travel Mart* (WTM) in London, *International Tourism Asia* (ITA) in Hong Kong etc. Exclusive Myanmar Travel shows have also been launched in Bangkok in 1996 and Singapore in 1997. In addition, *Myanmar Cultural Dance* troupes were sent to the neighbouring countries such as Malaysia, Changmai and Kuming.

Developing Human Resources: The Ministry of Hotel and Tourism is encouraging and giving all possible support to local entrepreneurs and private tourism-related businesses to have a better understanding and appreciation of the potentials of the tourist industry. In order to orientate the local entrepreneurs with basic and advanced knowledge of tourism industry, several seminars and workshops have been conducted with the expertise from overseas consultants. To update and upgrade the staff in the industry, the staff were assigned to attend training courses, both local and overseas.

Participating in Regional Cooperation: In order to strengthen tourism development, Myanmar joined the *World Tourism Organization* (WTO) and *Pacific and Asia Travel Association* (PATA) as a member in 1995. Moreover, Myanmar actively cooperated with the Greater Mekong Sub-regional (GMS) countries and participated in the GMS tourism campaign as a regular member. As a new ASEAN member, Myanmar, starting from 1997 had involved in ASEAN joint tourism promotion programs such as ASEAN as a single destination, facilitation of travel through border areas within the region, introduction of the simple entry-procedures for citizens and international visitors, exchanges of tourism information and expertise, enhancement of human resources development programs etc.

In addition, Myanmar has actively participated multilaterally as well as bilaterally in regional and sub-regional cooperation programs in its tourism sector such as ASEAN +3, BIMST-EC, ACMECS (Ayeyarwady-Chao Phraya Mekong Economic Cooperation Strategy).

⁴ The issue of visa on arrivals is, in fact, subject to change. Sometimes, it takes about more than one week to receive the visa.

The following are some of the tourism promotion programs in which Myanmar has actively participated:

- Visit ASEAN Campaign (VAC) 2001⁵
- Mekong Tourism Forum in 2002
- Minimum ASEAN Common Competency Standard for Tourism Professionals (ACCSTP) development in ASEAN
- ASEAN +3 Communication Team for Tourism (ACTT+3)
- BIMST-EC Summit in Bangkok, Thailand
- Visit BIMST-EC 2004.
- BIMST-EC WebPage
- Car-rally of ASEAN + India 2004.
- Seven-core Strategic Programmes⁶
- Mekong-Ganga Cooperation (MGC)
(Cambodia, Lao, Myanmar, Thailand, Vietnam and India)
- Bilateral Cooperation with Neighbouring Countries⁷
- Tourism Manpower Training Programmes⁸
- Multi-lateral Cooperation with Cambodia, Lao, and Thailand⁹

⁵ Visit ASEAN Campaign (VAC) aimed to build a strong ASEAN brand and promote *the region as a single tourism destination*. For this purpose ASEAN tourism Forums were held starting from the year (2001) as a landmark annual tourism event (held in Brunei in 2001, Cambodia 2002, Indonesia 2003, Lao 2004, Malaysia 2005, Philippines 2006). Myanmar took part in these affairs for tourism promotion of Myanmar.

⁶ Seven core strategic programmes included marketing, human resources, heritage and social impact management, pro-poor tourism development, private sector participation, facilitation of the movement of tourist to and within the sub-region and development of tourism-related infrastructure. Among 13 sub-regional priority tourism destination zones, Myanmar involved in 7 priority zones.

⁷ Bilateral Cooperation Agreements

Myanmar-Vietnam	1994
Myanmar-Lao	1994 and 1997
Myanmar-Singapore	1995
Myanmar-Cambodia	1996 (<i>Bagan & Siem Reap</i> tour package as sister cities)
Myanmar-Thailand	1997 and 2000
Myanmar-China	2000
Myanmar-Malaysia	2000

⁸ The programmes were conducted by bilateral-cooperation with SHATEC Training School and short Courses, such as Business Management, Tourism Management, Hospitality Management, Service Quality Management, Destination Marketing Programme, Business Communication Skills, and Tourism Marketing and Management were provided..

3.3 Tourism Related and Supporting Industries

This section emphasizes the infrastructure conditions, which are primary tourism facilities and services necessary for development of tourism industry in Myanmar. The study encompasses transport, hotel, training facilities, and the role of tourism businesses and their participation in tourism-related associations towards the promotion of tourism in Myanmar.

Airline Transport and Facilities

To service international air transport for international airlines, Myanmar Airlines International (MAI), a joint-venture entity with Singapore and Hong Kong has been operating with two aircrafts Boeing 737-300 and Airbus A-321 with flights to some Asian cities such as Singapore, Bangkok, Hong Kong, Kuala Lumpur and New Delhi.

In addition, there are 24 foreign airlines¹⁰ operating in Myanmar in 2005. Most of the companies are from Asia countries and they are supporting the promotion of tourist trade in Myanmar. The study on the load factor of international airlines during the period 2000-05 indicates that in 2000, there were 3266 flights with load factor of 38.9%. In 2005, the number of flights increased to 4050 but the load factor decreased to (38.25%)(Appendix 1). This rising trend could be attributed to not only the increase in the existing scheduled flights but also to the increase in new flights engaged in year 2005. The study also reveals that there were special charter-flight tours coming to Myanmar. The number of flights has increased from 94 flights in 2000 to 118 flights in 2005.

The study also found that all the flights were from Asian countries with the largest number from Bangkok, followed by Singapore. Thus, Myanmar tourism development is largely dependent on the second country airports such as *Suvarnabhumi* Airport in Thailand and *Changi* Airport in Singapore.

Regarding airport terminals, Myanmar currently has two international airports in two of her famous tour centers (*Yangon and Mandalay*). Therefore, the direct flights to these tour centers can be landed which largely enhance the tourist arrivals to Myanmar. Compared to the

⁹ Four-countries one Destination Programme including eight tour packages, and four countries' bicycle tour, the Great wonder of Suwannabhumi (Pilgrimage Tour Package) etc.

¹⁰ Aerofloat, Air china, Air France, All Nippon Airways, Asian Airlines, Austrian, BKK, Biman, China Airlines, Druk Airlines, EVA, Indian, JAL, Korean, Lao, Lufthansa, Mandarin, Malaysia, Pakistan, Phuket, Quartar, Royal Brunei, Silk, Thai (TG).

airport facilities of the neighbouring countries, the present conditions at airport terminals and runways in Myanmar are not adequate to handle big carriers like *jumbo-jets* or *air-buses*. The present conditions of the airport only offers facilities suitable for Fokker-Friendship aircrafts. Myanmar's air transport is functioning with 14 planes for both domestic and international flights. Currently, a new international airport construction project is in process. On completion, it is expected not only to handle more flights but also to provide added facilities to cope with the flights of higher international standard aircrafts.

As for the domestic air transport, there are 50 airports at present serving 1 state-owned airline and 3 private-owned domestic airlines. The airlines and types of aircraft used are shown in Table 3.3. There are four airlines, of which the first two (*Air Mandalay and Yangon Airways*) are foreign joint venture airlines. The third airline (*Myanmar Airways*) is state-owned and the last (*Air-Bagan*) is local-private owned. The state-owned airline offers the lowest fares and focuses on serving the domestic market. The other 3 airlines targets mainly at international standard air passengers. The aircrafts used are mainly *F-27* propeller aircraft's with capacities of 44, and the 97-seater *F-28 jets*. However, starting from late 2006, the new 100-seater aircraft is put into operations so that, 10 aircrafts with a total capacity of about 600 seats are now available for the international standard passengers. The study on the load factor of the domestic airlines shows that the average load factors of the private-owned airlines were between 65% and 75%, which indicates that the probability of shortage in the capacity on domestic flight is very low.

Table 3.3
Domestic Airlines, 2006

Airlines	Ownership	Aircrafts	
		Types	Number
Air Mandalay	Joint-Venture with Singapore and Malaysia	ATR-72	2
		ATR-42	1
Yangon Air-ways	Joint-Venture with Hong Kong	ATR – 72	2
Myanmar Airways	State owned	F-28	2
		F-27	2
Air-Bagan	Local-private owned	F - 100	1
		ATR 72	2
		ATR - 42	2

Source: Survey Data, 2006.

Road and Rail Transport Facilities

In the road transport sector, there is *one six-lane Yangon-Mandalay* highway and several other narrower highways and roads criss-crossing between states and divisions of Myanmar. This is an impetus for the development and growth of the road transport industry.

The study on road transport businesses shows that there are many state and private-owned road transport businesses. For the international standard of tourists, the vehicles owned by the *Ministry of Hotel and Tourism* and some private-owned businesses are available. The number of licensed road transportation facilities used for international standard tourist is shown in Table 3.4. The number of medium size transport vehicles declined in 2005 whereas the small and large type of coaches increased by 5.55% and 320% respectively during the period of 2000 to 2005.

The rail transport is operated by *Myanmar Railway*. It was found that during the period of the study, there were six-daily scheduled trains between *Yangon* and *Mandalay*, two-daily trains between *Yangon* and *Bagan*, and one-daily train between *Mandalay* and *Bagan*. *Myanmar Railway Transport*, also rents and arranges special coaches for round-trips between tour-centres but the tourists incoming seldom take rail transport due to the slow speed and relatively poor and uncomfortable facilities received.

Table 3.4
Licensed Tourism Transportation Facilities

Type of Transport	2000	2003	2005	Change (2000-2005)%
Coach (26 to 50 seats)	25	96	105	320.00
Mini Bus (21 to 50 seats)	22	23	19	(18.20)
Van (7 to 20 seats)	60	41	45	(25.00)
Saloon (3 to 5 seats)	36	21	38	5.50

Source: Myanmar Tourism Statistics Bulletin, various issues

Water and Cruise Transport Facilities

Yangon is the gateway not only for air passengers but also for international cruise passengers. The luxury cruise ships can dock at *Yangon Port* and *Thilawa Port*. In fact, the cruise tour business can generate attractive number of tourist arrivals and foreign exchange earnings to tourism businesses in many countries. However, as revealed in Table 3.5 the number of tourists arrivals to Myanmar by cruise ship is only a small percent (under 1%) of those who arrive by air in 1999 although the percentage rose slightly in the subsequent years. The cruise arrivals reached over 1% of tourist arrivals by flights in the year 2001 and 2003; the arrival on cruise was 1.4 % of the arrivals by flight in 2001 and 1.23% in 2003 respectively.

Table 3.5
Tourist Arrivals by Cruise Ships and Flights

Year	Cruises		No. of Tourist Arrivals (By Flight)	% of arrivals by Flight
	Number	No. of Pax		
1999	6	1533	199,377	0.77
2000	5	1422	211,191	0.67
2001	5	2869	204,862	1.41
2002	9	1927	217,212	0.89
2003	12	2535	205,610	1.23
2004	6	1758	241,938	0.73
2005	6	1536	232,218	0.66

Source: Myanmar Tourism Statistics Bulletin, various issues

There are 10 private companies, providing domestic cruises for tourists to enjoy the fabulous sights in Myanmar. Of these, 2 companies are joint ventures and 8 are local-private owned companies. In addition, there are river ferries running between the main tour centers of *Mandalay* and *Bagan*. Therefore, the tourists who go to *Mandalay* and *Bagan* can enjoy the pleasant sightseeing on these luxury boats. The boat called *Road to Mandalay* is the most luxurious and the most expensive but also a favourite among the high-end tourism market in Myanmar.

Hotel Facilities

The study on hotel facilities indicated that there were over 600 hotels with about 20,000 hotel rooms in Myanmar in 2005. Compared to Cambodia, Myanmar has more hotel room supply. Calculation of the ratio of the number of tourists and hotel room capacity in 2002 showed that the ratio for Myanmar was 13.7:1 while that of Cambodia ratio was more than five times higher 68.8:1. Therefore, it can generally be claimed that for tourists coming to Myanmar, they are unlikely to encounter problems of accommodation shortage Table 3.6.

Table 3.6
Tourist Arrivals and Hotel Room Capacity in Myanmar & Cambodia, 1999-2005

Year	Myanmar			Cambodia		
	No. of Hotel Rooms	No. of Tourists (000)	Ratio of Tourists & Room	No. of Hotel Rooms	No. of Tourists (000)	Ratio of Tourists & Room
1999	14706	198	14:1	9115	368	40:1
2000	16157	206	13:1	9673	466	48:1
2001	15752	205	13:1	10804	605	56:1
2002	15848	217	14:1	11436	787	69:1

Source: *World Development Report*, 2004.

Next, the study observed the relationship between the types of ownership and the level of service facilities provided by the hotels. Out of a total of 603 hotels, motels and inns which are in operation in Myanmar, 4% or 23 hotels are foreign investment hotel establishments accounting for 21% of total rooms which are almost international standard Table 3.7. The local companies own about 90 percent (over 500 hotels) and the rest are joint ventures between the State and foreign companies.

Table 3.7
Ownership of Hotels, Motels, Inns and Room Capacity, 2005

Types of ownership	Hotels, Motels & Inns		Rooms	
	No.	%	No.	%
Local-owned Hotels/Motels and Inns	542	90	11757	62
Joint-Venture Hotels (Government and Foreign)	6	1	631	3
Foreign Investment Hotels	23	4	4085	21
Leased Hotels	32	5	2567	14
Total	603	100	19040	100

Source: Ministry of Hotel and Tourism, 2005

Concerning the distribution of hotels/motels in Myanmar, more than half of the total number of hotels (over 300 hotels) are operated in the three major tour centers (*Yangon*, *Mandalay* and *Bagan*) and the remaining are dispersed in other cities and towns (Appendix 2). The foreign operated hotels are especially operated in these centres; 18 hotels in *Yangon*, 2 hotels in *Mandalay*, 1 hotel each in *Bagan* and *Kawthaung*, 2 hotels in *Tachileik* respectively. However, in other tour centers such as *Inlay* and *Ngapali*, the shortage of hotel rooms for the international travellers are accommodated by some local-owned private hotels providing required standard levels.

The occupancy rates of some hotels in *Yangon* as revealed in the survey result during the year 1999-2004 are described in (Appendix 3). The average occupancy rate of foreign investment hotels and local owned companies are on the level about 44 %. Thus, it can be claimed that it is a very unlikely for shortage of supply of international standard hotels.

Tour Operator Businesses

There were 686 tour operators or agent businesses in Myanmar in 2004. Compared to the number of the tour businesses in Thailand, the number of agent businesses in Myanmar was less than one eighth of that in Thailand. However, the ratio of tourists to tour business was 352:1 for Myanmar while the ratio for Thailand is 2179:1. (The number of tourist arrivals is 11,737,000 and the number of tour businesses is 5386 in 2004). Hence, Myanmar tourism industry could be expected to provide better service, but the individual tour business is likely to encounter higher competition than those in Thailand.

In observing the ownership of the tour businesses in Myanmar, the study found that local-owned companies were more than 35 times that of joint-ventures with foreigners (Table 3.8). However, most local-owned companies are smaller than joint-venture companies in terms of the size and scope of the market. It is not surprising to note that the joint venture companies, although partly owned by foreigners, are able to extend the business to a large-scales not only because of their availability and access to large capital but also because of their ability to set up the foreign networks. Some of these companies are vertically integrated chain businesses from foreign countries. Therefore, it can be said that although joint venture companies are small in number, they are highly influential in the tourism market of Myanmar.

Table 3.8
Licensed Tour Companies

Type of Company	2000	2003	2005	Change (2000-2005) %
Foreign Company	1	1	1	-
J.V Company	14	18	18	28.57
Local Company	586	557	638	8.87
Total	601	576	657	9.32

Source: Myanmar Tourism Statistics, 2000-2005.

Training Facilities

As tourism is a labor-intensive industry, the training facilities play an important role. There are two-training schools under the Hotel and Tourism Ministry; *Baiyoke Kandawgyi* Hotel Training School (jointly operated by the State and a foreign company from Thailand) and State-owned Tourism Training school (which usually provides for tourist-guide training). The number of trainees and courses conducted by the Hotel Training School is shown in Table 3.9. The Table explains that the training courses were conducted for specific hotel operations at certificate levels and most trainees were interested in *front office operations, house keeping operations, food and beverage services and productions*.

Table 3.9
Courses Conducted by *Baiyoke Kandawgyi* Hotel Training School
up to June, 2006

Types of Courses	Trainees		Courses	
	No.	%	No.	%
Front Office Operations	2597	21.98	63	23.16
House Keeping Operations	1789	15.25	63	23.16
Food and Beverage Services	2510	21.39	58	21.32
Food and Beverage Production	4083	34.80	58	21.32
Hotel Management	156	1.33	6	2.20
Hotel Accounting	376	3.21	15	5.51
Oriental Food Cooking	223	1.90	9	3.31
Total	11734	100	272	100

Source: *Baiyoke Kandawgyi* Hotel Training School, 2006.

In addition, there are other training courses such as certificate courses (jointly conducted by *Singapore Tourism Board* and *Ministry of Hotel and Tourism*) and diploma courses (conducted by *Ministry of Education*). However, the study shows that all these courses are run only at certificate and diploma levels. Therefore, this indicates that it is necessary to upgrade the tourism training school to the institute level with international standard.

Tourism Related Associations

For tourism promotion, cooperation among the private businesses and also cooperation between the private sector and the government are strategically important. The most significant association is *Myanmar Tourism Promotion Board* (MTPB) which was formed in 2000, under the control of the government officials and membership of the leading hotels, airlines and some tour operator businesses. Under the board, *Myanmar Marketing Committee* (MMC) was formed and the committee has actively led the private tourism businesses to participate in the international travel & trade fairs and regional travel trade shows for promotion of Myanmar as a tourist destination. According to the MMC report, there were a total of 65 tourism-related businesses as MMC members in 2005. However, only a few member companies (about 2% of total members of the organizations) could participate in the travel shows and fairs such as *International Travel Berlin* (ITB), *World Travel Mart* (WTM), *ASEAN Tourism Forum* (ATF) etc. because of budget limitation.

In addition, there are other two tourism-related associations such as *Myanmar Travel Association* (MTA) and *Myanmar Hotel Association* (MHA) which were formed in 2002. Especially, MTA association undertakes tourism promotion activities such as conducting

tourism workshops, seminars and training courses, exchanging the tourism-related information, participation in tourism marketing and education activity so that the tourism companies could participate in these affairs. The MHA association organized hotel zones by tour centers and motivated the hotel businesses to participate actively in tourism promotion programmes. All these associations coordinate with each other and participate cooperatively in Government's tourism promotion programmes. It was found that more than 400 private tourism businesses were members of each association. Every individual tourism company becomes a member of at least one association mentioned above while some companies enjoy membership of both. However, the study found that the member's involvement in associations' activities was not as active as expected. It was found that only a small number of relatively successful tourism companies have participated in the affairs of these tourism associations.

3.4 Tourism Industry and Country's Economic Development

As tourism is an invisible export sector of the country, it can generate not only foreign exchange but also create and employment opportunities. The sector can also attract foreign investment, which supports for the development of the economy.

3.4.1 Impact on GDP and Employment

The most apparent impact of tourism to host countries is its contribution to the economy as measured by foreign exchange earned by the respective countries. Although tourism is not among the leading economic sectors of Myanmar such as natural gas, teak and hardwood etc., it has grown recently. The foreign exchange earnings from tourism rose in rank from the fifth in year 2003-04 to the fourth in the year 2004-05 as shown in Table 3.10.

Table 3.10
Foreign Exchange Earnings of Myanmar by Export Items

Export	2003-2004		2004-2005	
	US\$ million	Rank	US\$ million	Rank
Natural Gas	987.0	1	969.0	1
Teak and Hard wood	232.0	3	374.0	2
Fish and Prawn	182.0	4	167.5	3
Tourism	115.0	5	136.0	4
Beans and Pulses	245.0	2	118.1	5
Metal and Ores	47.0	6	91.0	6
Rice	105.0	7	30.0	7

Source: Central Statistical Organizations, 2005.

Although tourism receipts account for less than 4 percent of Myanmar's total export earnings during the period 2005-2006, on its own it has more than tripled the earnings (from US\$ 42 million to US\$ 153 million) within the period as shown in Table 3.11. One aspect to be underlined is that as the economy becomes more diversified, the Gross Domestic Product (GDP) of the country rose by an average annual growth rate of 12.8% during the year 2000-2003. Thus, the study found that although the contribution of tourism to GDP declined from 1.6% in the year 2001 to 1.3% in the year 2005, but the contribution is still significant to the economy. This measurement of tourism contribution is just direct effect to the GDP. In fact, if the overall effect (both direct and indirect) is considered, it would be a higher percentage.

Table 3.11
Tourism Receipt, National Export Earnings and Gross Domestic Product of Myanmar

Year ¹	Tourism Receipt		Export Earnings		Gross Domestic Product		% of Tourism Receipt to Export Earnings	% of Tourism Receipt to GDP
	US\$ million	Annual Growth Rate	US\$ million	Annual Growth Rate	US\$ million ²	Annual Growth Rate ³		
2000	42	-	2117	-	5024	13.7	2.0	0.8
2001	90	114	2782	31.4	5513	11.3	3.2	1.6
2002	99	10	2900	4.2	7507	12.0	3.4	1.3
2003	116	17	3100	6.9	10821	13.8	3.7	1.4
2004	136	15	2902	(6.4)	10777	12.6	4.7	1.3
2005	153	13	3531	21.7	12200	13.2	4.3	1.3

Source: Ministry of National Planning and Economic Development, ASEAN Annual Report, 2004 and Myanmar Tourism Statistics, various issues

Note: 1. Year Beginning 1st April

2. Officially reported GDP is converted at a weighted exchanged rate as mentioned as follows: for the year 2002 to 2005, the ratio of Official Rate and FEC Rate is 0.09:0.91, and for the year 2000 and 2001, the ratio is 0.16:0.84 respectively.

Exchange Rates (End of the Period) 2000 2001 2002 2003 2004 2005

Official Rate(US\$)	6.7	6.8	6.2	5.7	5.6	5.9
FEC(Parallel) Rate(\$)	630	765	832	849	911	1158

3. Annual Growth Rate is collected from the official data from Ministry of National Planning and Economic Development

However, the comparative study with some neighbouring countries points out that the contribution of Myanmar's tourism to GDP in 2004 was the lowest percent 1.63% among that of its neighbours, such as Cambodia, Thailand, Lao PDR, and Vietnam. Also, in terms of employment opportunities created by the tourism sector, Myanmar could create only the lowest percent of total employment in the sector whereas Cambodia has the highest percent 5.22% of the country's total employment engaged in tourism within GMS region. World Tourism and Travel Council (WTTC) 2004 statistics shows that there were over 300,000

employees directly working in the tourism industry of Myanmar (1.53% of total employment). Considering the indirect job opportunities, WTTC estimated that about 600,000 jobs were created by the industry with 3.09% of total employment in Myanmar Table (3.12).

Table 3.12
Impacts of Tourism Industry on GDP and Employment of Countries in GMS, 2004

Item Country Region	Tourism GDP				Tourism Employment			
	Tourism Industry ¹ (Direct Impact)		Tourism Economy ² (Direct & Indirect Impacts)		Tourism Industry ¹ (Direct Impact)		Tourism Economy ² (Direct & Indirect Impacts)	
	Value (Billion US\$)	% of GDP	Value (Billion US\$)	% of GDP	People (000)	% of National Employ- ment	People (000)	% of National Employ- ment
Cambodia	0.31	6.81	0.73	16.31	356.74	5.22	876.62	12.82
Laos	0.13	4.94	0.27	10.45	95.20	3.83	204.34	8.23
Myanmar	-	1.63	-	3.37	316.07	1.53	637.92	3.09
Thailand	9.68	5.96	21.01	12.94	1,602.45	4.60	3,289.1	9.45
Vietnam	0.97	2.18	3.83	8.60	614.19	1.67	2,537.59	6.92

Source: Website of World Travel and Tourism Council (WTTC)

Notes: As GDP of Myanmar is calculated based on an uncertain rate, which differs with market rate, it is not listed.

Terms: (1) Tourism Industry: Production-side "industry" contribution (i.e. direct impact only). Establishments in this category include traditional tourism providers such as airlines, hotels, car rental companies, etc.

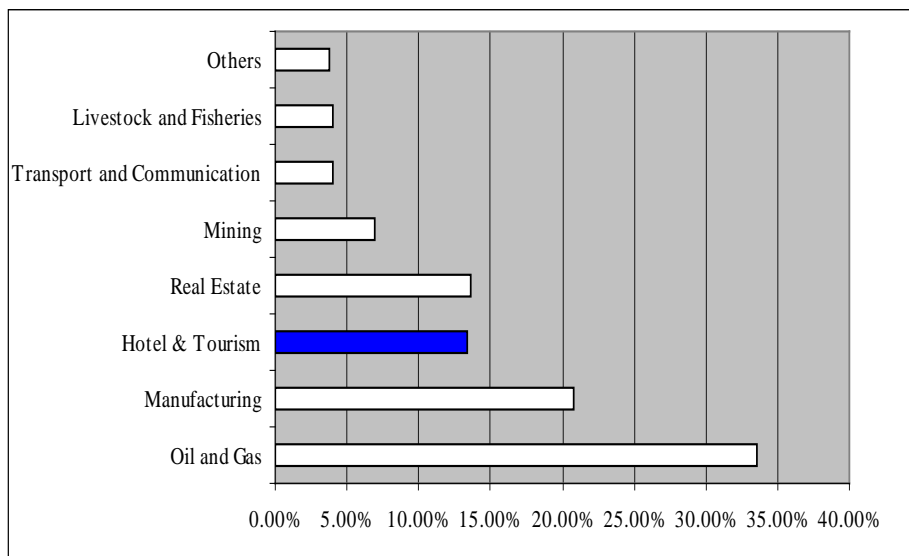
(2) Tourism Economy: Broadest measure of tourism's contribution to the resident economy. Establishments in this category include the followings:

- (i) Described in (1)
- (ii) Fuel companies, catering companies, laundry services, accounting firms, etc. (Upstream resident economy contribution which comes about from suppliers to the traditional tourism industry)
- (iii) Manufacturing, construction, government, etc. that are associated with capital investment, government services and non-visitor exports (goods exported for use by tourism industry).

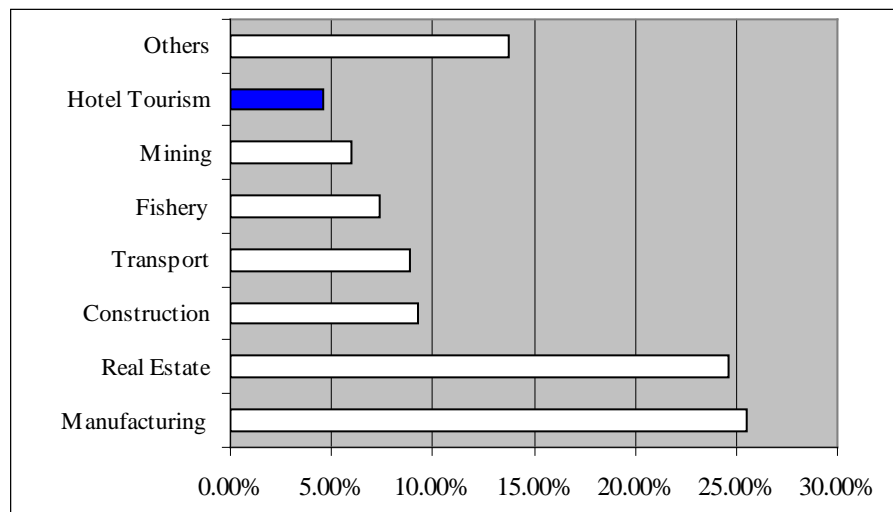
3.4.2 Investment Opportunities

Investment in the tourism sector is highly favoured due to the opportunities that the sector can offer. After 1988, the Government's promulgated the Myanmar Investment Law which allows the private sector both foreign and local to do business in Myanmar. Among the foreign investments in the economic sectors of Myanmar, the hotel and tourism sector ranked the third 1998 and 2000 and the fourth ranked in 2005 with the approved amount of US\$ 1034.56 million accounting for 13.3% of total investment of the country as shown in Figure 3.2. The local investment in the sector is far below that of the foreign investment, but it increased steadily from 4 % of the total investment in 2004 to 5% in 2005. The detailed figures are mentioned in Appendix 4 and 5.

Figure 3.2
Investment Distribution by Economic Sectors
Foreign Investment, 2005



Myanmar Citizen Investment, 2005



Source: Ministry of National Planning and Economic Development, 2004-2005.

3.5 Implications

The studies mentioned above are conducted with the aim to assess the impact of tourism to the economy and to understand the performance of the Government, the policy issues and the conditions of supporting infrastructure for tourism development in Myanmar. According to the findings, the contribution of tourism earning to the economy increased to more than 1% of GDP in 2003, but the contribution was the lowest among neighbouring countries in GMS region. However, the industry has provided about 6.9% of the total export earning ranking the fourth in position among the export industries indicating that it has some important impact to the economy. In addition, the sector has created employment opportunities representing more than one percent of the country's total employment. From the implications given above, it is reasonable to infer that the first hypothesis is true only to a certain extent.

Being rich in natural resources, the country has numerous unique tourist attractions to promote tourism such as snow-capped mountains, forests, rivers and lakes, unspoilt beaches etc. In addition, Myanmar has traditionally been recognized as a cultural destination and the country has abundant cultural attractions to lure foreign visitors. Realizing that the tourism industry is a means for long term development of the country, the Government held “*Visit Myanmar Year*” in 1996 as a first and foremost step towards tourism promotion of the country. This endeavour resulted only with a limited success, because the number of tourists coming to Myanmar has increased to some extent during the period.

The Government's long-term objective is to develop the tourism industry into a major foreign exchange earner for the national economy and at the same time to minimize the

negative impact on the country's cultural heritage and natural environment. In line with this objective, the Government made, an all-out effort, to encourage the private sector in upgrading the tourism sector through the promulgation of the Tourism law.

However, Myanmar needs to make extensive improvements in the infrastructure, especially in the road and rail transport-facilitating sector. Myanmar still needs to upgrade and improve other infrastructure, domestic flights, hotels, electricity supply, telecommunications etc. Although the responsibility lies mainly with the State sector for improvements in infrastructure, the role of the private sector is also of vital importance and its cooperation with State enterprises is very urgently important.

Regarding human resource development, the tourism industry does not sign the shortage of trained persons. As regards the level of training schools, Myanmar tourism industry still needs to raise the diploma level to graduate and post-graduate level to upgrade the skills and knowledge of tourism staff.

Finally, the regional cooperation programs are advantageous for tourism development of the country, especially in the sphere of marketing and promoting Myanmar tourism. Hence, the private tourism businesses should make serious efforts to participate in the opportunity. The findings mentioned above are overview of the supply side of tourism. For a comprehensive understanding on the tourism market, it is necessary to study the demand side of tourism market which is presented in the next chapter.

Chapter 4

Overview of Tourism Market in Myanmar

This chapter especially aims to identify the demand conditions of the tourism industry. Hence, the chapter starts with a study of the trend and volume of worldwide international tourism, the travel pattern and the characteristics of tourists coming to Myanmar and their consumption and expenditure patterns. The study also made comparison between the trends and profile of tourist arrivals to Myanmar and the characteristics of those to some ASEAN or GMS countries in attempt to identify the forces that determine the development of tourism industry.

The study then made a detailed analysis regarding the tourist's expectation on the trip to Myanmar, their experience, attitude and opinion on the attributes of tourist destinations in Myanmar compared to those of neighbouring countries basing on the results of the survey conducted on arriving tourists. The results of the study proved the hypothesis of the study which is "Government's regional cooperation strategy has enhanced the growth of tourism market of the country as well as the improvement of the tourism-related infrastructure development" is proved.

In the third section, the study considered all findings of the previous analysis to determine the key factors with the general and industrial environment that have significant impact on the competitive advantages of tourism businesses. This chapter provides a framework for determining business strategies used by tourism business of Myanmar.

4.1 The Growth in International Tourism of Myanmar

The World Tourism Organization (WTO) report showed that global tourism increased to 763 million in 2004, estimated at about 11% higher than that of 2003. The same report gave the arrivals to East Asia and the Pacific region grew to 146 million in 2004. This showed a particularly high growth rate of 28% over 2003 as mentioned in Table 4.1. The WTO forecasted the Asia and Pacific region's growth rate of over 5% per year compared to world average of 4.1%. Therefore, Myanmar has the potential to expand its international tourism business by practicing coordination and cooperation strategy. In this section, the main features of international tourism in Myanmar such as trends, volume, tourism profile, the tourist consumption and expenditure pattern are studied in detail.

Table 4.1
International Tourist Arrivals and Tourism Receipts by Region

Region	1995		2000		2004	
	Tourist Arrivals (Million)	FE Receipts (US\$ Billion)	Tourist Arrivals (Million)	FE Receipts (US\$ Billion)	Tourist Arrivals (Million)	FE Receipts (US\$ Billion)
Africa	20	7	27	11	26	18
Americas	109	100	129	133	126	132
East Asia & the Pacific	82	73	109	82	146	118
Europe	338	202	403	234	416	327
Middle East	12	7	23	12	35	21
South Asia	4	4	6	5	7	7
Total	565	393	697	477	763	623

Source: World Tourism Organization 2005, *Tourism Highlight*.

4.1.1 The Trends and Volume of Tourism in Myanmar

The tourist arrivals to Myanmar was about 208,230 in 1995 and it increased to about 657,000 in 2004 with an average annual rate of 17.01%. Over these years, although Myanmar had the lowest growth rate 3.7% in GMS region tourism, the rate of increase in the number of arrivals was the second highest following Cambodia tourism of which the annual growth rate was 19.05% during the period between 1995 and 2004. Table 4.2, shows the comparative arrivals to GMS countries.

Table 4.2
International Tourist Arrivals to GMS Countries, 1995-2004

Countries	1995	2000	2001	2002	2003	2004	ARR** (1995-2004)
Cambodia	219,680	466,365	604,919	786,524	701,014	1,055,202	19.05
Lao PDR	346,460	737,208	673,823	735,662	636,361	894,806	11.12
Myanmar	208,228	438,480	475,106	487,490	597,015	656,910	17.01
Thailand	6,951,566	9,578,826	10,132,509	10,872,976	10,082,109	11,600,000	5.85
Vietnam	1,351,296	2,150,100	2,330,050	2,627,988	2,428,735	2,927,876	8.97
Yunnan PRC	596,942	1,001,144	1,131,303	1,303,550	1,000,101	1,100,994	7.04
Total	9,813,065	14,578,363	15,549,703	17,031,402	15,650,945	18,235,788	7.11

Source: PATA, TAT, ASEAN, and Country Report

*This includes visitors with tourist visa and multiple-journey visa.

** AAR means Average Annual Rate.

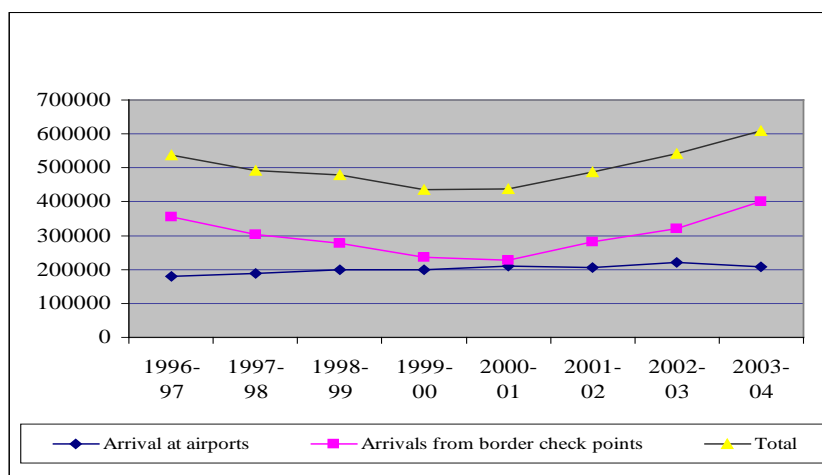
4.1.2 The Profile and Travel Behaviour of Tourists

Tourist Arrivals by Point of Entry

Tourists can visit Myanmar by various means such as air, land and water. The arrivals by cruises were negligible. The tourist arrivals by air in 2003-04 constituted 34% of total arrivals to Myanmar and it increased from 179,594 in 1996-97 to 208,032 in 2003-04 Appendix 6. It shows an increase of 15.8% over the year 1996-97. Starting from the year 1992, the Government opened new gateways through border region with the objective of enhancing friendship and trade relation with neighbouring countries. Thus the tourists from Thailand and China can visit Myanmar through these border points.

According to the report of Directorate of Hotel and Tourism, the majority of them are day-return visitors. Thus, the earning from border tourists is not as attractive as tourist arrivals through Yangon entry point. There are more than 400,000 tourists (about 65% of total arrivals) coming through border points in 2003-04. It increased with a rate of 11% over 1996-97. The number of arrivals through Yangon entry point was less than that of border arrivals. Figure 4.1, mentions the trend of the arrivals by the points of the entry to Myanmar.

Figure (4.1)
Tourist Arrivals by Points of Entry



Source: Myanmar Tourism Statistics Bulletin, Various Issues.

Tourist Arrivals by Country of Nationality

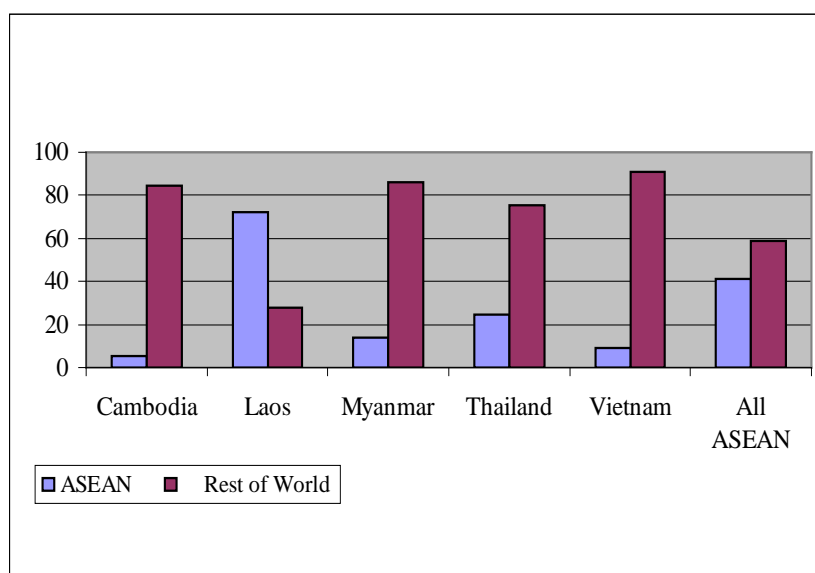
Analysis of major tourism market of Greater Mekong Sub-region (GMS) countries, the markets are divided into two: Intra –ASEAN tourists and Extra-ASEAN tourists. Table 4.3, points out that about 75% to 90% of total arrivals to GMS countries come from outside ASEAN region. Particularly, the majority of visitors who come to Myanmar were from outside ASEAN region, like Cambodia, Vietnam and Thailand. Figure 4.2, clearly shows the ratio of Intra and Extra ASEAN Visitor Arrivals to GMS countries.

Table 4.3
Share of Intra and Extra ASEAN Tourist Arrivals to Myanmar and Neighbouring Countries, 1995-2004

Countries	Residence	1995-2004	
		No. of Arrivals (000)	Share %
Cambodia	ASEAN	72.7	15.24
	Rest of World	402.5	84.75
Laos	ASEAN	433.2	72.02
	Rest of World	168.3	27.98
Myanmar	ASEAN	38.3	13.66
	Rest of World	241.9	86.33
Thailand	ASEAN	2212.8	24.50
	Rest of World	6819.2	75.50
Vietnam	ASEAN	186.4	9.1
	Rest of World	1856.0	90.9
All ASEAN	ASEAN	15288.0	41.39
	Rest of World	21646.5	58.60

Source: ASEAN Tourism Statistics, 2005.

Figure 4.2
Share of Intra and Extra ASEAN Tourist Arrivals to Myanmar and Neighbouring Countries, 1995-2004



Source: ASEAN Tourism Statistics, 2005.

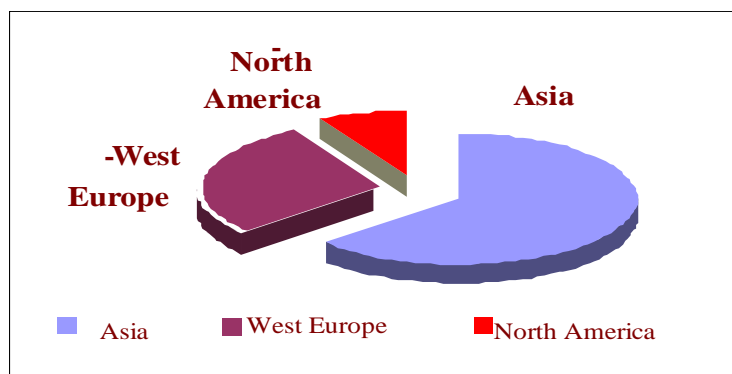
A detailed study on the individual major markets of GMS five countries reflects that Japan, China, USA, South Korea, Taiwan, France, Germany, UK, Italy and Hong Kong are major generating markets of those countries. This can be seen in Appendix 7. However, the analysis on Myanmar Tourism during the period 2001 to 2005 shows that the highest tourist-generating market is Thailand with Taiwan and Japan as the second followed by China, USA, France and Germany etc.. Appendix 8 shows the arrivals from these generating countries in detail. The Tourist Arrivals to Myanmar by each major tourist-generating region (Asia, West Europe and North America) during the period 2001 to 2005 was then studied.

Table 4.4
Number of Tourist Arrivals to Myanmar by Tourist-Generating Region

Region	2001	2002	2003	2004	2005	Average
Asia	123,904 (60.5)	125,547 (57.8)	121,392 (59.0)	146,774 (60.7)	133,894 (57.7)	57.14%
West Europe	55,948 (27.3)	63,400 (29.2)	58,161 (28.3)	62,901 (25.9)	64,531 (27.8)	27.72%
North America	15,864 (7.715)	16,953 (7.8)	15,775 (7.7)	19,260 (7.9)	19,509 (8.4)	3.36%
Others	9,146 (4.5)	11,312 (5.2)	10,282 (5.0)	13,003 (5.4)	14,284 (6.2)	5.26%
Total	204,862 (100)	217,212 (100)	205,610 (100)	241,938 (100)	232,218 (100)	100%

Source: Myanmar Tourism Statistics Bulletin, 2001-2005.

Figure 4.3
Distribution of Tourist Arrivals to Myanmar by Tourist-Generating Region, 2005



Source: Myanmar Tourism Statistics Bulletin, 2005.

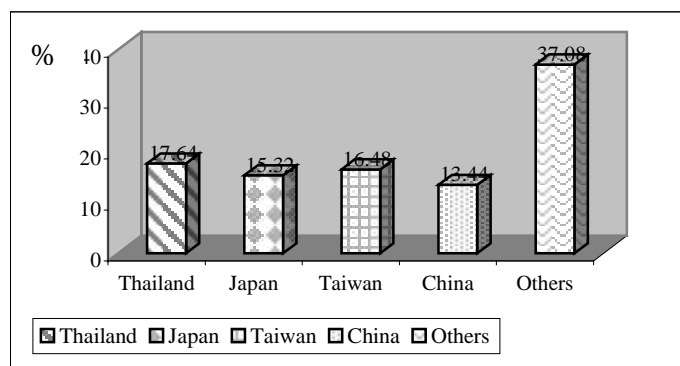
Table 4.4, showed that the highest percentage of the tourist arrival to Myanmar come from Asia constituting 60 % of tourism market of Myanmar. The distributions of tourist arrivals from West Europe region and North America region were 27% and 8% respectively. Figure 4.3, depicts the share of arrivals by these generating regions in the year 2005. Next, the analysis on the tourism market by the tourist-generating countries included in each region is made.

Table 4.5
Number of Tourist Arrivals to Myanmar from Asia Region

Country	2001	2002	2003	2004	2005	Share %
Thailand	17,123 (13.8%)	16,936 (13.5%)	22,214 (18.3%)	32,735 (22.3%)	27,199 (20.3%)	17.64
Japan	20,118 (16.2%)	20,744 (16.5%)	18,799 (15.5%)	20,296 (13.8%)	19,584 (14.6%)	15.32
Taiwan	26,020 (21.0%)	22,849 (18.2%)	19,645 (16.2%)	20,424 (13.9%)	17,600 (13.1%)	16.48
China	16,788 (13.5%)	17,732 (14.1%)	15,564 (12.8%)	17,890 (12.2%)	19,596 (14.6%)	13.44
Others	43,855(3 (100%)	47,286 (37.7%)	45,170 (37.2%)	55,429 (37.8%)	49,915 (37.3%)	37.08
Total	123,904 (100%)	125,547 (100%)	121,392 (100%)	146,774 (100%)	133,894 (100%)	100

Source: Myanmar Tourism Statistics Bulletin, Various Issues.

Figure 4.4
Average Distribution of Tourist Arrivals from Asia Region by Country



Source: Myanmar Tourism Statistics Bulletin, Various Issues.

The study on Asia region found that the tourist from Thailand was with the highest share of Myanmar tourism followed by Taiwan, Japan, and China successively. Table 4.5 shows the average share of Thailand with 18%, Taiwan with 16%, Japan with 15% and China with 13% respectively (Figure 4.4).

From West Europe region, France and Germany were major markets of Myanmar tourism 22% and 21% respectively. UK and Italy markets are growing steadily with contribution 13% and 12% respectively. The study shows that the tourist volume coming from this region was lower than that of Asian countries. However, the tourist volumes from France and Germany market have grown at the average rate of about 5% and 4% respectively. Also, Italy markets grew steadily with the average rate of 4%.

Table 4.6
Number of Tourist Arrivals from West Europe Region

Country	2001	2002	2003	2004	2005	Share %
Germany	11,450 (20.5%)	12,952 (20.4%)	13,341 (22.9%)	14,112 (22.4%)	13,689 (21.2%)	21.48
France	12,461 (22.3%)	14,108 (22.3%)	13,125 (22.6%)	13,372 (21.3%)	15,295 (23.7%)	22.44
Italy	6,618 (11.8%)	7,908 (12.5%)	6,129 (10.5%)	7,924 (12.6%)	7,083 (10.9%)	11.66
UK	8,424 (15.1%)	8,620 (13.6%)	7,848 (13.5%)	7,720 (12.3%)	8,126 (12.6%)	13.42
Others	16,995 (30.4%)	19,812 (31.2%)	17,718 (30.5%)	19,773 (31.4%)	20,338 (31.5%)	33.33
Total	55,948 (100%)	63,400 (100%)	58,161 (100%)	62,901 (100%)	64,531 (100%)	100

Source: Myanmar Tourism Statistics Bulletin, Various Issues.

As for North America region, the USA, as one of the major high-end tourist-generating markets of Myanmar also grew from 6.6% of total arrivals in 2001 to over 7% of the total arrivals in 2005. Table 4.7 shows the percentage distribution of tourist arrivals by major countries of that region.

Table 4.7
Number of Tourist Arrivals from North America Region

Country	2001	2002	2003	2004	2005	Share %
Canada	2,340 (11.8%)	2,476 (14.6%)	2,519 (15.9%)	2,828 (14.7%)	2,911 (17.5%)	15.5
America	13,524 (85.2%)	14,477 (85.4%)	13,256 (84.1%)	16,432 (85.3%)	16,598 (83.5%)	84.7
Total	15,864 (100%)	16,953 (100%)	15,775 (100%)	19,260 (100%)	19,509 (100%)	100

Source: Myanmar Tourism Statistics Bulletin, Various Issues.

On the whole, the tourist arrivals to Myanmar have been growing at a steady rate of 3.6% on average from the year 2001 to 2005. This was low growth rate due to 2003 *SARS* and 2005 *Tsunami* which caused the decline in the tourist arrivals to Asian countries which also directly affected Myanmar tourism industry. Although the number of tourist arrivals was from Asia, the growth rates of tourist arrivals from West Europe and North America are greater than that from Asian countries. The growth rate of arrivals from Asia region in 2005 is 8% over 2001 while the growth rate of North America and West Europe are 23% and 15% respectively.

Tourist Arrivals by Gender and Age

Most of the tourist arrivals to Myanmar are male maintaining a steady over 60 % throughout the period of the study 2001 to 2005 (Table 4.8). In the distribution of tourists by age, the majority was within the middle age group of 21 to 50. However, there is a growing tendency for the older over 50 years increasing from 36% in 2001 to 39% in 2004.

Table 4.8
Distribution of Tourist Arrivals by Gender and Age, 2001-2005

Year	Gender (%)		Age (%)		
	Male	Female	1-20	21-50	Above 50
2001	63	37	4	60	36
2002	63	37	5	59	36
2003	63	37	5	58	37
2004	63	37	4	58	37
2005	63	37	4	57	39

Source: Myanmar Tourism Statistics Bulletin, Various Issues.

Tourist Arrivals by Purpose of Visit

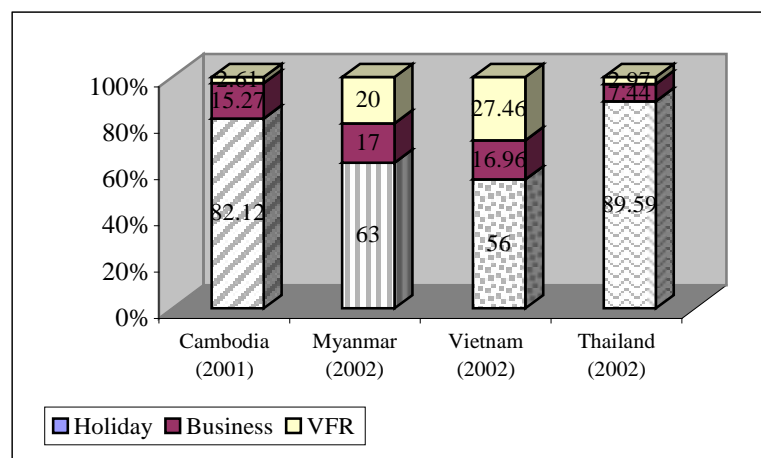
The study of tourists' purpose of visiting Myanmar shows that the majority of tourists come for holiday, recreation and pleasure as shown in Figure 4.5. The same results were found with tourism profile of the other GMS countries, especially for Cambodia and Thailand, the proportions of holiday and recreation tourists were about 80% and 90% respectively. For Vietnam and Myanmar, the percentage of tourists with recreation purpose was about 55% and 65% respectively Table 4.9. However, the type of business tourists and VFR (visit to friends and relatives) tourists could also be counted as recreation and holiday tourists because some tourists may choose to visit the country with multiple-purpose.

Table 4.9
Tourist Arrivals by Purpose of Visit

Country \ Purpose	Holiday (%)	Business (%)	Visit to Friends & Relatives and Others (VFR) (%)	Total (%)
Cambodia (2001)	82.12	15.27	2.61	100
Lao	NA	NA	NA	100
Myanmar (2002)	63.00	17.00	20.00	100
Vietnam (2002)	56.00	16.96	27.46	100
Thailand (2002)	89.59	7.44	2.97	100

Source: GMS Countries' Reports, 2003.

Figure 4.5
Distribution of Tourists' Purpose



Source: GMS Countries' Reports, 2003.

Tourist Arrivals by Travel Arrangement

Table 4.10, reveals the tourist arrivals by types of travel arrangement for the period from 1996-97 to 2004-05. Before the 1998, the ratio of fully independent tourists¹¹ (FIT) was more than two and half times of the package tourists. However, during the period from 1998-99 to 2002-03, the ratio declined to nearly 92%. Then, after the government's removal of some regulations on FIT (which is to exchange foreign currency with Foreign Exchange Certificate (FEC) issued by Myanmar Government), FIT tourists increased to more than double of the package tourists; in 2004-2005, the number of (FIT) tourists reached nearly 70% of total arrivals. Thus, this signifies that Myanmar tourism organizations require devising various ways and means to sell the number of tour packages to increase the tourism earning of the business.

Table 4.10
Tourist Arrivals by Travel Arrangement

Years	PackagePa		Fully Independent Tourist		Total	
	No.	%	No.	%	.No	%
1996-1997	38439	33.48	76376	67.52	114815	100
1997-1998	33865	27.84	87763	72.16	121628	100
1998-1999	73161	60.12	48540	39.88	121701	100
1999-2000	73463	62.23	44586	37.77	118049	100
2000-2001	81527	63.50	46867	36.50	128394	100
2001-2002	71025	57.73	52012	42.27	123037	100
2002-2003	79678	58.71	56041	41.29	135719	100
2003-2004	48191	30.48	109934	69.52	158125	100
2004-2005	47394	31.37	103670	68.53	151064	100

Source: Myanmar Tourism Statistics Bulletin, Various Issues.

Tourist Arrivals by Season

Next, the study of the seasonality of Myanmar Tourism points out that the peak period is December with the seasonal index of tourist arrivals as 153% followed by January with 148% while June and September, the lowest months with the seasonal index of 50% and 61% of tourist arrivals respectively. Table 4.11, shows the changes of tourist arrivals by seasons.

¹¹ The fully independent tourists (FIT) arrange the tour elements separately either by themselves contacting directly with hotel, transport companies or through tour agents rather buy the whole tour package.

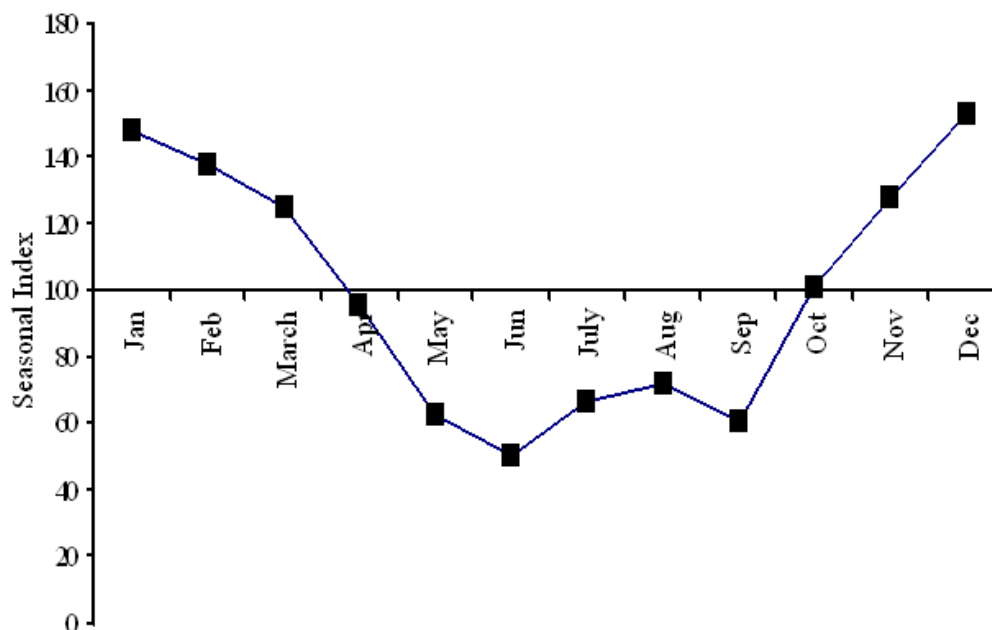
Table 4.11
Tourist Arrivals to Myanmar and Seasonal Index, 2001-2004

Month	2001	2002	2003	2004	Seasonal Index
January	43515	35207	38950	34755	148.34
February	28537	37675	32399	31830	137.61
March	20785	36358	27879	28365	124.74
April	22922	31784	15909	23604	95.49
May	11224	19663	8855	18566	62.55
June	12302	10225	10627	16811	50.44
July	17242	13148	16811	21192	66.33
August	19183	14847	17035	22632	71.85
September	16465	12804	14414	16320	60.79
October	23494	25571	23897	24538	100.73
November	28335	34225	30327	32062	128.09
December	35847	39513	36380	34458	153.04
Total*	279851	311020	273483	305133	1200

* Visitors with entry visa, business and multiple journey visa

Source: Central Statistical Organization Myanmar, Various Issues.

Figure 4. 6
Seasonal Index of Tourist Arrival to Myanmar



Source: Central Statistical Organization, Myanmar, Various Issues.

The study found that the tourist season for Myanmar occurs during the five months beginning from late October till February which is during Myanmar's dry season and Europe's winter season. The slack season generally begins in late March and extends to early October, which is the raining monsoon season in Myanmar Figure 4.6. However, in August, tourist arrivals are close to the level of the peak season, which coincides with the summer holiday period in foreign countries especially in Europe and North America. Table 4.11 shows that nearly 60% of annual tourist arrivals take place in the five months of the peak season and August. Therefore, during these six months in total, approximately 1.5 times as tourists travel to Myanmar as during the remaining slack six months.

This finding points out that Myanmar's tourism is rather seasonal and hence it causes an uneconomical use of tourist resources or facilities such as accommodation and transportation as well as the efficient use of manpower, as staff is idle during the slack season. However, additional seasonal staffing must be added in the peak season. Therefore, an appropriate seasonal strategy which reduces the seasonal negative effects should be pursued.

Tourist Arrivals by Major Tour Centres

The comparative study of the tourist arrivals to major tour centres in Myanmar (*Mandalay, Bagan, Inlay, Ngapali, Chaungthar* and *Taunggyi*) points out that the first and most attractive centers are *Mandalay* and *Bagan* receiving the largest share of the total arrivals 38% to 40 % followed by *Inlay*. The arrivals to *Inlay* were 13 % of total arrivals in 2000-01 and it increased to 20% in 2005-06. Table 4.12, shows the number of tourist arrivals to these tour centers during the year 2000-01 to 2005-06. The centres are culture-based centres, and they are the important tourism destinations or (tour products) of Myanmar. Thus culture tourism is the primary tourism product for Myanmar tourism industry followed by study-tourism or Eco-tourism, recreation tourism and beach tourism in that order.

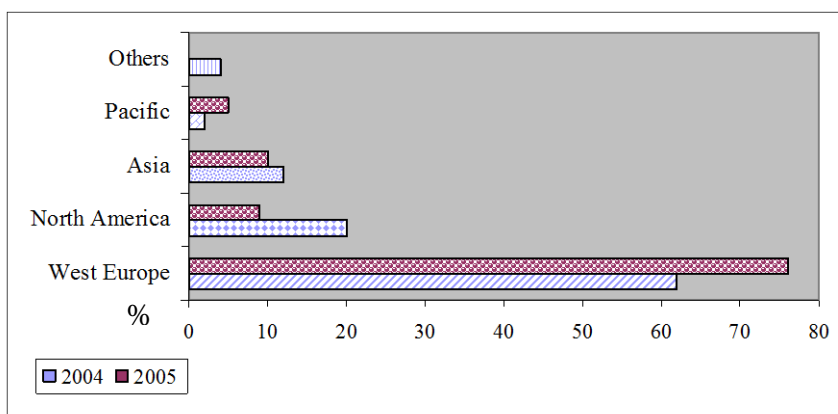
Table 4.12
Number of Tourist Arrivals by Tour Centers in Myanmar, 2000-2006

Year	2000-2001		2001-2002		2002-2003		2003-2004		2004-2005		2005-2006	
	No	%	No	%	No	%	No	%	No	%	No	%
Mandalay	54859	41	54581	38	82036	40	70848	41	82284	42	76627	40
Bagan	57303	42	57875	40	78907	38	64347	37	74094	37	74113	38
Inlay	17480	13	21418	15	25450	12	17736	10	24282	12	39775	20
Ngapali	NA	NA	NA	NA	8707	4	8042	5	9285	5	1229	1
Chaungthar	5671	4	7498	5	9956	5	11165	6	6456	3	NA	NA
Taunggyi	NA	NA	2512	2	2248	1	1912	1	1801	1	1757	1
Total	135313	100	143884	100	207304	100	174050	100	198202	100	193501	100

Source: Report of Ministry of Hotel and Tourism, Various Issues

According to the specific study on the number of arrivals to Eco-tourism sites for the period from 2002 to 2005, there were only about 300 tourists, a small percent 0.11% of the total number of arrivals in 2005 (Appendix 9). Thus, it indicates that the Eco-tourism market of Myanmar has not yet been developed enough and it is only just a niche tourism market. It also highlights that about between 50% and 75% of total tourists are from West Europe and the second are from Japan and USA during the period of study Figure 4.7.

Figure 4.7
Percentage of Tourist Distribution in Eco-tourism Sites



Source: Ministry of Forest, 2005.

4.1.3 The Consumption and Expenditure Pattern of Tourists

Tourist Arrivals by Length of Stay

The length of stay of the tourists is also an important factor with regard to the tourism earnings of the country. The longer the length of stay, the more money the tourist spends and thus, the higher the tourism receipts for the country. Table 4.13, displays that the average length of stay of tourists in Myanmar increased from 6.3 days in 2001 to 7 days in 2005. The study on the relationship of international tourist arrivals, the average length of stay and the tourism earnings of Myanmar points out that the tourism earnings of Myanmar increased steadily during the period (2001-2005) as the number of arrivals and the length of stay had increased. These conditions prevailed in all years except 2003 when the tourist arrivals declined but the tourism earnings increased. It was found that because of increase in spending power of tourist (average expenditure per person per day), the earnings increased in this year.

Table 4.13
Length of Stay and Expenditure of Tourist Arrivals, 2001-2005

Year	International Tourist Arrivals	Average Length of Stay (days)	Total Tourism Earnings (US\$) million	Average Expenditure per person per day* (US\$)
2001	204862	6.3	90	70
2002	217212	6.5	99	70
2003	205610	6.5	116	87
2004	241938	7.0	136	80
2005	232218	7.0	153	94

Source: Myanmar Tourism Statistics Bulletin, Various Issues.

* This is results of the calculation of the total earnings divided by the number of the tourist arrivals and the number of the length of the stay.

Looking at the tourism of GMS countries in 2004, Thailand and Vietnam showed the highest growth of the tourism not only in terms of arrivals but also in terms of length of stay . The average length of stay of tourists in these countries was about 8 days, which was more than that of tourists in Myanmar. Table 4.14, shows that Thailand tourism accounted for 77.6% of total earnings of GMS and 71 % of total arrivals which was followed by Vietnam with 14.1 % of total earnings and 16.1 % of total arrivals to GMS. Myanmar with the second lowest share of 1.52 % of tourist arrivals received only 1.27 % of total earnings. Thus the fact that there is substantial disparity in tourism receipts between Thailand, Vietnam and Myanmar

highlights that Myanmar needs to formulate appropriate tourism strategies for tourism development.

Table 4.14
Length of Stay and Expenditure of Tourists to GMS Countries, 2004

GMS Country	Volume of Tourists		Average Length of Stay (Days)	Total Expenditure of Tourist (US \$ Millions)		Average Expenditure per person per day for visit (US\$)
	No.	%		No.	%	
Cambodia	1,055,202	6.6	6.3	578.4	4.9	87.0
Yunnan PRC	500,000	3.1	3.8	161.5	1.4	85.0
Lao PDR	238,000	1.5	6.5	91.3	0.8	59.0
Myanmar*	241,938	1.5	7.0	136.0	1.2	80.3
Thailand	11,277,000	70.9	8.0	9,021.6	77.5	100.0
Vietnam	2,554,000	16.1	8.0	1,634.6	14	80.0
Total	15,888,140	100	7.7	11,634.5	100	95.0

Source: National Tourism Organizations and Immigration Authorities GMS, 2004.

* The arrivals include the visitor with the tourist visa only.

Expenditure Pattern of Tourists in Myanmar

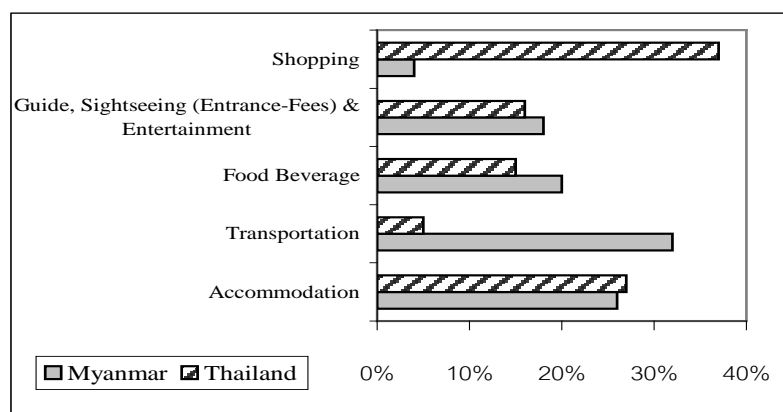
Table 4.15, shows the expenditure patterns of tourists in Myanmar compared to those of tourists in Thailand in 2003. The ratio of tourists' spending on accommodation is in Myanmar 26% and in Thailand 27% and the ratio of guide service is 18% in Myanmar and 16% in Thailand. Thus the tourists' expenditure on accommodation and guide service in Myanmar and Thailand can be regarded as not being significantly different, but tourist spending on transportation and shopping were significantly different between the two countries. The percent of spending for transport is 32% in Myanmar and is 5% in Thailand (Figure 4.8). This signifies that Myanmar have not gained the advantage on economy in transportation sector. Indeed, tourists may be more satisfied with high spending on shopping goods.

Table 4.15
Expenditure Pattern of Tourists in Myanmar and Thailand

Country	Tourist arrivals (000)	Accommodation	Transportation	Food Beverage	Guide, Sightseeing(entrance-fees) & Entertainment	Shopping	Total Percentage
Myanmar	206	26%	32%	20%	18%	4%	100%
Thailand	10,820	27%	5%	15%	16%	37%	100%

Source: Country Report, 2003.

Figure 4.8
Distribution of Tourist Expenditure for Myanmar and Thailand



Source: Country Report, 2003.

4.2 Empirical Survey on Tourists

This second section is occupied with a detailed study of the tourists coming to Myanmar. The research survey was conducted to identify the tourist's behaviors concerning their trip to Myanmar such as their travel purpose, their travel programme and arrangement, their expectation, opinions and attitudes towards Myanmar tourism etc. and, the competitive advantages of Myanmar tourism against neighbouring countries.

From these findings, the current tourism product/ market position of Myanmar, relative to the competing countries and the competitive factors of tourism industry of Myanmar can be determined. Thus this result of the study helps to understand how these factors can be integrated and what appropriate business strategies should be adopted for the tourism organizations to gain competitive advantage in the long-term.

The empirical study was conducted using survey and random sampling method. The survey used questionnaire, one of the research and instruments developed, on tourist arrivals to investigate the demand side of the tourism market. The questionnaire were distributed to some

hotels in Yangon and some were used for interviewing tourists at the popular tourist sites. Out of the total of 600 questionnaire distributed, over 500 could be collected, so that there was 88% response rate. The analysis was made from the responses of 500 tourists. The questionnaire and the result of the survey were shown in Appendix 10 and 11. In fact, the number of tourists coming to Myanmar in 2004 by air was about 241,938 at the time of conducting this research. Thus, the number of sample was 0.21% of total arrivals.

The questions were divided into five sections, which are as follows:

- (1) Tourists' background or demographic characteristics,
- (2) Tourists' travel behaviour characteristics,
- (3) Tourists' main interest areas, expectations and their fulfillment,
- (4) The experience on travel to Myanmar in comparison to those of neighbouring countries,
and
- (5) Suggestions of the respondents regarding Myanmar Tourism.

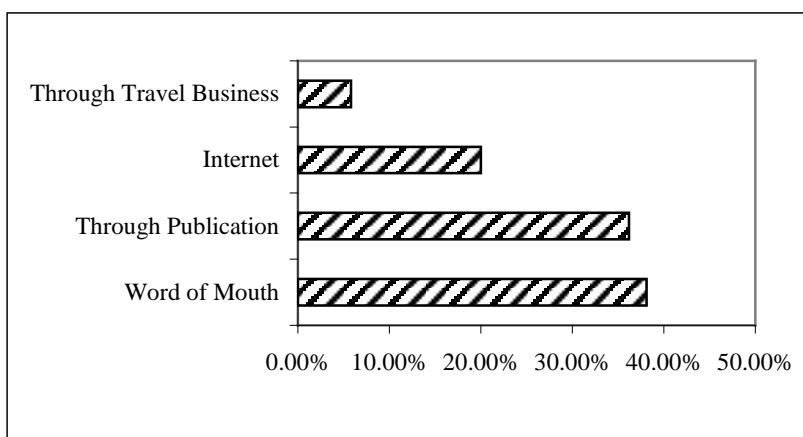
Background characteristics of Respondents

The survey found that most of the respondents 51% were from West Europe, 30% from ASIA and Pacific and 10% from North America. Gender wise, the ratio was 57% male and 43% female . By age, most of the respondents were in the middle-age group 31-50 with 27% of the respondents above 50. Regarding the income level, majority of respondents about 53% are in the lowest income level under US\$ 1000. But according to the occupational level, most respondents 35% are within the middle management level.

Characteristics of Travel Behavior of Respondents

The survey found that most respondents 33% travelled with their friends, 28% with their spouse, 9% with family, and the remaining travelled alone. For travel arrangement, more than 60% of the respondents arranged their trip themselves. The survey showed that the majority of respondents 38% knew Myanmar as tourist destination by word-of-mouth and 36% knew through the travel publications such as travel journal, guidebooks, CD-Rom and some photo exhibitions as shown in Figure 4.9.

Figure 4.9
Sources of Information on Myanmar



Source: Survey Data, 2004.

Regarding the respondents' travel experience in Myanmar, most of the respondents were repeat visitors, about 82%. Out of them, 36% had been in Myanmar at least from once to three times and 14% had been over five times. This indicated that the majority of the tourists coming to Myanmar have had a lot of experience on Myanmar Tourism.

According to the experience of the tourism activity, the majority of tourists visit groups of countries rather than an individual country (ESCAP, 1996 a: 4). The same is true for Myanmar, the survey indicated that most of the tourists coming to Myanmar made arrangement to visit more than one country including other Asian countries. As shown in Appendix 11, 59% of respondents mentioned that more than one country of destination was included in their trip; especially they travelled to Myanmar combined with Thailand. The survey pointed out that about 40% arranged their trip combined with Myanmar and Thailand, about 19% combined with Cambodia and 13% with Lao. Thus, multi-country or joint tour packages will be suitable for tour business.

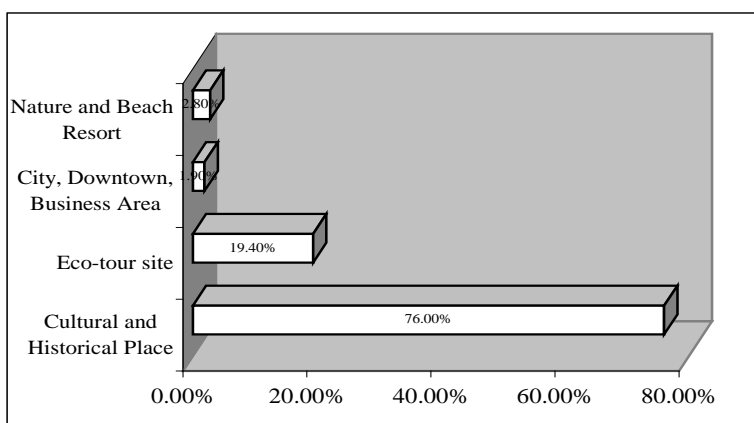
The survey also pointed out that the majority of respondents 32% made long stays about 2 week-period and only a very few stay more than 28 days. Thus, the visa-period (28 days) allowed by Myanmar is sufficient except for a few cases.

Regarding the amount of foreign exchange spent during their stay, majority of respondents 63% spent less than US\$ 500 for their entire trip, only spending 1% more than US\$ 500. The majority 54% considered the price they paid for the trip to be "normal", while 5% considered it cheap, 27% expensive and 13% very expensive. Therefore, it is important to note that 40% of the respondents considered price charged to be expensive or very expensive.

Tourists' Main Interest Areas, Expectations and their Fulfillment

The survey results in respect of the expectation of tourists visiting Myanmar, showed that most respondents 46% come to visit cultural and historical places. Of the remaining respondents 32% come to meet people, 10% to enjoy traditional festivals. In response to the task given to rank the places of interest, 75% of tourists gave the highest rank to cultural and historical places. Eco-tour site received the next highest score 19%, followed by city/downtown 3%, and nature and beach resorts 2% (Figure 4.10). Thus Myanmar culture heritage was one of the most attractive products of the country.

Figure 4.10
Distribution of Main Interest Area in Myanmar



Source: Survey Data, 2004.

The responses acquired to the query on the level of satisfaction of their expectation from their visit to Myanmar showed that only 17% received moderate satisfaction of their expectations, 29% received “*very much*” and 51% “*much*” of their expectations. This result suggests that the majority of the respondents were satisfied with the tour product and services to a certain extent.

Travel Experience on Myanmar compared with Neighbouring Countries

The survey also asked respondents to give the opinion of Myanmar tourist attractions in comparison with those of neighbouring countries to which most of the respondents answer that they see Myanmar tourism very positively as they see Myanmar people as “*friendly people*” and the country as “*one possesses many pagodas with her own culture and tradition*”, also highlighted as “*Myanmar is a safe country*”. However, a few complained of the collection of entrance fees as a negative factor in comparison to other countries.

These findings indicate that Myanmar should preserve its own unique traditions such as its Buddhist beliefs, traditional friendly and congenial behaviour towards and at the same time, maintain and keep up its cultural relics of ancient cities and pagodas.

Suggestions of the Respondents

Finally, the survey explored some of the suggestions offered by the respondents. First the majority of respondents highlighted the urgent need for better transportation services. Second, to develop Myanmar as a tourist destination. Myanmar needs to enhance the tourism promotion within the context of regional cooperation programs. Third, some suggested the preservation of traditional culture as a major expectation of the tourists is to study and observe the culture and historical heritage of the country. Fourth, most tourists significantly complained of the services of international transport; e.g. direct flights from major tourists generating region is demanded by the tourists especially from Japan and some European countries. Fifth, a few respondents (about 8%) complained that the financial services provided in Myanmar is not adequate and demanded the use of credit cards. Sixth, some tourists highlighted the need for Internet access for convenience in international business communication. Last, some tourists suggested that the tourist information signs in the city such as road map, city map, and traffic sign should be posted clearly in English for tourist information.

4.3 Implications

This chapter identifies the key factors determining the performance of tourism industry and its competitiveness. First, Myanmar has an abundant natural as well cultural and historical attractions as unique factors for the development of Myanmar tourism industry. However, there is an urgent need to improve the basic infrastructure development especially, electricity, and transport facilities, as well as to upgrade its human resources to the level of international standard. Furthermore, Myanmar also needs to promote its tourism brand to be well-known worldwide.

Second, most of the tourists from high-income country usually have high spending power. Thus Myanmar with a low share of tourist arrivals from the high-income countries such as West Europe and US receive very low tourism earnings in contrast to GMS countries with high share of upscale tourist arrivals. Third, there are more FIT tourists (Fully Independent Tourist) than the package tourists and this increases the competition among tour agent businesses. Fourth, the non-government tourism associations are still in initial stage, and their low budget operation renders only limited assistance to the members. Although many tourism businesses were allowed to operate tour business, only a few (10% of total

businesses) are successful and only those firms are participating actively in the associations' activities.

Finally, the study could also verify and prove the second hypothesis, which is *“Government’s regional cooperation strategy has enhanced the growth of national tourism market and improved the tourism-related infrastructure development:*

In summarizing the findings made from the survey instrument on the demand side of the tourism market in Myanmar and the secondary data received from various sources, the following observations have been made:

- a) Myanmar has achieved the second highest annual growth rate 17.01% of tourist arrivals in GMS region during the period of study 1995-2005,
- b) If the volume of the tourists who arrived by flight are considered, the market grew only by about 13.3%, and
- c) Although there were high investments made in the industry, the most were used for the hotel businesses.

Hence, the hypothesis adopted on the infrastructure is true only to a certain limited extent.

Chapter 5

Strategies and Competitive Advantage of Tour Companies in Myanmar

In accordance with the objective of the study which is to identify the factors that determine the growth of the tourism industry and to explore the business strategies of private tourism organizations within the national economic environment and the given policies structure of Myanmar, this chapter is focused on tour companies that provide services such as arrangements for accommodations, tickets, meals etc. These organizations play a very crucial role in tourism industry as intermediary organizations with close contacts to both the market and the basic providers such as hotel rooms, air-transport, road transport, entertainment, guide service and other needs of the market. Their main function is to satisfy their clients by providing the best quality service for the visits to the destinations.

The theoretical review of the current literature (mentioned in the section 2.6), had shown that competitive advantages of a firm depend on its internal resources and capabilities and the driving forces within the environment. If the firm matches its internal strengths in the resources and capabilities to the key success factors of the industry and national environment, the firm can achieve success. Therefore, the present study concentrated on the examination of the environmental forces, the internal resources and core competencies, the challenges and prospects, the strategies adopted and business practices of tour companies in order to identify the appropriate strategies for private tour companies and suggest a suitable national tourism strategy.

As described in the previous chapter, there were a total of 657 licensed tour companies in 2005; out of which, about 3% were joint ventures with foreigner partners; the remaining companies were local-owned. However, the majority were small-sized businesses. According to the records of Myanmar Travel Association (MTA), there were only approximately 120 companies (about 18%) which were actively operating in the tourism industry of Myanmar. It is practical as well as logical at this point to raise some questions regarding their business competitiveness and sustainability:

- (i) What key success factors determine the competitive advantages of the tour companies'?
- (ii) What are the business strategies that are formulated by businesses with different types of ownership?

Accordingly, the empirical study was oriented in answer to these questions about the tour companies of Myanmar. The objectives of this chapter are as follows:

- (i) To understand the key external factors and the core competencies that determine the success of the businesses,
- (ii) To suggest the most appropriate strategies for achieving competitive advantages that are specific for each type of business.

5.1 Environmental Analysis on Tourism Industry of Myanmar

This section explores the key factors from the macro and micro environments that drive the tourism industry of Myanmar. For that purpose, the analysis is based upon the results of the previous studies mentioned earlier.

5.1.1 Macro Environmental Analysis

The business strategies of tour companies are affected mainly by the factors in the political and legal environment. From the study of these factors, it was found that the Myanmar Government^{12*} has been encouraging tourism industry through as the measures of promulgation of Myanmar Tourism Law, introduction of foreign exchange certificate (FEC), formation of *Tourism Development Management committee* at the national level, deregulating of civil aviation policies etc. Moreover, Government regional cooperation through membership ASEAN and GMS and participation in such regional marketing campaigns as “*ASEAN as a single tourism destination*” were the major impetus opportunities for tourism organizations in Myanmar to penetrate and extend the regional tourism market.

However, it was found that the major challenge in tourism industry was the trade sanction by the industrialized countries of USA and West Europe against Myanmar. This challenge partly becomes the reason for the decline in tourist arrivals to Myanmar which

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- After 1998, promulgation of *Union of Myanmar Tourism Investment Law* and the respective rules and regulations, allowing private sector both foreign and local to do businesses.
- In 1990-*Myanmar Tourism Law* was promulgated to encourage the private sector to participate in tourism development of the country.
- In 1992, Government reformed the organization by upgrading it to the Ministry level.
- In Sept. 1992, visa period was extended to 28 days. (Before that time only 14 day-period are allowed.)
- At the same time, a number of new gateways were opened through border regions such as Tachileik, Kawthaung, Muse, Chin Shwe Haw and Maitan.
- In Oct. 1993, *Myanmar Tourism Law* was revised and enacted as *Myanmar Hotel and Tourism Law*.
- In 1993, Foreign Exchange Certificate (FEC) was introduced so the it has facilitated the tourists spending the FEC with the parallel (market) rate.
- On the national level, *Tourism Development Management Committee* was formed in 1994.
- Civil aviation policies have been liberalized in 1994, chartered flights and cruise tours were allowed to entered the country.

resulted in the intensity of competition among the existing tour companies. Due to budget limitations, Myanmar tourism companies cannot advertise extensively through the popular channels such as *CNN*, *CCTV*, *NHK* etc.; thus potential visitors to Myanmar are not being made aware of its tourist attractions. Thus the tour companies need to promote the industry individually or cooperatively with each other to make Myanmar better known worldwide as a famous tourist destination. Another inhibiting factor affecting the tourism industry is the inadequate infrastructure facilities such as sufficient electricity and water, advanced communication facilities, advanced road and rail transport, airport terminals, theme parks etc.

Furthermore, the diverse taxes that are imposed on the sale of tour package such as commercial tax, foreign exchange tax and profit tax, and adverse economic forces, such as increased oil prices, increased inflation, and the resultant decline in economic growth all have negative implications for the tourism industry. Consequently, these forces add up to the fact that a trip to Myanmar became more expensive than the cost to be paid for visits to other regional countries.

According to the World Tourism Organization (WTO), global tourism could be expected to reach over 1.56 billion by the year 2020. The WTO predicted that tourism in the *East Asia and Pacific* and the *South Asia* would increase at a growth rate of over 5% per year compared to the world average of 4.1%. This is of a very fortunate indication which Myanmar can explore to its advantage.

However, the existing financial infrastructure arrangements which prohibited the use of credit cards, the dual exchange rate, limited access to foreign exchange changers and the negative image projected on Myanmar all compounded to act as barriers for the growth of the tourism industry in Myanmar.

The global concern for the physical environment has increased dramatically over the past few years. Thus the environmental factors such as the impending shortage of raw materials, increasing cost of energy, and increasing consequences of pollution demand the governments to become involved in the management of natural resources. These forces have also impacted on the tourism industry of Myanmar. The natural disasters such as *Tsunami*, *SARS*, *Bird Flu* etc. mainly affect the tourism industry of countries. Myanmar did not suffer these disasters to the same degree as some of the regional neighbours such as Thailand. However, this also resulted adversely for Myanmar tourism industry. Myanmar tourism is linked to the tourism of Thailand as many travelers normally combined their visits to the two countries. One other force that Myanmar tourism has to face is its seasonal nature which produces significant implications on its pricing and human resources management policies.

The study also found that Myanmar Government, has recognized the importance of environmental conservation for sustainable tourism development and established 15 Eco-tourism sites in Myanmar. This right steps towards the development of tourism product can cause tourist volume to grow in Myanmar.

The social and cultural factors affecting tourism industry also include public awareness on Myanmar Tourism. There is abundant news released by the publication houses such as *Myanmar Times*, *Weekly-Eleven* etc. This measure not only promotes international tourism but also develops domestic tourism. The tour business organization could take this as an opportunity to expand this market. Safety of the environment is another important factor in developing successful tourism. Compared to other countries, Myanmar has the lowest level of terrorism and also is not very much crowded with many tourists. The Government has designated the *tourism-safety unit* in the crowded areas and also the police are trained for the safety of the tour areas. This is an opportunity for the industry to promote Myanmar as a safe tourism destination.

The study of the technological factors showed the advancement in communication facilities having a dramatic impact on organizations. The tour package can be easily distributed, and the customized and quick service provided to the needs of tourists by the use of the Internet. Furthermore, advancement in technology like on-line reservation system and air ticketing create great opportunities to gain competitive advantages for tourism businesses.

5.1.2 Micro Environmental Analysis

Myanmar can be seen as a relatively diversified economy, and has been developing in spite of the economic sanctions from the industrialized countries. Although Myanmar's tourism industry is still in its infancy, it ranked the fourth in foreign investment in 2005. A study of the performance of Myanmar tourism and those of other GMS countries revealed that Myanmar was the second lowest in terms of both the number of tourist arrivals (only 1.5%) and tourism earning (only 1.17%) of the total member of tourist arrivals to the region and the earnings from them. Thus, Myanmar appears to have the lowest market competitiveness when compared to neighbouring countries such as Thailand, Cambodia, and Vietnam, which are aggressively promoting their tourism sector through heavy investment in tourism (Thet Lwin Toh, 2005:17).

The study of the volume of international tourism, pointed out that, although the number of tourist arrivals had more than tripled from 196,214 in 1995 to over 660,000 in 2005, the proportion of the international tourists arriving by flight was only about one third of

the total arrivals in 2005. The detailed analysis showed that during the period of study (2001 to 2005), most of the tourists were from Asian countries such as Thailand, Taiwan and Japan with very few from high-income countries of West Europe and USA. However, the arrivals from the Asian region grew with a rate of 8% per year whereas the arrivals from North America and West Europe grew with a rate of 23% and 15% respectively. There is a possibility of extending the Asia market due to Myanmar's unique location as a tourist destination and also because of the encouragement¹³ given by the governments of the countries in the region to travel overseas.

The study also analyzed stakeholders of the tourism industry. The results revealed that the local-owned firms were greater in number but relatively smaller in terms of size than the foreign joint venture owned business. There are a lot of competitors in tourism industry of Myanmar. Some foreign joint-venture tour companies have many branches in some ASEAN countries and operate through the use of management contract system with the foreigners. Thus, the competition become intensified atmosphere for local-owned tourism companies.

As for human resource development, there are two training schools running under the Ministry of Hotel and Tourism. In addition, there are short courses under the hospitality and tourism executive programmes conducted by *Raffles Training Centre* (Singapore) and Ministry of Hotel and Tourism. However, unlike Thailand and other ASEAN countries the tourism schools in Myanmar provide training only up to the diploma level. Thus, it can be said that with the shortage of professional trainers and training staff, the ability to provide the required qualification is not possible.

In addition, the establishment and promotion of supporting associations is important to enhance the development of the tourism industry of Myanmar. There are 3 non-governmental associations in Myanmar which give linkages between government and private sector business. The associations are still in infant stage; their participation in tourism businesses in domestic affairs and international marketing is still at a low level. Although the associations allow the opportunities for the hotel, transport and tour companies to cultivate a strong-network among these tourism-related organizations in Myanmar, only a minority of tour companies (over 10%) are actively participating in the associations' activities. Hence, the

¹³ The Government of Republic of China entitled Myanmar, Thailand and Malaysia in the list of "Approved Destinations" where the Chinese. Citizens are formally allowed to visit. This is a program which aims to improve the international knowledge of its citizens. (UMTA,2005:143)

associations are operating on low budget and can only offer limited assistance to the tourism industry.

The findings of the study mentioned above are the factors that determine directly or indirectly to the use of the business strategies and the performance of the tour companies in Myanmar. The empirical study on these companies will help to identify their practices and strategies and evaluate the performance of the businesses.

5.2 The Empirical Study

The survey was made in the off-season of 2004 using the questionnaire given in Appendix (12), First, the following working definitions have been adopted for the purpose of the study in this chapter.

Single Target Market:

If the company targets its activity to only one country, for example, France, Germany, Spain, Japan, Thailand, or China, then the company operates its activities to single target market.

Multi-Target Market:

If the company targets more than one country, it serves multi-target market. For example, the firms target the selected countries from Europe or Asia or all these regions including USA.

Single Strategy:

If only one strategy (*Low Price Strategy or Differentiation Strategy, or Focus Strategy etc.*) is used for marketing, the company follows a single strategy. Also, the company only uses one distribution strategy (*Direct Distribution Strategy or Indirect Distribution Strategy*), it is assumed that the company follows the single strategy.

Multi-Strategy:

If the company uses different strategies on different occasions to achieve different purposes, then it is using multi- strategy.

The study is divided into 4 divisions:

- (1) The internal factors (general background and characteristics of the companies),
- (2) The external factors (market, distribution, suppliers and tourism associations) and

- (3) The business strategies, and
- (4) The firm's performance.

The surveyed companies are classified by the type of ownership, viz: local-owned companies and multinational companies.

5.2.1 Internal Factors: General Background of the Surveyed Companies

First the general characteristics of the surveyed tour companies are mentioned. This includes the age of companies, the type of ownership and management, the country of origin (nationality) for joint venture, the size of business and the investment level. The study of these characteristics helps to understand the nature, scope and the resource commitment of the tour business. These characteristics are then used to determine the business strategies pursued to achieve competitive advantage. The characteristics are mentioned in Table 5.1.

Age of the Companies

The age of the companies or the number of years the company had been in existence may be given as there are 1 the earliest established tour company which started operations in 1991 and the latest 2 companies which started in 2003. The companies are divided into 3 groups; those in infancy stage with less than 6-year, those in the growth stage with 6 to 10 years and those in maturity stage with more than 10 years experience. The survey included 10 companies (about 18%) in infancy stage, 23 companies (about 42%) in growth stage and 22 companies (about 40%) in maturity stage.

Types of Ownership

The type of ownership and the type of management are also important to be considered in factors exploring the pursuit of strategies by the tour companies. Tour companies are divided into 2 groups: local-owned companies and joint venture business with foreigners. The survey consisted of (about 75%) local-owned businesses and (about 25%) joint venture (JV) business.

Type of Management

The owners may manage the companies themselves or take the management contract. The survey showed that 84% of the companies were local-owned companies and the rest were joint venture companies. The local-owned companies are managed by the local owners themselves.

However, the (JV) companies are managed by professional foreign management. Out of the surveyed companies, 5% operated the business as an integrated network or chain of large companies abroad.

Country of Origin of Nationality

The study of the country of origin of JV companies found that 50% were Europe-based tour companies, 49% Asia-based, and a few 1% USA-based companies.

The Geographical Extent

With regard to the geographical extent, there were only a few 29% companies which have branches abroad. Among these companies, about 20% operated less than 5 branches and 9% have more than 5 branches which form vertical chain offices abroad.

Moreover, the tour companies set up local branches to have convenient arrangement for trips within the tour centers of Myanmar. According to the study, more than half the tour companies had local branches with 29% having more than 3 branches in the local tour centers in Myanmar.

Size of the Companies

The respondent tour companies are divided into 3 groups by size according to their investment in business. According to the prevailing market prices of 2004, the companies with high investment value (over Ks 50million) are included in large business group, those with medium-investment (between Ks 20million and 50 million) are included in medium-sized business, those with investment of (under Ks 20million) are classified as small businesses. The survey found that 46% were small-sized businesses, 20% medium-sized and 34% large business. However, since the value of the investment was estimated, its reliability could be questioned. Therefore, in order to classify the businesses with a sound basis of size, the size of the companies are based on the number of total staff.

The tour companies are divided into 3 groups. The survey found that the total staff varies between the minimum of 5 to the maximum of over 60. It was found that 23% of the companies were large business, operating with a total staff of 31 to 60, while 44% were medium-sized businesses with staff numbering between 6 to 30. The remaining 33% fell into the small business group with the employee size of less than 16. The survey considered only permanent staff.

Table 5.1 Tour Companies Profile**(N=55)**

	No	%
Age of tour companies		
Infancy stage (1-5 years)	10	18
Growth state (6-10 years)	23	42
Maturity state (10 years and above)	22	40
Types of Ownership		
Local-owned firm	41	75
Joint Venture (JV) with foreigners	14	25
Management		
Owner – manager	46	84
Management Contract	9	16
Partner's country of Nationality (For JV Companies)		
Europe	27	50
Asia	27	49
USA	1	1
No. of Branches Abroad		
Without branches	39	71
With Branches	16	29
1 - 5	11	20
6 >	5	9
No. of Local Branches		
Without Branches	26	47
With Branches	29	53
1 - 2	13	24
3 - 4	16	29
Investment level (Market Value in 2004)		
Low Investment (Under Ks. 20 million)	25	46
Medium Investment (Between Ks. 20 million – 50 million)	11	20
High Investment (Ks. 50 million above)	19	34
Total Number of Staff		
< = 15	18	33
16 - 30	24	44
30 above	13	23

Source: Survey, 2004.

According to the interview in the tour companies, their businesses were run with *freelance tour guides*. This meant that the firm called the tour guides only when their permanent staff could not provide the specific language such as Chinese, Spanish etc.

Table 5.2
Size of Tour Companies by Type of Ownership (N = 55)

Ownership	Size ¹			Total
	Small	Medium	Large	
Local Owned	18 (44%)	13 (32%)	10 (24%)	41 (100%)
Joint Venture	-	11 (79%)	3 (21%)	14 (100%)
Total	18 (33%)	24 (44%)	13 (23%)	55 (100%)

Source: Survey, 2004.

Note: 1. The size of the firm is classified based upon the number of total staff.

Size of the Business and Type of Ownership

The comparative study of the size of the local-owned and JV companies (mentioned in Table 5.2) found that the majority of the surveyed firms were medium-sized business group consisting 32% of local-owned and 79% of JV businesses. There were very few large-sized business (only 23%) which consisted of the local-owned, 24% and JV companies 21%. The last group consisted of small-sized companies, all of which were locally owned.

Age of the Business and Type of Ownership

The analysis of the age of the companies by type of ownership was made with the aim to determine the experience level of each type of companies. The companies were divided into three groups: infancy, growth and maturity as explained earlier. Table in 5.3 explained that most of the local-owned companies had more than 5-year experience 27% were in having growth stage with 6-10 years and 49% with more 10 years and in the maturity stage. For the JV companies, the majority 86% were in the growth stage, and the remaining rest 14% in the maturity stage. Hence, the majority of these companies, both local-owned and JV companies had more than 5 years business experience.

Table 5.3
Age of Tour Companies by Type of Ownership (N = 55)

Ownership	Age/ Life Cycle			Total
	Infancy	Growth	Maturity	
Local Owned	10 (24%)	11 (27%)	20 (49%)	41 (100%)
Joint Venture	-	12 (86%)	2 (14%)	14 (100%)
Total	10 (18%)	23 (42%)	22 (40%)	55 (100%)

Source: Survey, 2004.

5.2.2 External Factors: Market and Distribution, Suppliers and Related Associations

Market Segment

The targeted markets of the tour companies are mentioned in Table 5.4. There were 14 companies; 25% which specialized in only one or single country market such as France, Japan, Spain, Thailand and China. The rest remaining 75% targeted multiple country markets of the whole region such as Europe market, Asia market or all countries from Europe, Asia and USA.

Table 5.4 shows that the majority of companies 46% targeted some countries from all regions, especially Europe, Asia and USA; mostly they defined their markets as upscale markets such as USA, UK, France, Germany and Japan. And 20% of tour companies specialized all Europe countries as their target markets and the remaining 9% targeted only all Asia countries. Therefore it could be said that the tour companies surveyed mostly targeted high-income countries and they rather specialized in one region as a whole than one country market.

Table 5.4
Market Condition of the Tour Companies (N = 55)

Major Market Segment	No.	%
Single Country Only	14	25
France	2	4
Japan	5	9
Spain	2	4
Thailand	3	5
China	2	4
Multi-Country	41	75
Asian Countries	5	9
Europe Countries	11	20
Europe, Asia & USA Countries	25	46

Source: Survey, 2004.

Scope of Market and Type of Ownership

The study of the relationship between the ownership and their scope of target market revealed that the most of the companies 84% tended to target more than one country. Joint venture companies especially followed the multi-market strategy. They extended their target to all countries in their respective regions. For example, the joint venture company with its origin of country is France, and it targets the whole region (Europe) as its market. It is because France, Italy, Germany, UK, Spain etc. are European Community (EC) members and it is easier to access big market share. The relationship can be seen in Table 5.5.

Table 5.5
Target Market Segment and Type of Ownership (N = 55)

Ownership	No. of Target Market		Total
	Single	Multiple	
Local Owned	6 (15%)	35 (85%)	41 (100%)
Joint Venture	3 (21%)	11 (79%)	14 (100%)
Total	9 (16%)	46 (84%)	55 (100%)

Source: Survey, 2004.

Scope of Target Market and Size of Business

The study of the relationship between the size of businesses and their scope of target market described the similar situation with the relationship analyzed above. Hence, most of the companies tended to target more than one country regardless of their size. Table 5.6, proves the relationship between the size and the scope of their target market.

Table 5.6
Target Market Segment and Size of Tour Companies (N = 55)

Size of Business	No. of Target Market		Total
	Single	Multiple	
Small	2 (11%)	16 (89%)	18 (100%)
Medium	7 (29%)	17 (71%)	24 (100%)
Large	0	13 (100%)	13 (100%)
Total	9 (16%)	46 (84%)	55 (100%)

Source: Survey, 2004.

Distribution of Tour Package

The tour companies sell their tour package directly or indirectly. For example, they sell the package directly to the clients: through the Internet on-line or through their own branches abroad or through personal sale visits to the countries targeted. They can also sell indirectly through the travel intermediaries (travel brokers or agents). Thus, their sale composition may vary. To study the use of distribution strategies of the tour companies, the companies are divided into 2 groups by their sale structure; the companies with more indirect sales volume (more than 50% of total sales) and the companies with more direct sales volume (more than 50% of total sales). It was found out that the number of companies with more indirect sales volume was more than the companies with more direct sale.

Table 5.7 explains that 56.4% of the total respondent companies was with more indirect sales volume and 43.6% with more direct sales. The survey pointed out that most tour companies rely on intermediaries of foreign travel agents to generate high volume of tour-package sale.

Sale Structure of the Companies and Type of Ownership

The study on the sale structure of the companies by their ownership was made to understand the distribution strategies of each type of companies. The survey showed that the ratio of local companies with more indirect sales was 56.1% of the total companies and that of joint venture companies was 57.1%. Whatever the form of ownership, the contribution from indirect sales was a major component of the tour-package sales. Thus, the indirect distribution strategies (using travel agent network) were very important for tour businesses.

Table 5.7
Relationship of Sales Structure and Types of Ownership (N=55)

Sales Structure	Ownership		Total
	Local	Joint Venture	
More Direct Sale volume (>50%)	18 (43.9%)	6 (42.9%)	24 (43.6%)
More Indirect sale Value (>50%)	23 (56.1%)	8 (57.1%)	31 (56.4%)
Total	41 (100%)	14 (100%)	55 (100%)

Source: Survey, 2004.

Types of Tour Product/Area

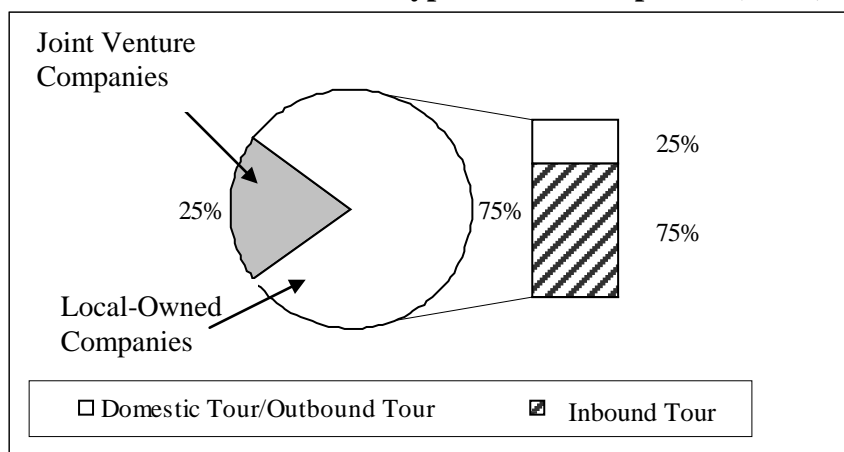
The type of tour product can be divided into 3 types: inbound tour, domestic tour and outbound tour. The survey showed that all companies were involved especially in inbound tour as shown in Figure (5.8). There is a salient feature among the tour companies that all 14 joint venture tour companies included in the survey, 100% operate especially single tour product of *inbound tour* (the tour in which foreigners visit other country or Myanmar). However, the study found that among local-owned companies, about 25% of the tour companies not only operate *inbound tour* but also handle the *domestic tour* (in which Myanmar people travel within their country) and *outbound tour* (in which Myanmar people visit foreign countries) (Table 5.8).

Table 5.8
Tour Product / Area and Type of Ownership (N=55)

Tour Area	Ownership		Total
	Local-owned	Joint Venture	
Inbound Tour Only	41(75%)	14 (100%)	55
Inbound Tour Including Domestic Tour/ Outbound Tour	14 (25%)	-	14
Total	55(100%)	14(100%)	14

Source: Survey, 2004.

Figure 5.1
Tour Product / Area and Type of Ownership (N=55)



Source: Survey, 2004.

Relationship with Suppliers

According to the theory, the extent of collaboration between the business and its suppliers is an important determinant of competitive advantage. The study had divided into 3 groups ranging in a continuum from more contractual to less contractual companies. The basis for the classification was the degree to which the company used contractual arrangements in acquiring elements of tour packages such as accommodation, transport and meal. The more contractual companies used strategic alliances and those in, the lesser contractual agreement operated through loose network relations by informal or oral contracts. Some companies arranged tour package through semi-contractual arrangement for some facilities. (e.g. for the purchase of the facilities, scarce or limited in the peak period).

The study found that the majority of the companies used more contractual network with their suppliers. Table 5.9 shows that 44% of the tour companies made more contractual network while 24% with moderate and 33% with the less contractual level. The study of the relationship between the degree of collaboration and the ownership of the companies showed that the majority of joint venture companies were more committed to the contractual agreement. According to the Table, 71% of the joint venture companies were classified in more contractual group and, the remaining were in the moderate contractual group. For the local-owned companies, there were only 34% of the companies who made more contractual agreements. Therefore, it can be said that the joint venture companies made more use of collaboration and contractual arrangements.

Table 5.9
Degree of Collaboration by Ownership of Tour Companies (N = 55)

Type of Ownership	Collaboration Degree			Total
	More Contractual	Moderate Contractual	Less Contractual	
Local-owned	14 (34%)	9 (22%)	18 (44%)	41 (100%)
Joint Venture	10 (71%)	4- (29%)	-	14 (100%)
Total	24 (44%)	13(24%)	18 (33%)	55 (100%)

Source: Survey, 2004.

Relationship with Tourism Associations

Industry associations are a major medium of cooperation in the centre of many industries. The membership in the industry associations provides the business with access to a wider range of promotional opportunities such as access to information and statistics of tourism activity, access to training courses, opportunities to meet other members and share common concerns, marketing and sales promotion etc. The membership of the tour companies in the local non-government organizations (NGO) such as *Myanmar Tourism Association (MTA)*, *Myanmar Marketing Committee (MMC)*, and foreign Non-Government organizations (NGO) such as *Japan Asia Travel Association (JATA)* and *Pacific Asia Travel Association (PATA)* are shown in Table 5.10.

The study pointed out that the majority of companies joined *MTA* as members; the participation of the local-owned companies was 97% and that joint venture companies' membership was 93% of all surveyed companies. However, joint venture companies participated more than the local-owned companies in the membership of *MMC*¹⁴.

Table 5.10
Membership of Tour Companies in Tourism Associations (N = 55)

Ownership	Industry Associations				Total
	MTA (Local)	MMC (Local)	JATA (Foreign)	PATA (Foreign)	
Local-owned	40 (97%)	14 (34%)	7 (17%)	12 (29%)	41(100%)
Joint Venture	13 (93%)	8 (57%)	4 (29%)	3 (12%)	14 (100%)

Source: Survey, 2004.

¹⁴ This may be partly because the annual membership fees for *MMC* are more than that of *MTA*. Also the membership fees for joining *JATA* and *PATA* are higher than that of former associations.

As for membership in international or regional tourism organizations such as *JATA* and *PATA*, only a small percent of companies are members. The participation of local-owned companies in *PATA* was higher than that of joint venture companies but participation was lower in *JATA*.

The detailed analysis highlighted that the companies (total of 11 companies as shown in the Table above), which identified their target market as Japan especially, joined Japan related association like *JATA* with the objective of gaining confidence of their target of Japanese customers.

As for membership in *PATA*, only a few companies (about 12% for JV companies and about 29% of local-owned companies) joined this association. The survey found the reason for the low membership in this association as follows: for the JV companies they have already had easier access for their targeted market in their home countries and for the local owned, the high membership cost of the association makes the low membership in the associations.

5.2.3 Business Strategies used by Tour Companies

Competitive Strategies

In this section, the types of business strategies used by the tour companies are studied. The study examined the competitive strategies of *low-cost*, *differentiation*, and *focus low-cost*, *focused differentiation* and *best-cost provider strategy*. First, the criteria for identifying the business strategy practised by the tour companies were established. The criteria are dependent in the way in which the tourism products are sold. If a company's sales are mostly ready made standard tour packages, then the company has adopted the *low cost* catering to a relatively small group.

If the company arranges the tour package according to the client's specific needs, then the tour company provides differentiated quality services to their clients using the *differentiation* strategy. If the company specializes in only niche tour market needing professional services such as Eco-tour, bird-watching tour, air balloon tour, special study tour etc. the company is following the *focus* strategy. If the company is an integrated chain or a network of a large foreign company with sufficient capital, technology, management and negotiated bargaining power upon its suppliers, the company is following the *best-cost provider strategy*.

The study has considered only four strategies ignoring the *focus strategy* with low cost due to limitation of time and resources. To cater to arranging this narrow or niche like Eco-

tour market and other special study tours mentioned earlier, the tour company required a lot of experience, good favoured sound contacts with the community, the local authority as well as well-trained staff. This means that the company usually follows the *focus strategy based on differentiation*, not on *low cost*.

Table 5.11

Types of Business Strategies and Type of Ownership (N = 55)

Ownership	Types of Business Strategies				
	Low cost	Differentiat- ion	Focus	Best -Cost Provider	Total
Local-owned	15 (36%)	17 (41%)	5 (12%)	4 (10%)	41 (100%)
Joint Venture	2 (14%)	6 (42%)	-	6 (44%)	14 (100%)
Total	17 (31%)	23 (42%)	5 (9%)	10 (18%)	55 (100%)

Source: Survey, 2004.

Table 5.11 points out that on the whole, most of companies preferred the *differentiation* strategy. However, when examined by the type of ownership, the majority of the joint venture companies 44% followed the *best-cost provider* strategy while most of the local-owned companies 41% followed the *differentiation* strategy, and only 36% used the low cost strategy.

The study found that the majority of joint venture tour companies were competing with the differentiated low cost strategy. The JV companies are the network or integrated chain of foreign companies so that they are very close to the home market and enjoyed economies of scales through handling of high volume of customers. Mostly, the sales for JV companies consisted of sale of multi-destination package¹⁵ thereby the service could be provided with lower cost than that of competitors. Furthermore, the companies possess core competencies such as knowledge, both local and foreign, well-trained staff with higher incentives, high technology, brand reputation, well-organized structure, bargaining power on hotels and other suppliers due to their high volume of purchase etc.

This Table also clearly shows that only local-owned businesses followed the *focus strategy based on differentiation*. The survey found that among the local-owned companies, there were only a few businesses which focused their product on Eco-tours.

¹⁵ The multi-destination package means the tour includes visit to Myanmar and other neighbouring countries. The corporate sales of JV branches are mostly constituted from the sale of multi-destination package, thereby extending of the product (product development strategy) of the companies and the gaining the benefits of the economies of scale.

Strategy Flexibility and Size of Tour Companies

A company may follow a single business strategy or multiple business strategies according to its market conditions. Table 5.12 shows that 65% of tour companies follow the multi-strategy. Thus, the majority of tour companies use strategy flexibly according to the market conditions.

The detailed study of relationship between the strategy flexibility and the size of the companies points out that more than half of small companies used a single strategy which the number of medium-sized companies which pursued single strategy was lower than those used multi-strategy. The study of large companies points out that all respondents used more than one strategy. Therefore, it can be said that the degree of strategy flexibility varied depending on the size of the business.

Table 5.12
Strategy Flexibility and Size of Tour Companies (N = 55)

Size of Business	Use of Business Strategy		Total
	Single	Multiple	
Small	10 (56%)	8 (44%)	18 (100%)
Medium	9 (38%)	15 (62%)	24 (100%)
Large	-	13 (100%)	13 (100%)
Total	19 (35%)	36 (65%)	55 (100%)

Source: Survey, 2004.

Strategy Flexibility and Type of Ownership

For the study on the relationship between the strategy flexibility and type of ownership, more than half of local-owned companies 61% tended to use multi-strategy. Similarly, the ratio of joint venture companies using that strategy was significantly higher than that of companies using only one type of business strategy Table 5.13. Therefore, there is the relationship between strategy flexibility and type of the firm.

Table 5.13
Strategy Flexibility and Type of Ownership (N= 55)

Ownership	Use of Business Strategy		Total
	Single	Multiple	
Local Owned	16 (39%)	25 (61%)	41 (100%)
Joint Venture	3 (21%)	11 (79%)	14 (100%)
Total	19 (35%)	36 (65%)	55 (100%)

Source: Survey, 2004.

Future Strategies

Since the tourism businesses are usually affected by environmental changes, they need to adapt their business practices more or less according to such environmental changes. Table 5.14 highlighted some determining factors for changing the strategies. The survey highlights that 93% of the tour companies emphasized policy constraints, 55% mentioned the importance of customer satisfaction, and 62% showed the importance of competitive strategies. This implies that most of them had experienced business changes and recognized the key environmental factors such as Government policy, competition, and market factors.

The study found that a few companies were following *stability strategy* while nearly half of the companies mentioned that they accepted the need for some degree of *strategy flexibility* to match the changing environmental forces.. Some mentioned that they were following *wait-and-see* strategy and some supported creative *strategy*. In addition, more than half of the companies were *quality* oriented whilst some pointed out *price* as the determining factor. Finally, there were a few tour companies that accepted the importance of *cooperation* among the businesses within the industry; and subscribed to the *win-win* strategy.

Table 5.14
Future strategies determined by Tour Companies (N = 55)

Particular	Frequency	Percent
Policy matters	52	93
Quality-oriented	35	63
Competitive Strategies	34	62
Customer satisfaction	30	55
Market circumstances	28	51
Flexible	27	49
Creative Strategies	23	42
Lower price strategies	21	38
Win-Win Strategies	15	27
Cooperative Strategies	12	22
Stable	10	18

Source: Survey, 2004.

5.2.4 Firms' Performance

Generally, almost all companies aim to earn huge profit and high market share and also want the business to grow to some level of extent. Thus the earnings of the companies were analyzed to determine the level of success and growth of the responding tour companies.

Level of Earning

To evaluate the level of the business' performance, the companies were classified into 4 groups according to their income level¹⁶. The income of the tour business in the period from 2004 to 2005 ranged between the maximum US\$ 3.2 million and US\$ 0.005 million the minimum. Thus the groups were as follows: the lowest level with the earning of (below US\$ 0.01 million), the moderate level between US\$ 0.01 million and US\$ 0.02 million, the high level between US\$ 0.02 million and US\$ 1.2 million, and the highest level US\$ 1.2 million and above respectively.

Table 5.15 indicates that 33% of the tour companies were included in the lowest income group, 62% in moderate-income level and 5% in the highest income group. There were no companies in the third level group.

¹⁶ The data on income level are collected from Ministry of Hotel and Tourism and they are estimated figure only. Due to confidentiality of the data, the performance of the firms only for one year could be evaluated for analysis.

Level of Earning by Types of Ownership

The study was also able to establish the relationships between the earning level of the tour companies with the type of ownership of the companies. The study found that tour companies with the highest as well as the moderately high earning level were the joint venture companies. For the local-owned companies, 44% were among the lowest earning level and the remaining, were just in the moderate earning level.

Table 5.15
Earning levels by Type of Tour Companies (N = 55)

Type of Ownership	Earning Level				Total
	Lowest	Moderate	High	Highest	
Local-owned	18 (44%)	23 (56%)	-	-	41 (100%)
Join Venture	-	11 (79%)	-	3 (21%)	14 (100%)
Total	18 (33%)	34 (62%)	-	3 (5%)	55 (100%)

Source: Survey, 2004.

Growth of the Business

The tour companies may extend their business by investing in the adjacent activities in their network. To analyze the growth of the companies, the following assumptions were adopted:

- (i) If the firm concentrates only on a single line of tour operations or arranging for the existing type of tour package, it follows *concentration strategy*.
- (ii) If the business diversifies its area through related product or service such as banking or insurance business etc., the firm approaches *diversification*.
- (iii) The firm can also follow the integration strategies such as *vertical integration (forward or backward)* and *horizontal integration*. For example, a company invests in hotel business, restaurant, road transport in which case the company pursues *backward integration* strategy, and if it builds up the distribution network, it pursues *forward integration*.
- (iv) If one firm extended its business by setting up the similar business in other countries, it can be said that the firm followed *horizontal integration* strategy.

According to Table 5.16, the majority of joint venture tour companies (about 71%) extended their business scope by setting up tour operator business in other countries. Thus it can be concluded that the joint venture companies followed the horizontal integration strategies. For local-owned tour companies, the first group extended their business through investment in tour supply businesses such as hotels, transport facilities, restaurants and

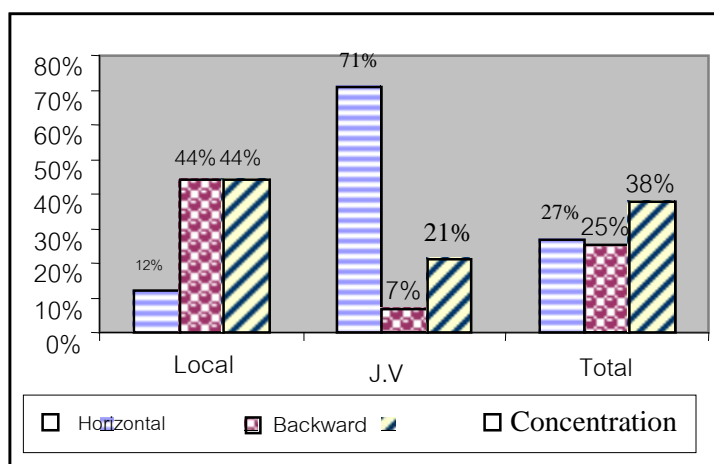
souvenir shops while the second group 44% remained with the existing scope of operations, and the last group 5% followed horizontal integration by enlarging their scope of market operation respectively. Figure 5.2 clearly shows the growth strategies followed by the tour companies.

Table 5.16
Type of Integration and Ownership of Tour Companies (N=55)

Ownership	Integration			Total
	Horizontal	Backward	Concentration	
Local Owned	5 (12%)	18 (44%)	18 (44%)	41 (100%)
Joint Venture	10 (71%)	1 (7%)	3 (21%)	14 (100%)
Total	15 (27%)	19 (25%)	21 (38%)	55 (100%)

Source: Survey, 2004.

Figure 5.2
Integration Strategies pursued by Tour Companies



Source: Survey, 2004.

5.2.5 Empirical Findings on the Hypothesis

Before summarizing all these findings, the following explains the tests of the hypotheses.

Hypothesis 3: The small companies focused on a single target market segment, using a single business strategy.

In the survey, most of the companies are medium-sized business, followed by large businesses and few remaining small-sized companies. The survey pointed out that most of the small-sized companies (about 89%) did not limit their market to one country but extended the scope of market targeting more than one country.

Table 5.17

Target Market Segment and Strategy Flexibility of Tour Companies (N = 55)

Size of Business	No. of Target Market			Strategy Flexibility		
	Single	Multiple	Total	Single	Multiple	Total
Small	2 (11%)	16 (89%)	18 (100%)	10(56%)	8 (44%)	18 (100%)
Medium	7 (29%)	17 (71%)	24 (100%)	9 (38%)	15 (62%)	24 (100%)
Large	0	13 (100%)	13 (100%)	0	13 (100%)	13 (100%)
Total	9 (16%)	46 (84%)	55 (100%)	19 (35%)	36 (65%)	55 (100%)

Source: Survey, 2004.

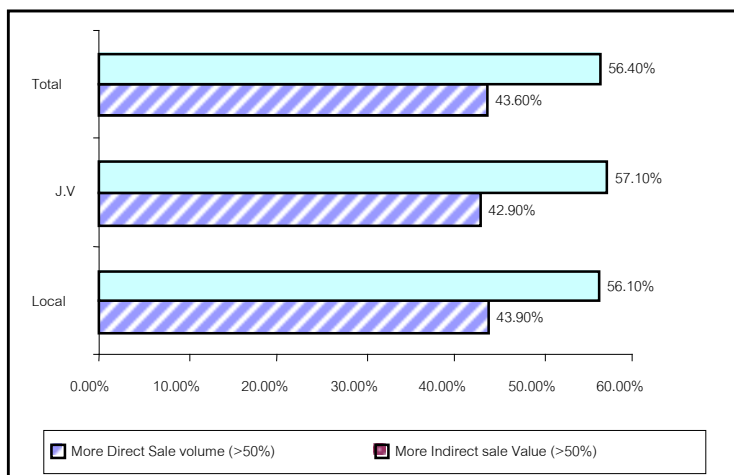
Regarding the flexibility of the strategy, more than half of small-sized companies tended to use one single strategy (Table 5.17). As for medium-sized companies, the majority followed multiple-strategy. Similarly, all large companies used the same strategy. Therefore, it can be said that there are more tendencies to use the business strategies flexibly in medium and large size businesses. Hence, the strategy flexibility is lower for the small-sized companies and high in the large and medium-sized business.

Therefore, the first hypothesis, which is ‘small companies tend to operate in a limited or single target market segment and adopt the single business strategy’, is true only to the some extent.

Hypothesis 4: *Most of the local-owned companies use single marketing strategy distributing the tour package service through the indirect channels using agents abroad.*

Now advanced technology makes some tour companies sell the tour package through direct on-line channel. However, the survey found that most of the sales come from indirect sales channels, regardless of their ownership. Figure 5.3, highlights that more than half of local-owned companies and joint ventures had more indirect sales value (more than 50% of total sales). Therefore, the indirect channel was still important for marketing tour service.

Figure 5.3
Sale Structure of Tour Companies (N=55)



Source: Survey, 2004.

Hypothesis 5: *The joint venture companies follow multicountry strategy rather than single country strategy.*

According to the survey results, a few of joint venture companies were integrated chain of foreign companies and they targeted their market to more than one country. And they had also set up many branches in some Asian countries and operated to provide the multi-destination tour package to their market. Thus, the hypothesis is true to some extent.

Hypothesis 6: *The strategic alliance with the principal providers of tourism supplies can give competitive advantages for tourism companies.*

To provide the service of tour package, the alliance with the basic tourism providers of accommodation, transport, and others through the networking of contractual agreement may give the business to compete more and sell with low-cost advantage. According to the Table 5.18, 29% of the tour companies were included in the lowest income level, 58% with moderate income level and 13% with the highest income group. There was no company gaining the third level of high-income group level. Regarding the level of collaboration, 24 companies (about 44%) were with more contractual agreement, 18 companies (about 32%) with less contractual agreement and the rest with moderate level.

Table 5.18
Collaboration Degree and Earning of Tour Companies (N = 55)

Collaboration Degree	Earning Level				Total
	Lowest	Moderate	High	Highest	
More Contractual	7 (29%)	14 (58%)	-	3 (13%)	24 (100%)
Moderate	5 (38%)	8 (61%)	-	-	13 (100%)
Less Contractual	6 (33%)	12 (67%)	-	-	18 (100%)
Total	18 (33%)	34 (62%)	-	3 (5%)	55 (100%)

Source: Survey, 2004.

The analysis indicated that they were not totally related to each other. It is because the majority of companies making more contractual agreement about 58% fell into the group of moderate earning level. In addition, the majority of the companies making less contractual degree 67% also were in the group of moderate income level. The detailed study pointed out that the tour companies earning the significant highest income were the joint venture companies with the networks with the large foreign companies. It was found that these companies had high market share (the average number of clients/tourists of the JV companies was with the highest volume of about *4000 to 4500 tourists and above* per year), thereby causing the companies to purchase the highest number of hotel rooms and transport facilities. Therefore, these companies enjoy the facilities with more favorable contract rate through the high bargaining power over these suppliers. It can be concluded that these key success factors of high market share in the industry help the companies gain much more benefits than others.

5.3 Implications

The studies highlighted that the Government's encouragement had contributed much to the improvement of tourism business organizations to extend and penetrate the tourism market of Myanmar. However, the economic factors such as varieties of tax, increase in oil prices and inflation have impeded the growth of the tourism market of Myanmar. Moreover, the dual exchange rates, limited use of credit cards and lack of insurance facilities have made some changes in the companies' earning level. Nevertheless, as for technological factors, the majority of the tour companies found the set up of web-site is the most favourable opportunities for their marketing of the tour services and their sale increased from this direct channel.

Regarding the strategy and structure of the companies in the tourism industry, most of the companies are local-owned business. The owners managed the businesses themselves. In comparison to the joint venture companies, the local-owned companies are rather small and

weak in terms of the internal factors (size, capital, employees and the geographical extent) and the external factors (the market extent and coverage, the relationship with the suppliers, the relationships with the tourism-related associations). A few of the tour companies in the industry are the integrated networks of the large foreign companies and their product/ market scope is rather wide with the multi-destination product and multiple markets. Therefore, with this high volume of market, they had the high bargaining power on the basic providers of tourist supplies. Their high commitment to strategic alliances with these providers has made the lowest cost of the tour package possible and enjoyed the benefits of economic efficiency. Their best match with the strengths of the internal factors and external factors had made the companies' earning level to the highest. Their practices on the multicountry strategy also helped the business grow regionwise.

For the local-owned large and medium-sized companies, their marketing efforts such as using online channel, making sale visits abroad and the participation in the local and regional tourism associations have gained the competitive advantages and raised their income to the moderate level. Their backward integration strategies also did much to help the volume of their market grow to some extent.

The study also found that the local-owned small companies, although their main business was the inbound tour for foreigners in the country, also operated domestic tourism business for Myanmar people; and some also do outbound tour business for Myanmar people. This means that they follow market development strategy by extending the service to the domestic/ local people. In addition, it was found that a few of the local-owned tour companies focused on the niche or narrow market specializing the Eco-tour package. They used only one single *focus* strategy, which is based on *product differentiation*. They employed a few of them well-trained staff to operate successfully and to sustain their business.

To summarize all these finding, the tour companies could sustain their business by extending their selected product/market or focusing on the niche market. Regarding the use of business strategy, the strategic flexibility in pricing, staffing, marketing and purchasing the tour element is important because of the specific characteristics of tourism industry such as seasonality, composite product, and policy changes. Finally, the study showed that the strategic alliance is important for all companies, but the companies needed to adapt to the degree of strategic alliances with the volume of their market.

Chapter 6

Conclusion

Myanmar tourism industry is still at an infant stage. However, tourism has remained one of the most important sectors of the economy. Its contribution to GDP was 1.3% in the year 2005. Tourism created employment which is 1.53 % of total employment of the country.

Internationally, tourism industry is the fast growing industry and both developed and developing countries are trying to earn income from tourism and related businesses. The volume of international tourism is increasing and the World Tourism Organization forecasts that tourism in Asia and Pacific will grow up at the rate of over 5% per year compared to the world average of 4.1% per year. The total tourism arrivals to Myanmar during the year 2005 was about 0.66 million. These arrivals were mostly by land from border entrances. The arrival by flight was one-third of the total arrivals.

The share of international tourist arrivals in Myanmar has been increasing at an annual growth rate of 17.01% during 1995 to 2004. The growth rate was quite impressive but Myanmar had only 3.6% of the total market volume of GMS six-country-region tourism. Tourism development in other GMS countries such as Thailand and Vietnam are far ahead of Myanmar tourism development. Therefore, to be competitive in the region, the national policy for tourism development in Myanmar should be firstly to keep in pace with the neighbouring countries' development.

Myanmar possesses numerous attractions of cultural, historical, geographical, and natural tourism sites. The long-term objective of the tourism sector is to develop the tourism industry to turn it into a major foreign exchange earner of the country and at the same time to minimize the negative impact on the cultural heritage and natural environment of the country. Apart from many important measures and activities for tourism development, Myanmar actively participated in regional tourism forums, trade shows, and other activities of ASEAN, GMS, BIMST-EC, and ACEMES.

The *Myanmar Tourism Law* was enacted in 1993. *Myanmar Tourism Promotion Board*, *Myanmar Travel Association (MTA)* and *Myanmar Hotel Association (MHA)* were formed in 2002. This development allows the private sector to participate largely and actively in the industry. Gradually investment in hotels and tourism sector is increasing and the transport facilities are being improved to accommodate the development of the industry.

Moreover, about 600 private tour companies registered to serve the growing number of tourism.

Myanmar needs to create a favorable environment for investment and basic infrastructure development. Nevertheless, it is very important to take into account the following factors for the improvement of the tourism sector in Myanmar. They are

- Integration of the tourism development strategy with the national development strategy;
- Government commitment and support for basic infrastructure development such as transportation, communication, information, and utilities;
- Institutional development;
- Financial service facilities such as banking, insurance, and money changers;
- Financing for infrastructure development;
- International image building;
- Reliable marketing information and intelligence systems;
- Efficient administrative systems,
- High quality of customer services
- Quality training, trainer, and training facilities; etc,
- Active private sector participation and
- Close cooperation and support of regional and neighbouring countries.

Myanmar with the low share of regional tourism market needs to make positive changes to become a competitive tourist destination. Together with the inbound tourism for foreigners, promoting the domestic tourism for local people is one of the market development strategies of the tourist attractions. Such market segment could contribute to the development of the economy and the seasonal effect of the tourism industry can be erased more or less.

Myanmar should follow both the competitive strategies and cooperative strategies, which are essential elements for national tourism strategy. Competitive advantages can be gained through pursuing both of them. Myanmar should seek to collaborate with the neighboring countries such as Thailand, Lao, Cambodia and others, following joint marketing strategies such as two countries one destination program, sister-city program or cultural or religious package tour etc. In fact, Thailand is one of the strategic partners to promote Myanmar tourism because most of direct flights to Myanmar come from Thailand. And Thailand is also a popular tourist destination, which is the high priority sector generating the largest foreign exchange earning for the country and GMS region as a whole.

Table 6.1 summarizes the appropriate national tourism strategy to achieve the long term objective of developing tourism sector as a major foreign exchange earner of the country.

Table 6.1
National Tourism Strategy

Key Issues	Strategies
Infrastructure Development	<ul style="list-style-type: none"> -Improvement and Maintenance in Road, Railway & Air Transport Facilities -Accelerating the Implementation of the Development of Energy, Water Supply etc. -Advanced Information & Communication Technology
Quality of Tourism Products & Services	<ul style="list-style-type: none"> -Improvement of Tourism Products and Services Projects, -Designing Unique and Recognizable Products -Establish the Standard for the Hotels, Tour Operations, Restaurants and Guides -Enhancement in Domestic Tourism
Historical & Cultural and Natural Environment Conservation	<ul style="list-style-type: none"> -Supporting to maintain Traditional Cultural Heritage -Educating and Helping organize Local Businesses to take part in the Environment Conservation -Developing New Tourism Sites
Human Resource Development	<ul style="list-style-type: none"> -Upgrading the Training Facilities and Facilitators. -Continuous Training Programmes for Human Resources in Tourism Industry
Tourism Promotion	<ul style="list-style-type: none"> -Seeking Assistance from Myanmar Embassies in Target Countries, -Organizing FAM Trips for Target Markets -Tourism Promotion through Internet -Advertising using Popular Channels
Collaborating with Neighbouring Countries	<ul style="list-style-type: none"> -Seeking Collaboration with Neighboring Countries for Joint Promotion, -Creating New Package Tour Programmes -Joint Marketing and Research -Joint Training Programmes -Encouraging and Upgrading the role of the Tourism-related Non Government Organization
Community Involvement	<ul style="list-style-type: none"> -Marketing tourism knowledge to the Community -Winning Participation by Other Government Department and Public Entities

After having a clear direction and vision for the development of the tourism sector of the country, business and market strategy should be formulated deliberately. First, it is necessary to define the different market segments and targets to be served. Second, it is important to provide the unique quality product for each segment or target. For example, the product for those who come to Myanmar with the recreational purpose will be different from those with the religious purpose. Therefore each product must be carefully designed and differentiated in order to serve different customers. Third, the affordable cost to the customers and price-quality pay-off should be considered. Fourth, the convenience of the customers from easy transport ticketing and hotel reservation, even easy to use financial facilities to the hygienic environment should be considered. Fifth, means and media for promotion and communication should be more effective to attract more customers. Lastly, the improvement of quality of human capital and the promotion of professionalism especially for quality customer service is essential. Moreover, the establishment of standard for tourism amenities such as the hotels, tour operations, restaurants and guides is important.

The support and contribution of the private sector is the key element for sustainable tourism development in Myanmar. Collaboration between the public and the private sector is required for maintaining the country's natural, historical, cultural, and environmental heritage as well as developing new tourism sites and human resource development. This calls for the cooperation of organizations and institutions both at national level and business level to formulate the most effective tourism strategy. Should tourism be recognized as a national interest sector, the promotion should not be limited to just the National Tourism Administration (Ministry of Hotel and Tourism), but should also enjoy the support of the other departments concerned (industry, culture, natural resources, transport, religion, postal and telecommunication, foreign affairs, immigration etc.), chambers of commerce and trade organizations, as well as all representatives abroad, from embassies to consulates. They should be fully integrated into official tourism promotion efforts. Encouraging the private sector to harness the advanced communication technology such as Internet and on-line marketing is an equally important strategy to have direct selling and advertising worldwide of Myanmar tourism product. Offering the familiarization trip to travel media such as travel writers, editors and journalists is an effective and efficient tool to raise awareness of Myanmar by the prospects and the market.

Community involvement in tourism development of the country is an equally important element of the national tourism strategy. As Myanmar tourism policy is based on the "unique culture", the authority concerned should try to organize and educate local and

regional community. The public should be encouraged to participate actively to maintain the cultural heritage and traditions.

According to the inherent nature of the tourism industry, most of the companies in the industry are small local-owned companies. Lack of resources, capabilities and international reputation are major issues faced by these companies. The bargaining power of these companies is also very minimal. The international tourism market is dominated by a small number of foreign joint venture companies with a relatively larger market share. A few number of international and regional leading travel and tour companies have their branch offices in Myanmar.

The following are some competitive and strategic options suggested for local tour companies in Myanmar.

- Constructing and operating 'formula' facilities

A standard tourism product at a minimum cost and "operate in an efficient way" should be created. This can achieve low cost advantage and earn the attractive profit. The company can build up a "virtual organization" by networking and collaboration with the airlines, hotels, and road transport and provide the standardized tour package services with a competitive low price especially in the off-season.

- Becoming a low-cost producer

"No-frills" operations, low overhead, use of high technology and the Internet, low labour cost, tight budget control, and total operating efficiency should be considered.

- Increasing customer value through integration

Backward or forward integration may contain opportunities to lower cost or enhance the value given to the clients such as cutting the non-essential tour elements, developing the complete ready-made tour packages, providing technical service.

- Specializing by product type

The company can specialize a particular tour service such as bird-watching tour, hiking and mountaineering tour, specific research and study tour, cruise tour, fired air balloon tour etc. This focus strategy based on specialization in one area of the tour product can be effective to sustain in the industry.

- Specializing by customer type

The company can cope with the competition by catering to those clients:

- (1) who have the least bargaining leverage because they need to stay more than the visa period allowed or they purchase for the small group of tourists,
- (2) who are the least price sensitive,
- (3) who are interested in the additional services, unique product attributes or other extras,
- (4) who place customized tour packages, or
- (5) who have special needs or tastes.

- Focusing on a limited geographical area

The firms can gain significant internal operating economies by blanketing a local/ regional geographical area for example, targeting only one regional market such as Europe market, Asia market, US market etc. Concentrating facilities and marketing activities on a limited territory can produce greater sales force efficiencies, speed delivery and customer services, and permit saturation advertising.

- Licensing foreign firms

The firms can pursue the strategic alliances by licensing the foreign firms' trade name and brand to use the companies' technology or produce and distribute the companies' tour programmes.

- Maintaining a national (one-country) tour product

The company can sell the tour packages by either setting up company-owned branches or using foreign tour agency forward distribution channels.

- Following a multi-country strategy:

The tour companies can follow international strategy with country-by-country basis to respond to the needs of specific nationality of tourists and competitive conditions in each country, which they target.

- Following a global low-cost strategy

A firm can follow the strategy based on the company being a low-cost supplier to clients in most or all strategically important markets such as Germany, France, UK, Australia, Italy, US,

and Japan. The company's strategic efforts are coordinated worldwide to achieve a low cost position relative to the foreign joint venture companies.

- Following a global differentiation strategy

One firm can differentiate its product by adding the free services such as providing gifts, dinner, cocktail parties etc. on the same attributes in all countries to create a consistent image and a consistent competitive theme.

- Following a global focus strategy

The companies' strategy can be aimed at serving the same identifiable niche in each of many strategically important country markets.

- Following a global best-cost provider strategy

The firm can give the clients more value for money by incorporating good-to-excellent product attributes at a lower cost than competitors. This strategy can be followed by forming partnerships, strategic alliance and network with either the same competitors or providers of complementary products. This can lead to cost reduction and improved customer offerings. In fact, the firms with brand reputation, gaining the learning and experience curve benefits and adequate access to distribution channels should especially follow the strategy.

As by its nature the tourism product is an intangible, diversity product and subject to change. It needs to be adapted and creative to provide the product something different from competitors. The higher quality is in demand although the major tourism market is price-sensitive, making the tour companies challenge to sell it with a low-cost. Therefore, integrating the basic suppliers and the distribution network or outsourcing them can reduce the cost and help to enjoy the benefits of efficiency. Following the cooperative strategies by building up the strong network with the tourism-related associations, government organization and participating in the affairs of tourism promotion program are also important factors to gain the competitive advantages.

The study has pointed out the operational frameworks for micro level and for macro level for winning the competitive advantage for the tourism industry of Myanmar. At the business level, as the industry is operated within the national environmental context, the firms need to consider the key success factors of the environment framework such as the suppliers,

distribution channels and tourism-related associations and match their internal strengths in resources and capabilities to the success factors of the industry.

At the national level (or) industry level, the model follows Porter's Diamond which suggests that competitive performance of an industry in a country depends on the nation's endowments namely human resources, infrastructure, natural and cultural resources, presence of internationally competitive related and supporting industries, the characteristics of demand for the products and services, and strategy and structural characteristics of companies such as accommodation, transport, tour operators and travel agencies in the industry and also more importantly the relationship of them. The model points out the more favourable these characteristics, the greater is its potential for tourism development. Hence, the role of Government is to support directly or indirectly the main and supporting industries. Maintaining and motivating the private sectors, especially the small-sized business to have the innovative and creative skills can enhance the competitiveness of Myanmar as a tourism destination.

Finally, developing new site attractions and creating activity-based tourism like adventure tourism, eco-tourism, skiing tourism, ethnic tourism, sport tourism, rural tourism etc. as complementary elements to existing cultural tourism, can increase in tourist arrivals to Myanmar and at the same time alleviating the seasonal effects and enhancing the competitive advantages of the tourism industry of the country.

The study highlighted the major and important factors and strategies to improve the tourism sector in Myanmar. However, some further and detailed studies are still required. Complement industries such as the hotel industry, airline industry, and food and beverage industry, handicraft industry to be more comprehensive, understanding the strategies of the industry as a whole should be included to analyze the situation of the tourism industry and to formulate development strategies for the tour businesses in Myanmar. The factors and demand condition, the supporting organizations, and the firms' strategy, structure of prominent tour centers should be studied to understand the specific tourism product.

Load Factor of Airlines in Myanmar, 2000-2005

Sr. No.	Route	No. of Flights			Occupied Percentage			% of Change in No. of Flight (2000-2005)
		2000	2003	2005	2000	2003	2005	
1	BKK-YGN	1509	1334	1866	40.57	46.71	41.21	23.7
2	CHIANGMAI-YGN	115	80	55	23.54	40.35	60.24	(52.2)
3	SINGAPORE-YGN	676	569	717	26.47	33.43	29.36	6.1
4	HONGKONG-YGN	104	6	9	41.97	42.94	40.04	(91.3)
5	KUALALUMPUR-YGN	208	246	348	38.22	26.84	25.16	67.3
6	KUMMING-YGN	102	102	126	43.03	49.74	52.5	23.5
7	DHAKA-YGN	47	193	68	12.38	11.86	16.53	0.4
8	CALCUTTA-YGN	105	106	103	17.79	20.71	18.54	(1.9)
9	NEWDELI-YGN	-	-	113	-	-	94.02	-
10	TAIPEL-YGN	255	171	172	68.63	64.91	59.98	(32.5)
11	VIENNA-YGN	-	24	153	-	41.96	51.74	537.5
12	MACAU-YGN	1	-	-	NA	-	-	-
13	KUMMING-MDL	-	136	147	-	53.97	45.45	8.1
14	CHIANGMAI-MDL	52	52	52	30.99	56.56	23.91	0
15	BKK-MDL	-	58	-	-	20.35	-	-
16	BKK-NYU	-	24	3	-	22.41	44	(87.5)
17	SPECIAL FLIGHT	94	165	118	-	-	-	25.5
	TOTAL	3268	3266	4050	38.96	42.34	38.25	23.9

Source: Myanmar Tourism Statistics Bulletin, 2005.

Note: BKK— BANGKOK

YGN— YANGON

MDY— MANDALAY

NYU— NYAUNG OO

Hotels/Motels/Guest Houses in 2005

Sr. No.	Place	Numbers	Rooms	
			No.	%
1	Yangon	161	6652	34.9
2	Bagan	85	1980	16.4
3	Mandalay	69	2858	15.0
4	Nyaung Shwe	40	847	4.4
5	Ngwe Saung	19	788	4.1
6	Tachileik	12	556	2.9
7	Taunggyi	16	508	2.7
8	Chaungtha	13	392	2.1
9	Muse	8	335	1.8
10	Kyaington	10	324	1.7
11	Ngapali	7	322	1.7
12	Kalaw	19	301	1.6
13	Kawthaung	3	291	1.5
14	Pyin Oo Lwin	17	260	1.4
15	Bago	10	266	1.4
16	Myitkyina	11	250	1.3
17	Pyay	13	191	1.0
18	Kyaikhto	8	197	1.0
19	Lashio	5	168	0.9
20	Pindaya	5	152	0.8
21	Sittwe	6	124	0.7
22	Patheingyi	6	140	0.7
23	Taungtha	8	108	0.6
24	Monywa	5	123	0.6
25	Mawlamyine	6	114	0.5
26	Meiktila	5	98	0.5
27	Magwe	5	78	0.4
28	Mrauk-U	4	74	0.4
29	Bhamaw	2	82	0.4
30	Hpa-an	3	60	0.3
31	Thipaw	3	35	0.2
32	Thazi	3	32	0.2
33	Dawei	2	54	0.2
34	Aungmye	2	38	0.2
35	Myawaddy	1	40	0.2
36	Koongyangone	1	30	0.2
37	Kalay	1	40	0.2
38	Sagaing	2	19	0.1
39	Pakokku	2	23	0.1
40	Shwe Nyaung	1	16	0.1
41	Pyinmana	1	25	0.1
42	Mogoke	1	11	0.1
43	Loikaw	1	24	0.1
44	Kyaupataung	1	14	0.1

Source: Myanmar Tourism
Statistics Bulletin, 2005.

Occupancy Rate of Selected Hotels in Yangon

Appendix 5

Hotel	Star-rating	No. of Rooms	Occupancy Rate (%)						Average Occupancy (%) (1995-04)	Visitor Average Length of Stay
			1999	2000	2001	2002	2003	2004		
Foreign Direct Investment										
Strand	5	32	70	80	85	60	78	80	76	1.8
Pansea	4	48	55	60	64	65	70	71	64	5
Traders	5	500	40	45	45	45	50	60	48	7
Summit Park viewed	4	140	45	45	45	45	45	45	45	NA
Hotel Nikko	5	256	38	40	38	43	40	42	40	3
Central	3	82	NA	NA	NA	NA	NA	40	40	6
Sedona	5	366	30	35	40	40	45	NA	38	7
Grand Plaza	5	359	-	49	39	25	29	39	36	NA
Savoy	3		28	28	28	28	28	28	28	3
Dusit Inya Lake	5	159	NA	NA	NA	NA	23	28	25	4
Local Owned Hotel										
Olympic	3	60	NA	NA	NA	NA	34	80	57	NA
Panorama	3	104	55	57	60	62	40	50	54	5
Royal White Elephant	3	63	NA	27	35	58	64	70	51	5
Asia Plaza	3	150	20	35	48	59	62	65	48	3
Liberty		40	45	42	40	40	41	42	47	3
Hotel Paradise	3	96	28	28	30	24	25	35	33	15
Summer Palace	3	56	20	18	18	20	21	20	16	12

Source: Own Survey, 2004.

Foreign Investment in Myanmar by Economic Sector

*As of March 31st of the year

Sr. No.	Sector	1998		2000		2005	
		Approved Amount (US\$ in million)	Percent	Approved Amount (US\$ in million)	Percent	Approved Amount (US\$ in million)	Percent
1	Oil and Gas	2303.12	32.10	2308.373	32.12	2600.02	33.55
2	Manufacturing	1436.31	20.02	1506.777	20.96	1610.41	20.78
3	Hotel & Tourism	1146.54	15.98	1054.411	14.67	1034.56	13.34
4	Real Estate	997.14	13.89	997.14	13.87	1056.45	13.63
5	Mining	501.36	6.98	522.246	7.26	534.19	6.89
6	Transport and Communication	275.39	3.84	275.387	3.83	313.27	4.04
7	Livestock and Fisheries	275.35	3.84	283.372	3.94	312.36	4.03
8	Industrial Estate	193.11	2.69	193.113	2.68	193.11	2.49
9	Construction	17.27	0.24	17.267	0.24	37.77	0.49
10	Agriculture	14.35	0.20	14.35	0.19	34.35	0.44
11	Other Services	13.69	0.19	13.68	0.19	23.69	6.31
	Total	7173.6	100	7186.123	100	7750.18	100

Source: Ministry of National Planning and Economic Development, 2004-2005.

Myanmar Citizen Investment by Economic Sector

*As of March 31st of the year

Sr. No.	Sector	2004		2005	
		Approved Amount (Kyat in million)	Percent	Approved Amount (Kyat in million)	Percent
1	Manufacturing	29979.07	25.74	31184.67	25.56
2	Real Estate	27891.96	23.75	30081.96	24.65
3	Construction	11341.00	9.74	11341.00	9.29
4	Transport	10847.26	9.31	10847.26	8.89
5	Live Stock and Fishery	8916.41	7.65	8950.26	7.34
6	Mining	6867.92	5.90	7267.92	5.95
7	Hotel & Tourism	4103.84	3.52	5603.84	4.59
8	Electric Power	3664.92	3.15	3664.92	3.00
9	Industrial Estate	1012.79	0.87	1012.79	0.83
10	Agriculture	547.90	0.47	547.90	0.45
11	Others	11303.46	9.70	11511.23	9.43
	Total	116476.53	100	122013.75	100

Source: Ministry of National Planning and Economic Development, 2004-2005.

Tourist Arrivals by Entry point to Myanmar

Entry	1994-1995		1995-1996		1996-1997		1997-1998		2000-2001		2001-2002		2002-3		2003-4	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Yangon Airport	91,238	48.3	133,585	64.1	177,995	33.1	188,587	38.4	210,079	47.9	205,086	42.0	213,729	39.5	201,547	33.1
Mandalay Airport	621	0.4	3298	1.6	1599	0.3	105	0.02	1112	0.3	1792	0.4	6879	1.3	6485	1.1
Border Check Points	96,832	51.3	71,345	34.3	358,423	66.6	302,336	61.58	227,289	51.8	281,578	57.6	321,202	59.2	400,567	65.8
Total	188,691	100	208,228	100	538,017	100	491,028	100	438,480	100	488,456	100	541,810	100	608,599	100

Source: Tourism Statistics Bulletin, Various Issues.

Major Tourist-Generating Markets of Myanmar and Neighbouring Countries, 2004

Country	Number of Arrivals (000)									
	Myanmar		Laos		Cambodia		Thailand		Vietnam	
	No. of Arrivals	%	No. of Arrivals	%	No. of Arrivals	%	No. of Arrivals	%	No. of Arrivals	%
ASEAN	62	9.44	639	75.62	183	17.34	2937	25.02	1864	9.13
Rest of World	595	90.56	256	30.29	872	82.65	8801	74.98	18560	90.87
ASIA	84	12.78	73	8.64	367	34.78	4603	39.22	9718	47.58
HK	3	0.45	0	0	0	0	665	5.66	99	0.48
South Korea	10	1.52	7	0.83	128	12.13	911	7.76	696	3.41
Taiwan	20	3.04	2	0.24	53	5.02	560	4.77	1956	9.58
China	18	2.74	33	3.91	46	4.36	780	6.64	5246	25.69
India	8	1.22	2	0.24	7	0.66	301	2.56	21	0.10
Japan	20	3.04	20	2.34	118	11.18	1194	10.17	1686	8.25
Others	4	0.61	9	1.06	15	1.42	192	1.64	14	0.07
Europe	63	9.59	112	13.25	243	23.03	2648	22.56	2376	11.63
France	13	1.98	28	3.31	58	5.50	252	2.15	951	4.66
Germany	14	2.13	14	1.66	29	2.75	450	3.83	266	1.30
Italy	8	1.22	4	0.47	10	0.95	120	1.02	59	0.29
Nether land	2	0.30	7	0.83	12	1.14	138	1.17	80	0.39
Scandinavia	1	0.15	8	0.95	12	1.14	373	3.17	157	0.77
UK	8	1.22	27	3.19	64	6.06	635	5.4	550	2.69
Others	17	2.59	24	2.84	57	5.40	681	5.80	313	1.53
America	20	3.04	47	5.56	122	11.56	703	5.98	2223	10.88
Canada	3	0.45	9	1.06	21	1.99	108	0.92	262	1.28
USA	16	2.43	37	4.38	95	9.00	567	4.83	1958	9.59
Other	1	0.15	1	1	7	0.66	28	0.24	3	0.01
Oceania	7	1.06	18	2.13	46	4.36	471	4.01	641	3.14
Australia	6	0.91	15	1.78	38	3.60	397	3.38	588	2.88
Other	1	0.15	3	0.35	8	0.76	74	0.63	53	0.26
Others	420	63.93	5	0.59	94	8.91	375	3.20	3601	17.63
Total	657	100	845	100	1055	100	11737	100	20424	100

Source: ASEAN Tourism Statistics, 2005.

Tourist Arrivals to Myanmar by Nationality

No	Country	2001		2002		2003		2004		2005	
		Number	%	Number	%	Number	%	Number	%	Number	%
Asia		123904	60.48	125547	57.80	121392	59.04	146774	60.67	133894	57.66
1	Hong Kong	1408	0.69	1277	0.59	1667	0.81	3020	1.25	2593	1.12
2	Japan	20118	9.82	20744	9.55	18799	9.14	20296	8.39	19584	8.43
3	Malaysia	11296	5.51	12532	5.77	10003	4.87	12478	5.16	9858	4.24
4	Singapore	9939	4.85	11310	5.21	10373	5.05	11292	4.67	9674	4.17
5	Thailand	17123	8.36	16936	7.80	22214	10.80	32735	13.53	27199	11.17
6	China	16788	8.19	17732	8.16	15564	7.57	17890	7.39	19596	8.44
7	Taiwan	26020	12.70	22849	10.52	19645	9.55	20424	8.44	17600	7.58
8	Korea	7581	3.70	7890	3.63	8399	4.09	10405	4.30	10934	4.71
9	Bangladish	1074	0.52	1488	0.68	1999	0.97	1705	0.70	1506	0.65
10	India	5572	2.72	5691	2.62	6291	3.06	8357	3.45	7679	3.31
11	Others	6985	3.41	7098	3.27	6438	3.13	8172	3.38	7671	3.30
West Europe		55948	27.31	63400	29.19	58161	28.29	62901	26.00	64531	27.79
1	Austria	2126	1.04	3616	1.66	4756	2.31	4168	1.73	3156	1.36
2	Belgium	2408	1.18	2364	1.09	2159	1.05	2340	0.97	2859	1.23
3	France	12461	6.08	14108	6.50	13125	6.38	13372	5.53	15295	6.59
4	Germany	11450	5.59	12952	5.96	13341	6.49	14112	5.83	13689	5.89
5	Italy	6618	3.23	7908	3.64	6129	2.98	7924	3.27	7083	3.05
6	Switzerland	3602	1.76	4695	2.16	4258	2.07	3974	1.64	3942	1.70
7	U.K	8424	4.11	8620	3.97	7848	3.82	7720	3.19	8126	3.50
8	Spain	3277	1.60	3856	1.78	2171	1.06	4134	1.71	4947	2.13
9	Others	5582	2.72	5281	2.43	4374	2.13	5157	2.13	5434	2.34
North America		15864	7.74	16953	7.80	15775	7.67	19260	7.96	19509	8.40
1	Canada	2340	1.14	2476	1.14	2519	1.23	2828	1.17	2911	1.25
2	America	13524	6.60	14477	6.66	13256	6.45	16432	6.79	16598	7.15
Oceania		5069	2.47	5912	2.72	5742	2.79	7076	2.92	7282	3.14
1	Australia	4442	2.17	5194	2.39	4950	2.41	6069	2.51	6342	2.73
2	Newzealand	627	0.31	710	0.33	771	0.37	984	0.40	922	0.40
3	Others	-	-	8	0.00%	21	0.01	23	0.01	18	0.01
East Europe		1542	0.75	2077	0.96	2203	1.07	2510	1.04	3402	1.46
1	Russia	434	0.21	556	0.26	551	0.27	760	0.31	1032	0.44
2	Others	1108	0.54	1521	0.70	1652	0.80	1750	0.72	2370	1.02
Middle East		1416	0.69	2022	0.93	1148	0.56	1831	0.76	1920	0.83
Other Americas		807	0.39	871	0.40	799	0.39	1191	0.49	1192	0.51
Africa		312	0.15	430	0.20	390	0.19	395	0.16	488	0.21
Total		204862	100	217212	100.00	205610	100.00	241938	100.00	232218	100

Source: Myanmar Tourism Statistics Bulletin : Various Issues.

Number of Tourist Arrivals to Eco-tourism Sites in Myanmar

Year	2002		2003		2004		2005	
	No.	%	No.	%	No.	%	No.	%
West Europe	60	50	154	57	144	62	203	76
Belgium	9	7	21	8	4	2	1	-
Germany	14	12	47	17	30	13	60	23
French	13	11	6	2	43	18	27	10
Switzerland	7	6	36	13	29	12	26	10
Italy	2	2	2	1	9	4	32	12
UK	4	3	25	9	3	1	33	12
Netherlands	0	0	7	3	20	9	5	2
Others	11	9	10	4	6	3	19	7
North America	17	14	37	14	47	20	24	9
USA	8	7	36	13	47	20	20	8
Canada	9	7	1	1	0	0	4	1
Asia	40	33	56	21	28	12	27	10
Japan	23	19	55	20	26	11	19	7
China	16	13	0	0	1	0	1	0
Hong Kong	0	0	0	0	0	0	7	3
Others	1	1	1	1	1	0	0	0
Pacific	2	2	23	8	4	2	12	5
Australian	2	2	21	7	4	2	12	5
New Zealand	0	0	2	1	0	0	0	0
Others	2	1	2	1	11	4	0	0
Total	121	100	272	100	234	100	266	100

Sources: Ministry of Forestry, 2006.

Questionnaire: Tourist Survey

1. (a) Nationality ----- male female
- (b) Age 15-20 years 21-30 years 31-50 years above 50 years
- (c) What is your occupation and Level? Occupation ----- Level -----
- (d) What is your income per month (US\$) (approximately) -----
2. Are you travelling alone or with whom? alone with friends
 with wife/husband with family
3. (a) Who arranged your tour to Myanmar?
 yourself travel agent or travel company, please state -----
4. Does your tour include other countries?
 No Yes, name of countries -----
5. What do you expect to enjoy most during your stay?-----
6. The main interest area in Myanmar -----
7. How do you know about Myanmar? -----
8. Is this visit to Myanmar the first time? Yes No, If no, how many times? ---
9. So far, which area have you visited in Myanmar? -----
10. What's your opinion of Myanmar Tourist attractions? -----
11. Is there any wonderful or distinguishing factors in Myanmar Tourism compared to that of other ASEAN countries?
 No Yes, please mention -----

12. Did your stay in Myanmar fulfill your expectations? Did you enjoy your holiday?
 (please specify)
 very much much moderate no much not all
13. Please state the name of hotels you stayed in -----

14. How much money per person have you spent during your stay? -----
15. Write in the total number of days spent in Myanmar on this visit.-----
16. How do you think that the holiday- price relationship as regards trip to Myanmar ?
 very expensive expensive normal cheap very cheap

Demographic Characteristics of the Respondents

(N=500)

	Variable	Frequency	Percentage
(1)	Nationality	500	100
	<i>ASEAN</i>	48	9.6
	Thailand	16	3.2
	Singapore	8	1.6
	Others	24	4.8
	<i>Asia and Pacific (Excluding ASEAN)</i>	104	20.8
	Japan	35	7
	China	12	2.4
	Korea	12	2.4
	India	3	0.6
	Others	42	8.4
	<i>North America</i>	50	10
	USA	36	7.2
	Canada	14	2.8
	<i>West Europe</i>	254	50.8
	France	53	10.6
	Germany	77	15.4
	UK	31	6.2
	Others	93	18.6
	<i>Others</i>	44	8.8
(2)	Gender	500	100
	Male	287	57.4
	Female	213	42.6
(3)	Age	500	100
	15-20	17	3.4
	21-30	119	23.8
	31-50	231	46.2
	Above 50	133	26.6
(4)	Income Level (US\$)	400	100
	Under1000	211	52.7
	1001-2500	70	18.0
	2501-4000	56	14.0
	4,001-5500	27	6.8
	5501-7000	11	2.8
	7001-10.000	12	3.0
	Over 10001	13	3.3
(5)	Occupational Level	459	100
	Professional and Technical	98	21.4
	Managers, Officers, Proprietors	162	35.3
	Clerical and Sales	34	7.4
	Craftsman, Foreman	38	8.2
	Operatives	38	8.2
	Retired	34	7.4
	Students	41	8.9
	Housewife	14	3.1

Source: Survey Result, 2004.

Demographic Characteristics of the Respondents

(N=500)

	Variable	Frequency	Percentage
(1)	Nationality	500	100
	<i>ASEAN</i>	48	9.6
	Thailand	16	3.2
	Singapore	8	1.6
	Others	24	4.8
	<i>Asia and Pacific (Excluding ASEAN)</i>	104	20.8
	Japan	35	7
	China	12	2.4
	Korea	12	2.4
	India	3	0.6
	Others	42	8.4
	<i>North America</i>	50	10
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	<i>West Europe</i>	254	50.8
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	5501-7000	11	2.8
	7001-10.000	12	3.0
	Over 10001	13	3.3
(5)	Occupational Level	459	100
	Professional and Technical	98	21.4
	Managers, Officers, Proprietors	162	35.3
	Clerical and Sales	34	7.4
	Craftsman, Foreman	38	8.2
	Operatives	38	8.2
	Retired	34	7.4
	Students	41	8.9
	Housewife	14	3.1

Source: Survey Result, 2004.

Travel Behaviour & Characteristics of the Respondents (N=500)

	Variable	Frequency	Percentage
(1)	Travel Partners	496	100
	Alone	151	30.4
	With Friends	163	32.8
	With Wife/husband	139	28.0
	With Family	43	8.7
(2)	Travel Arrangement	491	100
	Themselves	303	61.7
	Travel Operators/Agents	188	38.3
(3)	Sources of Information Used	381	100
	Word-of-Mouth	145	38.1
	Through Publication (Journals, Guide-Books, CD Rom, Photo Exposition etc.)	138	36.2
	Internet	76	20.0
	Through Travel Businesses	22	5.8
(4)	Frequency Visit	498	100
	First-time Visitor	92	18.5
	Repeat Visitors	406	81.5
	1-3 times	180	36.1
	4-5 times	156	31.3
	5 times over	70	14.1
(5)	Other Countries Included	487	100
	Only Myanmar	199	41
	Including Others	288	59
	One country	158	32.4
	Two countries	50	10.3
	Three countries	61	12.5
	More than Four Countries	19	3.9
(6)	The Name of the Countries Included	288	100
	ASEAN	229	79.5
	Thailand	115	39.9
	Cambodia	54	19.0
	Lao	36	12.5
	Vietnam	5	1.7
	Other	19	6.6
	Other Asia	59	20.5
	China	17	5.9

Appendix 11. B Cont'd

	India	16	5.5
	Korea	5	1.7
	Japan	5	1.7
	Other	16	5.5
(7)	Total Number of Days Spent	500	100
	≤ 7 days	148	29.6
	8 - 14 days	161	32.2
	15 – 21 days	110	22.0
	22 – 28 days	76	15.2
	28 days >	5	1
(8)	The Amount Spent During their Stay in Myanmar (US\$)	289	100
	<= 500	182	63.0
	501 – 1000	52	18.0
	1001 – 2000	27	9.3
	2001 – 3000	14	4.8
	3001 – 5000	11	3.8
	5000>	3	1.03
(9)	Holiday-price Relationship	280	100
	Normal	151	54
	Expensive	76	27
	Very Expensive	36	13
	Cheap	14	5
	Very cheap	3	1

Source: Survey Result, 2004.

Tourists' Attitude, Main Interest Area and Fulfillment of the Expectation of Respondents

Variable	Frequency	Percent (%)
Tourist with their expectations	416	100
To visit Cultural and Historical place	192	46.2
To meet Pleasant and Interesting People	133	32.0
To enjoy Traditional Festivals and Activity	41	9.9
To enjoy Natural and Scenic Beauty	36	8.7
For Shopping	12	2.9
To enjoy Good Food	2	0.5
Main Interest Area	363	100
Cultural and Historical Place	276	76.0
Eco-tour site	70	19.4
City, Downtown, Business Area	7	1.9
Nature and Beach Resort	10	2.8
The fulfillment of Expectation	350	100
Very much	103	29.5
Much	180	51.4
Moderate	60	17.1
No much	5	1.4
Not at all	2	0.6

Appendix 11.D

Comparison with other ASEAN Countries

Unique Factors	Frequency	Percentage
Friendly People	126	58.1
Many Pagodas	43	19.8
Unique Culture and Tradition	22	10.1
Different City	13	6.0
Safety	10	4.6
Entrance Fees	3	1.4
Total	217	100

Appendix 11.E

Tourists' Suggestion upon Myanmar Tourism

Tourist's Suggestion	Frequency	Percentage
Better Transportation	225	33.1
More Advertisement	102	15.0
To preserve culture	83	12.2
Direct Flight from	60	8.8
Pay with the credit card	54	7.9
Better Communication	40	5.9
More Information	40	5.9
New interesting sites	35	5.1
Clean water facility	23	0.5
MetreTaxi	18	2.6
Total	680	100

Questionnaire : Tourism Survey Research Study

This questionnaire is just for Academic Purpose. We ensure the confidentiality of your answer with the main objective of promoting tourism development.

Name of Company -----

Address -----

Name of M.D -----

Education -----

Telephone/Email -----

Web site -----

1. General Background

(a) Year of Establishment -----

(b) No. of Branches: (In Myanmar) ----- town -----

(In Foreign) ----- town/country -----

- (c) Type of ownership:
- Company (individual undertaking)
- Company (Joint venture with local partners)
- Company (Joint venture with foreign country)

- (d) Types of Management:
- Owner-manager
- Management Contract/Chain
- Franchise

(e) For the joint venture company with foreign country, please mention your partner's country of Origin -----

(f) Where's your Head office, please? -----

(g) Share Capital Ratio: Foreign side ----- %, Myanmar side -----%

(h) No. of Board of Directors members ----- (foreigner----- local-----)

Total No. of Employees (including all local branches): (-----)

Middle Level ----- Lower Level -----

(i) No. of Departments -----

(j) Your own possession in the following:

Types

Ownership

- | | | |
|--|-------------------------|---------------------------|
| <input type="checkbox"/> Hotel / Motel/ Inn | Year of Establishment (|) Your own /Joint Venture |
| <input type="checkbox"/> Restaurants | Year of Establishment (|) Your own /Joint Venture |
| <input type="checkbox"/> Souvenir/Handicraft | Year of Establishment (|)Your own / Joint Venture |
| <input type="checkbox"/> Other (please Specify-----) | (|) Your own/ Joint Venture |

... company: SALOON()/ HI-ACE()/ BUS ()

(i)Do you operate? Please mention in order of majority of your company.

(a) Inbound Tour

(b) Outbound Tour

(c) Domestic Tour

(m) Do you arrange Restricted Zones of Myanmar? Yes No

(n) Are you a Passenger Sales Agent (PSA) of Domestic Air Lines? Yes No
 Yes No

(o) Are you a Passenger Sales Agent (PSA) of World Wide Air Lines?

2 Market Condition

(a) Sales Portion: Present (Total 100%) Past one/two years ago
Direct Sales(%) ----- Direct Sales (%) -----
Indirect Sales (%) ----- Indirect Sales (%) -----

(b) From your Direct Sales Network, please mention specific portion

Walk-in sales (%) -----
Internet Sales (%) -----
Recommended Sales (%) -----
Corporate Sales (%) -----
Other (Please specify -----) % -----

(c) Please mention specific portion from indirect sales Network

Travel Agent (abroad) (%) -----
Travel Agent (local) (%) -----
Hotel (%) -----
Others (Please specify-----) % -----

(d) Sales portion by Travel Arrangement:

Present (Total 100%) Past one/two years ago
Package Sales (%) ----- (%) -----
FIT Sales (%) ----- (%) -----

(e) Sales Portion by Travel Arrangement:

Present (Total 100%) Past one/two year ago
Ready-made Tour (%) ----- (%) -----
Special-interest Tour (%) ----- (%) -----

(f) Please mention, the number of marketing sections in your marketing department and mention the nationality.

Number of Sections: ----- Nationality -----

...ear present major market segment (please write the rank if your market is more than one nationality)

Nationality	Rank	Nationality	Rank
<input type="checkbox"/> France	-----	<input type="checkbox"/> USA	-----
<input type="checkbox"/> Germany	-----	<input type="checkbox"/> Japan	-----
<input type="checkbox"/> Spain	-----	<input type="checkbox"/> Thailand	-----
<input type="checkbox"/> Italy	-----	<input type="checkbox"/> China	-----
<input type="checkbox"/> Switzerland	-----	<input type="checkbox"/> Singapore	-----
<input type="checkbox"/> UK	-----	<input type="checkbox"/> East Europe	-----
<input type="checkbox"/> Belgium	-----	<input type="checkbox"/> Others (Please Specify ----) -----	-----

(h) Your last year's major target market is the same with market mentioned above?

Yes No

(i) If no, please mention the last year major market?

(j) The area which you specialize (please tick)

	Present	Past
<input type="checkbox"/> Inbound Tour	-----	-----
<input type="checkbox"/> Domestic Tour	-----	-----
<input type="checkbox"/> Outbound Tour for Local People	-----	-----
<input type="checkbox"/> Tour to other countries (for foreign tourist)	-----	-----
<input type="checkbox"/> Others (please specify -----)	-----	-----

(k) Please mention business strategy your firm currently use (please tick in strategies and fill up blanks in season and nationality)

Strategies	(High season/ low /All)	Nationality (Mention in detail)
<input type="checkbox"/> The lowest price with no frill	-----	-----
<input type="checkbox"/> Lower price than competitors for similar standard	-----	-----
<input type="checkbox"/> Unique quality with lower price of competitors	-----	-----
<input type="checkbox"/> Unique quality with premium price	-----	-----
<input type="checkbox"/> Selected market niche with lower price	-----	-----
<input type="checkbox"/> Selected market niche with premium price	-----	-----
<input type="checkbox"/> Other (please specify -----)	-----	-----

(l) When you change the strategy mentioned above?(or) what factors make you change your business strategy?

(3) The Network/Relationship with Others

(a) Please mention the relationship with the following firms

Types	Total Number	Local/Foreign/Both	Network (more/moderate/ less)
<input type="checkbox"/> Tour Company	-----	-----	-----
<input type="checkbox"/> Travel Agent	-----	-----	-----
<input type="checkbox"/> Hotel	-----	-----	-----
<input type="checkbox"/> Airline/Ticket	-----	-----	-----
<input type="checkbox"/> Agent	-----	-----	-----
<input type="checkbox"/> Road Transport	-----	-----	-----
<input type="checkbox"/> Food Centre/	-----	-----	-----
<input type="checkbox"/> Restaurant	-----	-----	-----
<input type="checkbox"/> Jewellery/	-----	-----	-----
<input type="checkbox"/> Handicraft	-----	-----	-----
<input type="checkbox"/> Others (please specify)	-----	-----	-----

(b) Which network is the most satisfying for interest of your business? Which is the most dissatisfying for interest of your business? (mentioned with some reasons)

Satisfied: -----

Dissatisfied: -----

(4) The Network with Non-governmental Organization

(a) Please, mention the following associations in which your are member and the reason of entering the associations.

		Reason
Local	<input type="checkbox"/> MTA	-----
	<input type="checkbox"/> MHA	-----
	<input type="checkbox"/> MMC	-----
Foreign	<input type="checkbox"/> JATA	-----

Others (please specify -----) -----

(b) By entering in these associations, is there any improvement condition before as a member?

Yes No

(5) Companies Internal Strengths and Weaknesses

Please mention your strongest factors and weakest factors

Factors	Strong (S)/Weak(w)/ Moderate (M)	Remarks
1. Capital	-----	-----
2. Finance and Banking Facilities	-----	-----
3. Communication/Technology	-----	-----
4. Management	-----	-----
5. Organization Structure	-----	-----
6. Availability of skilled employees	-----	-----
7. Contact with suppliers	-----	-----
8. Contact with Agents/Distributors	-----	-----
9. Contact with NGO associations	-----	-----
10. Marketing skill	-----	-----
11. Market	-----	-----
12. Others (please specify-----)	-----	-----

(c) If there is any future plan, please mention your future action for coming tour season? (including your positive suggestion)

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