

## **TOWARDS TOURISM DEVELOPMENT OF THE ISAN REGION, NORTHEASTERN THAILAND**

*Nara Huttasin*<sup>\*</sup>

Ubon Ratchathani University, Thailand  
email: nara.h@ubu.ac.th

*Hans Mommaas*<sup>\*\*</sup>

Tilburg University, The Netherlands  
email: j.t.mommaas@uvt.nl

*Luuk Knippenberg*<sup>\*\*\*</sup>

Radboud University, The Netherlands  
email: l.knippenberg@maw.ru.nl

### **ABSTRACT**

*This paper provides an assessment of tourism development in the Isan region by taking Ubon Ratchathani as a unit of study. Porter's Diamond model is applied to gain insight into a clear perspective on the economic development of regional tourism in a competitive market. The findings indicate the low advancement of tourism development in Ubon Ratchathani because of cultural constraints, low quality of factor conditions, lack of coordination in the tourism value chain, low cooperation between the public and private sectors, and a low level of sophistication in demand conditions. This might facilitate the decision-making process of policy-makers and related parties to strategically plan and develop regional tourism, contributing to the quest of the Thai government and the Isan tourism sector to properly manage tourism in order to achieve a more competitive position at the national and international levels.*

**Keywords:** Tourism development, Thailand tourism, Porter's Diamond model, Isan, Thailand

### **INTRODUCTION**

In a period of world economic stagnation and vulnerability, the United Nations World Tourism Organization (UNWTO) reports that tourism is still the fastest growing industry, with 5 percent growth in 2014. It is not surprising that tourism is regarded as the powerful driving force for world

economic development. The same is true for Thailand where tourism has been put at the heart of development because the Thai government has officially recognised the success of the 1997 tourism promotion campaign "Amazing Thailand" which generated significant foreign exchange. Considering its wide range of tourist attractions and a comparative advantage over many countries in terms of nature, wildlife, climate, cultural heritage, traditional activities (such as agriculture and handicrafts) and the hospitality of the Thai people, the Thai government has seen an opportunity to develop tourism and has used it as a tool for economic development. Currently, tourism is a part of the national agenda, with the vision of Thailand becoming among the top five destinations in Asia (National Tourism Development Plan 2012–2016).

Thailand has been referred to as a success story in tourism development and marketing (Opperman and Chon 1997; Noypayak 2001). However, its development has only been successful in the south and the north of Thailand while the Northeast or Isan, lags behind in terms of the least visited area in the country, even though it has the fascinating blend of Thai, Lao, and Khmer cultures presented in cultural and archaeological sites. To solve this problem, the government has launched the "Amazing Isan" campaign and promoted Isan as an inexpensive destination. However, tourism income in the Isan region is still regarded as low in relation to other regions (Higham 2000). With regard to this unsatisfactory level of tourism development in the Isan region, a thorough analysis is crucially needed to determine the extent to which tourism can be further developed there. The findings of this study are intended to contribute to the thinking in Thailand about the direction of regional tourism development in Isan, and the need for a modification of regional development policy to make Isan tourism more competitive.

## **THE ISAN REGION AND ECONOMIC DEVELOPMENT**

The National Economic and Social Development Board (NESDB) indicates that the Isan region occupies about one-third of Thailand's land area, and comprises approximately one-third of the country's total population, and is the least developed and poorest region. To give a clearer picture, the poverty of the Isan is comparable to the poverty incidence in Sub-Saharan Africa (Clarke 2006: 177), because over half of Isan people (56.5 percent) have agrarian roots, engaging in small-scale agricultural activities and thus they have a low level of market bargaining power (NESDB 2007). Their productivity is low because of the porous, highly saline and infertile soil, as

well as a lack of fertiliser, and limited irrigation facilities (Richter 2006). The existing economic structure of Isan is dependent on agriculture, commerce, manufacturing and services (Table 1). Due to the limitations in terms of low-yielding agricultural products and low bargaining power in the market, the growth of the Isan economy has been slower than other parts of Thailand, resulting in a migration of young labour to work in such cities as Bangkok, and thus there is remittance dependency of 40 percent of Isan households and a high dependency rate on externally generated income (Jerrold and Chamrathirong 2011: 58).

Table 1: GDP of the Northeast or Isan region compared to Thailand's GDP.

Sector	Thailand (Unit: 100,000 million baht)					The Northeast or Isan region (Unit: 100,000 million baht)				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
<i>GDP</i>	70.8	78.4	85.3	90.1	90.4	7.1	8.1	9.0	9.4	10.4
Agriculture	7.2	8.4	9.1	10.4	10.3	1.4	1.5	1.8	1.9	2.2
Manufacture	24.6	27.4	30.3	31.6	30.8	0.9	1.2	1.4	1.5	1.6
Commerce	10.4	11.1	12.0	12.8	12.7	1.5	1.6	1.8	1.9	2.1
Service	22.0	24.0	25.9	27.4	28.1	2.6	3.0	3.3	3.4	3.6

Source: NESDB (<http://www.nesdb.go.th/Default.aspx?tabid=96>, accessed 12 August 2013).

As mentioned, the 1997 "Amazing Thailand" campaign has attracted a large number of international tourists, influencing the Thai government's decision to deploy tourism as a tool for regional development by, for instance, supporting tourism promotion and marketing, establishing a tourism information centre, developing accessibility, and establishing the East-West Economic Corridor (EWEC) project to build east-west roads to link Myanmar, Thailand, Laos and Vietnam (Kmonwatananisa 2008). The development of Isan tourism is thus expected to help reduce labour migration to Bangkok.

## THE COMPETITIVENESS OF REGIONAL TOURISM

Perceived as an economic growth catalyst because of the important role that the tourism sector plays in national and regional economic development, the competitiveness of tourism has become a topic of particular interest among

tourism researchers, practitioners and policymakers (see Crouch and Ritchie 1999; Dwyer and Kim 2003; Vanhove 2002; Mazanec et al. 2007; Hassan 2000). In addition, tourism requires minimal investments (Jackson and Murphy 2006; Sharpley and Sharpley 1997: 22). Therefore, many governments have focused on tourism development to attract visitors and new investment in isolated regions. Economic opportunities in Isan in the form of comparative advantage present themselves in terms of tourism resources (such as natural landscapes, a good climate and cultural heritage). However, there has been an increasing shift in tourism policy in that there is also an urgent need to ensure the quality of tourism resources in order that the sector can compete effectively at the global level, which points to the importance of competitive rather than comparative advantage (Crouch and Ritchie 1999). In other words, tourism is no longer seen as a panacea for regional economic development, as Tisdell (1998: 16) argues, "...tourism is not a Cinderella industry for developing all backward regions," unless tourism becomes more competitive. To this extent, the concept of competitiveness should be addressed because tourism resources alone are not a guarantee of successful regional tourism development.

Tourism is a multifaceted phenomenon. It can be viewed from different perspectives, depending on the purposes and interests of the observer (Hall 2000; Hall and Butler 1995; Farrell and Twining-Ward 2003). For instance, economists might look at tourism as an economic sector, as a part of the macro-economy. What they are interested in may include the extent to which tourism contributes to employment opportunities, foreign exchange and the balance of payments. Policy-makers might think of tourism as a mechanism for regional development, looking at its role in reducing socio-economic disparities. Sociologists might study tourism from the point of view of its role in strengthening or weakening forms of social cohesion. Geographers could be concerned with the spatial dimensions of tourism: the flow of travellers, notions of place and changes in the physical landscape. Thus, tourism can be studied from a wide variety of disciplinary perspectives (Leiper 1990). In this paper, tourism is perceived as an economic sector, as a part of the macro-economy. It needs a strategy to meet consumer demands in order to compete effectively with other destinations. Competition among tourist destinations is a manifestation of an economic competition episode, seen in terms of the sale of "experience products." According to Crouch and Ritchie (1999), the "experience product" is a combination of regional resources (such as climate, the natural landscape, cultural heritage sites and the local small-scale economy) which can be transformed from unused regional resources into "experience products" (transportation, lodging, catering, value-adding and delivering

other services to tourists). Thus, the sale of "experience products" relates to resource enhancement, service values delivered to tourists and the appropriate management of regional resources, before they can be delivered to tourists. To this extent, what makes regional tourism competitive is the ability to attract tourists to spend more and stay a longer time there rather than in other regions. Therefore a given region has to create and integrate value-added "experience products" that sustain its resources while maintaining its market position relative to competitors (Hassan 2000). In our attention to the competitiveness of regional tourism, Porter's Diamond model provides a perspective on the economic development of regions in a competitive global market.

## **THE DIAMOND MODEL**

One of the most influential competitiveness models is the "Diamond model" (Figure 1), formulated by Michael E. Porter in the late 1980s. It was developed to assess and compare the international competitiveness (or interchangeably, competitive advantage) of nation-states and regions. Porter's Diamond model is unique among economic models since it looks at international competition from a micro-economic perspective instead of the conventional macro-economic one. According to Porter (1990), the Diamond framework includes determinants that play an important role in stimulating the sector to create productivity. These are:

### **Factor Conditions**

These are grouped into five categories: human resources, physical resources, knowledge resources, capital resources and infrastructure. Porter distinguishes them in terms of the level of sophistication and specificity. The sophistication level is classified into basic factors and advanced factors. Basic factors embrace climate, location, unskilled and semiskilled labour, and debt capital. Advanced factors comprise modern digital communications infrastructure, highly educated human resources, and knowledge and research institutes in sophisticated disciplines. While basic factors are inherited or require unsophisticated private and social investments, advanced factors are frequently built upon basic factors through an investment in both human resources (e.g., computer scientists and engineers) and physical capital (e.g., technology). The specificity level is divided into generalised factors and specialised factors. Generalised factors include a supply of debt capital, employees with college education,

and a highway system. All of them can be utilised in a wide range of economic activities. Specialised factors cover specific infrastructures, skilled human resources, and particular and specific forms of knowledge with a limited range to a single industry.

### **Demand Conditions**

These comprise the nature of home-market demand for the industry's products or services. Firms can gain a competitive advantage in global market segments if these segments in the home nation-state are highly visible, sizeable, and sophisticated compared to other nation-states. This also implies the anticipation of customer needs that gives an early warning indicator to firms to learn how to meet those needs.

### **The Presence of Competitive Related and Supporting Industries**

This factor helps firms create advantages through vertical relationships (supporting industries) and horizontal relationships (related industries). In terms of vertical relationships, supporting industries can supply efficient, early, rapid and cost-effective inputs. In the case of horizontal relationships, firms can coordinate and share activities (technology developments, production, marketing, distribution channels and services) with related industries in the value chain. Good coordination can provide opportunities for technological interchange, information flow and complementary products and/or services that will facilitate a firm's ability to gain a competitive advantage.

### **Firm Strategy, Structure and Rivalry**

These concern the context of national conditions, how firms are established and managed, and what the nature of domestic competition comprises. Different nation-states have different styles of management practice which include such issues as training, leadership, organisational style, the strength of individual initiatives, the decision-making tools, the nature of customer relationships, the coordinating ability across functions, the attitude toward international activities, and the relationship between labour and management.

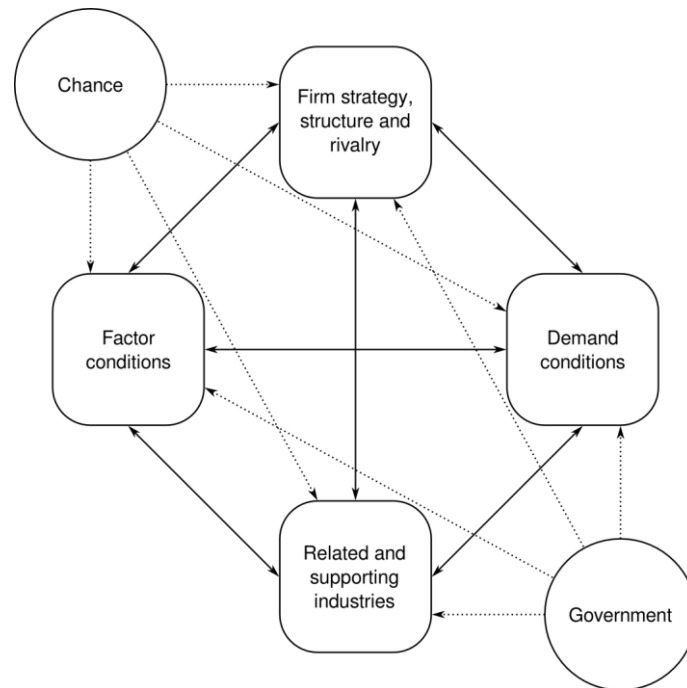


Figure 1: The Diamond model (Porter 1990).

They directly support, interact and improve each other and can be indirectly influenced by government actions and by chance. Together they shape the competitive success of a nation-state or region. Although Porter's Diamond model is an assessment tool applicable to a sector, it has not been specifically used to evaluate the development of tourism. Based on our literature review, it is applied in an evaluation of tourism competitiveness at the national level (see Bobirca and Cristureanu 2008; Gomezelj and Mihalic 2008; Miller et al. 2008; Navickas and Malakauskaite 2009). Nevertheless, little attention has yet been paid to the examination of the competitiveness of a geographically small region (Dwyer and Kim 2003).

## RESEARCH METHODOLOGY

To assess the prospects for regional tourism development, the Diamond framework will be used in this paper to examine regional tourism development. In doing so, it needs an act of operationalisation from the theoretical concept into practical indicators in the specific context of the study area (Table 2).

Table 2: Operationalisation of the Diamond model in assessing regional tourism (source: author).

The Diamond model	Objective of the theoretical content	Practical indicator
<b>1. Factor conditions</b>	Checking whether the factor conditions are available and of high enough quality to assist tourism firms in increasing their competitive capabilities.	
1.1. Physical resources	Physical resources concern the geographical characteristics of the region that affect firms' costs (e.g., transportation).	The climate, the landscape, the location and the availability of tourism products (natural/cultural attractions).
1.2. Human resources	Human resources concern the quantity and skills of personnel and whether personnel costs can be borne by firms.	The supply and demand of tourism labour, the quality of tourism employees (in terms of educational levels), the opportunities for skills improvement that could lead to service quality improvement, and the cost of tourism employees (wages and other benefits).
1.3. Knowledge resources	Examining whether 1) there are knowledge resources available, and 2) there is investment in knowledge creation by firms to help in upgrading product/service quality.	The presence of knowledge institutions and research and training projects related to tourism, and the level of knowledge investment in the tourism sector.
1.4. Capital resources	Checking whether capital (e.g., cash, stock, bond, etc.) is available for the tourism sector.	The availability of financial institutions able to facilitate financial services for tourism firms.
1.5 Infrastructure	Looking at whether transportation and infrastructure are available and how their qualities are.	The availability and quality of transportation infrastructure and tourism facilities.

*(continue on next page)*



Table 2: (continued)

The Diamond model	Objective of the theoretical content	Practical indicator
<b>2. Related and supporting industries</b>	Looking into whether or not tourism suppliers are available and if available, how tourism firms work together.	The presence of tourism related industries and collaborative practices in the tourism value chain (e.g., tourism firms' contacts and the frequency thereof).
<b>3. Demand conditions</b>	The availability of sophisticated, demanding and anticipatory groups of customers is essential because of their importance in driving and stimulating firms to continuously upgrade their quality and develop their market.	The quantity of visitors, visitor spending power (expenditure and length of stay), and visitor motivation and evaluation.
<b>4. Firm strategy, structure and rivalry</b>	Understanding the structure of the tourism industry, its competition environment, and its strategies to compete.	The production climate at firm and policy levels and their interactions.

## The Study Area

We selected the province of Ubon Ratchathani, located in the Isan region (Figure 2), as the representative of Isan tourism development for the following reasons. According to the Ministry of Tourism and Sport (MOTS), Ubon Ratchathani is perceived as one of the potential tourist destinations in Thailand because it possesses many natural and cultural attractions, various tourism infrastructures and facilities, and proximity to two of Thailand's four neighbouring countries (Laos and Cambodia) which have the potential to develop trans-border tourism in the light of the Asian Economic Community (AEC) inauguration in 2015 and the Greater Mekong Sub-regional Economic Cooperation (GMS-EC). Additionally, Ubon Ratchathani has been the administrative centre of the lower north-eastern part of Thailand for a long time, implying a key factor supporting the development of the MICE (Meetings, Incentives, Conventions and Exhibitions) tourism market.

Ubon Ratchathani is about 600 kilometres from Bangkok and covers 16,112 square kilometres in the Korat Basin. There is a population of approximately 1.78 million, 82.7 percent of whom live in the countryside, indicating that agriculture is the main economic activity (Ubon Ratchathani Provincial Statistics Office 2008). Poverty in Ubon Ratchathani shares the

same problems with the wider region; the main problems are severe and continuous drought conditions and small-scale farms with low marketing power, which exert pressure on young workers to leave in search of opportunities outside the region, leaving behind the old and the young children in the villages (Ubon Ratchathani Development Plan 2010–2012). Given these similarities, the development of a competitive tourism industry in Ubon Ratchathani could be an option to contribute to poverty alleviation and the reduction of the migration of the young labourers.



Figure 2: Map of Thailand, the Isan region and Ubon Ratchathani.

## Data Collecting

To fulfil the indicator system, the archival records are the main sources of data. However, during the fieldwork three problems were encountered. First, the Tourism Authority of Thailand (TAT) had no longer taken responsibility for the compilation of tourism statistics which resulted in fragmented, scattered and outdated tourism data for Ubon Ratchathani. Second, database systems at both national and regional levels were unsystematic which made it difficult to find some data (for example data on tourism supply and tourism demand). Finally, although data available in the statistical office included economic data, the statistics did not provide information which would enable an assessment of the developmental stages of tourism activity.

For these reasons, primary data were required. In gathering them, mixed methods to collect both quantitative and qualitative data were employed during the period of June–August 2010.

- A quantitative survey was conducted by using a structured interview questionnaire to collect data from tourism entrepreneurs. Based on data from the TAT – the Ubon Ratchathani Branch, there were 105 tourism firms (tour operations and accommodation) operating in Ubon Ratchathani, of which 12 accommodations were situated in National Parks and military areas which were considered non-commercial in character, and thus they were excluded from this study; questionnaire interviews with 93 tourism entrepreneurs, a population of this study, were undertaken by fourth-year bachelor degree students from the Department of Hospitality Management, Ubon Ratchathani University. 83 questionnaires were considered completed.
- In-depth interviews with 33 tourism entrepreneurs (22 accommodation providers and 11 tour operators) to examine the reasons, processes, motivations, evaluations and policies of these tourism firms which were judged to have a good reputation in the study area were undertaken to gather qualitative data. Questions, for example, on how tourism entrepreneurs positioned their business and what economic opportunities and threats they saw and dealt with, were asked. The interviews which lasted at least one hour were recorded and transcribed to enable tourism entrepreneurs to examine their internal validity. In-depth interviews with 13 key tourism informants were also conducted to ensure the accuracy of information and the external validity of the work through questions related to their views on the strengths and weaknesses, and the threats and opportunities in relation to tourism development in the area.

## **Results**

The results of the tourism assessment in Ubon Ratchathani are presented as follows:

### **Factor conditions**

Ubon Ratchathani is situated in the eastern-most part of Thailand, with an average year-round temperature of 27.3°C. There are many natural and cultural attractions available in the province such as the National Parks, pre-historic rock painting, the forest monasteries where the revered Buddhist monks who have been famous teachers of meditation have lived and studied the principles of Buddhism, and the Candle Festival which is scheduled in the "Amazing Thailand Program" as an international renowned festival of Thailand.

There appears to be more tourism labour supply than demand in the Ubon Ratchathani tourism sector. There are only 49 graduates in tourism/hospitality employed in the province, even though there are more than 6,200 tourism and/or hospitality students graduating annually from higher educational institutions in Thailand. The reason why local tourism entrepreneurs prefer hiring low rather than highly educated workers is that highly educated workers tend to show lower job loyalty and less enthusiasm compared to employees with a low educational level. However, tourism informants reflect that the underlying causes of the lack of skilled tourism employees in Ubon Ratchathani can be attributed to low pay and the active recruitment and selection by larger firms in high potential areas such as Bangkok, Chiang Mai and Pattaya. According to the results of the interviews with tourism informants, the low remuneration for tourism employees is a major constraint on tourism development because highly educated and/or experienced employees move elsewhere, leading to a low level of service quality of the Ubon Ratchathani tourism sector. To some extent, the service quality could be improved by training tourism employees to be more professional (e.g., giving them hospitality and language skills). Nonetheless, tourism employees hardly have any professional training opportunities because local tourism entrepreneurs suspect their highly educated employees' job loyalty and the low capability of poorly educated employees to learn, and hence the entrepreneurs do not want to spend money on staff training, opting instead for internal on-the-job training programmes. As a result, an improvement of the service quality level is rather low.

When turning to knowledge resources, it was found that, although there are research and academic services from two state universities, two private universities and one vocational college situated in Ubon Ratchathani, most of the tourism firms hardly make use of such kinds of knowledge resources. Surprisingly, local tourism entrepreneurs are also not interested in engaging themselves in knowledge development either. They say that they are too busy running their routine business, and have no time to cooperate with higher educational institutions to create the type of knowledge that might contribute to their long-term profitability. This clearly indicates the low level of knowledge investment in the tourism sector.

Concerning capital resources, there are many financial institutions (68 branches of commercial banks, eight state-enterprise saving banks, and 16 thrift and credit cooperatives) providing financial services. However, most of the tourism entrepreneurs in Ubon Ratchathani do not borrow money from them because their families act as a source of capital to invest in their businesses, hinting at a risk-avoiding attitude of tourism entrepreneurs.

Considering the tourism infrastructure, given the advantage of being the administrative and the main economic centre in the lower Isan region, Ubon Ratchathani has the potential to receive an influx of visitors because of the availability of transportation infrastructure and tourism facilities. At a glance, the presence of these facilities would seem to enable Ubon Ratchathani to become a tourism hub within the lower north-eastern region, but, tourism informants note that compared to the quality of the existing transportation infrastructure and tourism facilities in other regions in Thailand, those of Ubon Ratchathani need improvement. These include accessibility problems such as the low quality of train services, a lack of signposts pointing to the direction to destinations, and inferior road quality (two-lane roads).

### **Related and supporting industries**

According to Porter's Diamond model, the existence of related and supporting industries in a region provides a potential competitive advantage, based on close working relationships. The linkages of the tourism sector with suppliers can facilitate innovation and an upgrading of processes through quick access to information, research and development (R&D) exchange, new method perceptions, and opportunities to apply new technologies, because they are the mechanisms driving a competitive advantage. As tourism is a fragmented industry, comprised of many small-medium scale tourism businesses that make it difficult to identify related and supporting industries, this study restricted itself to the energy, souvenir,

and car rental service industries which Vanhove (2006) also regards as tourism related industries. The findings confirm the presence of these related and supporting industries of tourism but their cooperative practices to develop new tourism products or/and improve the quality of tourist experiences are rated at the low level. The way they cooperate with each other is primarily based on daily business concerns, with formal contact in terms of business exchange (e.g., purchasing products or services). Although there are tourism associated institutions which can help the tourism sector, particularly the hotel industry, in Ubon Ratchathani to develop its quality to meet the international standard, the ambition of the tourism sector in Ubon Ratchathani is relatively modest because very few tourism firms participate in tourism associated institutions.

### **Demand conditions**

Based on the secondary data of visitors coming to visit Ubon Ratchathani reported by the MOTS and TAT, there are about 1.5 million visitors, of whom about 97 percent are domestic visitors and only 3 percent international. Of the domestic visitors, the majority of them have their origin in the same region (71 percent), and are classed as Visiting Friends and Relatives (VFR) (85 percent). As for the international visitors, most are from Asian countries (43 percent) and 50 percent are classified as leisure visitors and 45 percent as VFR visitors. Almost all of the visitors are independent travellers (92 percent), arranging their own trips and travel by personal vehicle (42 percent) (TAT 2008).

Concerning the visitor spending power which this study defines in terms of visitors' income, their length of stay, their daily expenditures, and their pattern of spending, based on the report of the MOTS, more than half of domestic visitors earn less than US\$333–500 per month (approx. 1 US dollar = 30 baht), while most international visitors earn less than US\$10,000 per month. Furthermore, the different patterns of staying and spending are obvious in that domestic visitors stay a longer time but spend less money (3.14 days and US\$30.2 per day) compared to international visitors (2.76 days and US\$45.4 per day). The pattern of tourist spending in Ubon Ratchathani is diverse; domestic visitors spend almost half of their expenditure on souvenirs (43 percent) whereas international visitors spend more than half on their accommodation, food and beverages (52 percent).

The MOTS report (2008) indicates that both domestic and international visitors are motivated to visit Ubon Ratchathani because of the interesting places located there, low prices and the proximity to other provinces and neighbouring countries. The most popular places for domestic

visitors include temples while international visitors list the shopping centres as most interesting. The MOTS has also reported that more than 96 percent of the visitors are satisfied with tourism in Ubon Ratchathani, and the quality of attractions and transportation were evaluated as being at a good level, while accommodation was rated at a moderate level. Visitors also indicated that they wanted to revisit Ubon Ratchathani within three years, even though they complained about the inadequacy of rooms during the Candle Festival, the hot climate, and the quiet atmosphere of the province (Ministry of Tourism and Sports 2008).

### **Firm strategy, structure and rivalry**

#### *At the firm level*

The production climate reveals that the structure of the tourism sector in Ubon Ratchathani is mostly comprised of small to medium-sized family owned enterprises which are managed by family members who have no educational background or experience related to tourism and/or hospitality (93 percent), and have been established by local entrepreneurs born in Ubon Ratchathani (83 percent). In addition, of the firms studied, most accommodation comprises resorts (50 percent) and hotels (43 percent), and most tour operators operate on outbound tourism (74 percent). It is interesting to find from the interviews that while most small-scale tourism firms are operated by Thai entrepreneurs, a majority of medium-sized enterprises are run by Chinese-Thai mixed blood entrepreneurs whose original businesses include rice mills, manufacturing and distribution operations, and property development. Surprisingly, these entrepreneurs are interested in investing in the tourism sector not only in order to create businesses for their sons and daughters and extended families, but also because being the owner of a hotel is perceived as prestigious.

The rivalry environment is intense because of three intrinsic causes driving high competition in the tourism sector of Ubon Ratchathani, including the low barrier to entry, the high level of rivalry, and the high negotiation of demand.

- The low barrier to entry is caused by the non-existence of brand loyalty and the minimal capital investment requirements, as evidenced by expressions of local tourism entrepreneurs who indicate that the tourism sector competes for customers following a low cost strategy, rather than working to develop brand loyalty. Besides, more than half of these entrepreneurs come from rich families where their

main financial source is accumulated family wealth, suggesting that those who have money can invest in the tourism business.

- The high level of rivalry derives from not only a large number of firms, but also the absence of an adequate level of product differentiation in the tourism sector. Hotel entrepreneurs say that they have to fight for their market share with apartment businesses where operation costs are not as high as hotels so apartment entrepreneurs can provide lower prices. Similarly in the tour operating business, entrepreneurs state that the high level of price competition is caused by the different cost structures. Tour-operating firms have to pay for the registering of tour guides and the registration fees for operating either inbound or outbound transportation, depending on the tour operating class. However, car rental firms have a tendency to copy tour-operating services by offering cheaper trips to touring customers and in doing so, car rental firms have no fees even if one rents a car with a driver and the driver acts as a tour guide.
- The high negotiation of demand is seen when pricing strategy plays a role, when tourism products are not differentiated, and when there are numerous cheap products offered to customers, so that customers have a high bargaining power with regard to prices. Together with price-sensitive customers and the dependence on an indigenous low cost market of the tourism sector, this stimulates local tourism entrepreneurs to implement low pricing strategies.

### *At the policy level*

There are four key players that directly influence the development of tourism in Ubon Ratchathani, including: the TAT, the MOTS, the governor and the local government. Each actor has a specific legislative role and specific authority. However, the qualitative interviews point to a low level of cooperation in the government sector itself with the underlying causes consisting of administrative functionalisation, the discontinuation of professional quality, and the fragmented policy perspectives that affect regional tourism development.

- The functionalisation possibly results from the "pseudo" decentralisation policy in which power and authority are not fully transferred to the local government responsible for developing



tourism in the region. Instead, the central government has its own delegates from many departments involved in developing regional tourism working in the region and these delegates perform only specialised tasks assigned by the central government.

- The discontinuation of professional quality is referred to in terms of the non-application of "Put the right man in the right job." To illustrate, the TAT officials who have long-term experience in tourism development have not been designated as the administrators in the MOTS. Rather, the high ranked administration posts at the MOTS are filled with officials of the Department of Physical Education who are inexperienced in the development of tourism.
- The fragmented policy perspectives reflect the different influential interest groups for regional tourism development. For instance, the governor will pass on the provincial budget to promote tourism development only if he or she is interested in it. National and local politicians will subsidise the development of cultural attractions based on hidden political agendas, to gain more votes from local citizens in return. As a result, the budget allocation for tourism development can become polarised and lead to a fragmented implementation of the development plan.

### *The interaction between firm and policy levels*

The interrelationships between firms and policy making is analysed in terms of top-down relationships, bottom-up relationships, and horizontal relationships to determine one way or another the collaboration of the public and the private sector to develop tourism in Ubon Ratchathani.

- Top-down relationships have been seen from, for example, training programmes provided by the government agencies to improve language, hospitality, managerial and marketing skills of the tourism staff. These programmes are arranged at no cost, but it seems that local tourism entrepreneurs fail to cooperate with the government, not only because firms are not formally informed of the programmes and their busy business operation but also, as mentioned, because of the perceived low capability and low job loyalty of their employees that discourage entrepreneurs from allowing employees to attend such training programmes.

- Bottom-up relationships have been seen from the example of a trans-border tourism project, driven by the Ubon Ratchathani Chamber of Commerce (UCC) and supported by the provincial and central governments. The UCC has ignited the development of a tourism-led regional economy (through trans-border tourism) to lead Ubon Ratchathani to the centre of a regional economic circle in the Indochina region, based on its geographic advantage in the GMS. The reason is that although tourism resources in Ubon Ratchathani are varied, they are insufficiently attractive, compared to the world heritage site (Angkor Wat) in Cambodia and to the unspoiled natural attractions in Laos (Kon Pa Peng Waterfall). Trans-border tourism between Ubon Ratchathani and Laos has been primarily initiated in order to attract mass tourists. In doing so, the purpose is to increase the number of tourists in Ubon Ratchathani and have the tourism sector respond to this by extending a wide range of services to welcome visitors. In practice, tourists use Ubon Ratchathani merely as a gateway, or as a transit place rather than as a tourist destination. Recognising this cross-border "leakage" of tourists as a threat to inbound tourism, the TAT has attempted to encourage the tourism sector to join the tourism fairs in Bangkok where people there have higher purchasing power. The tourism fairs are annually organised by the TAT, aimed at stimulating inbound tourism to Thailand as a whole. The TAT has partially subsidised these to encourage local tourism entrepreneurs to participate in the fairs. However, tourism entrepreneurs in Ubon Ratchathani rarely participate in this event because they are sceptical about the possibility of gaining customers from the fairs. Instead, they are more interested in the MICE target market.
- Horizontal relationships concern collaborations around the preservation of local culture, particularly, the Candle Festival. The provincial government, in collaboration with the TAT-Ubon Ratchathani, encourages the involvement of local senior citizens to guide the traditional theme of the festival. Nonetheless, this traditional Candle Festival is faced with challenges from other provinces such as Surin, Korat and Suphanburi, where candle festivals have been adapted to support their provincial selling points. The Candle Festival in Ubon Ratchathani is possibly losing its competitiveness. This is compounded by the fact that the festival is perceived by the younger business generation as a static product that

is not innovative enough to attract more tourists. Nevertheless, the seniority-based culture influenced by senior citizens is likely to play a significant role in this festival that seems to threaten Ubon Ratchathani's competitiveness.

## DISCUSSION, CONCLUSION AND RECOMMENDATION

By using Porter's Diamond model (1990) as a framework for addressing the competitive advantage of tourism in Ubon Ratchathani, it appears that its overall competitiveness in the tourism sector is rather low. Figure 3 shows that there are more weaknesses (minuses) than strengths (pluses), implying that the tourism sector in Ubon Ratchathani fails to respond to national and international competition (e.g., Laos and Cambodia), and at the moment has no determinants that could lead the sector to gain a competitive advantage.

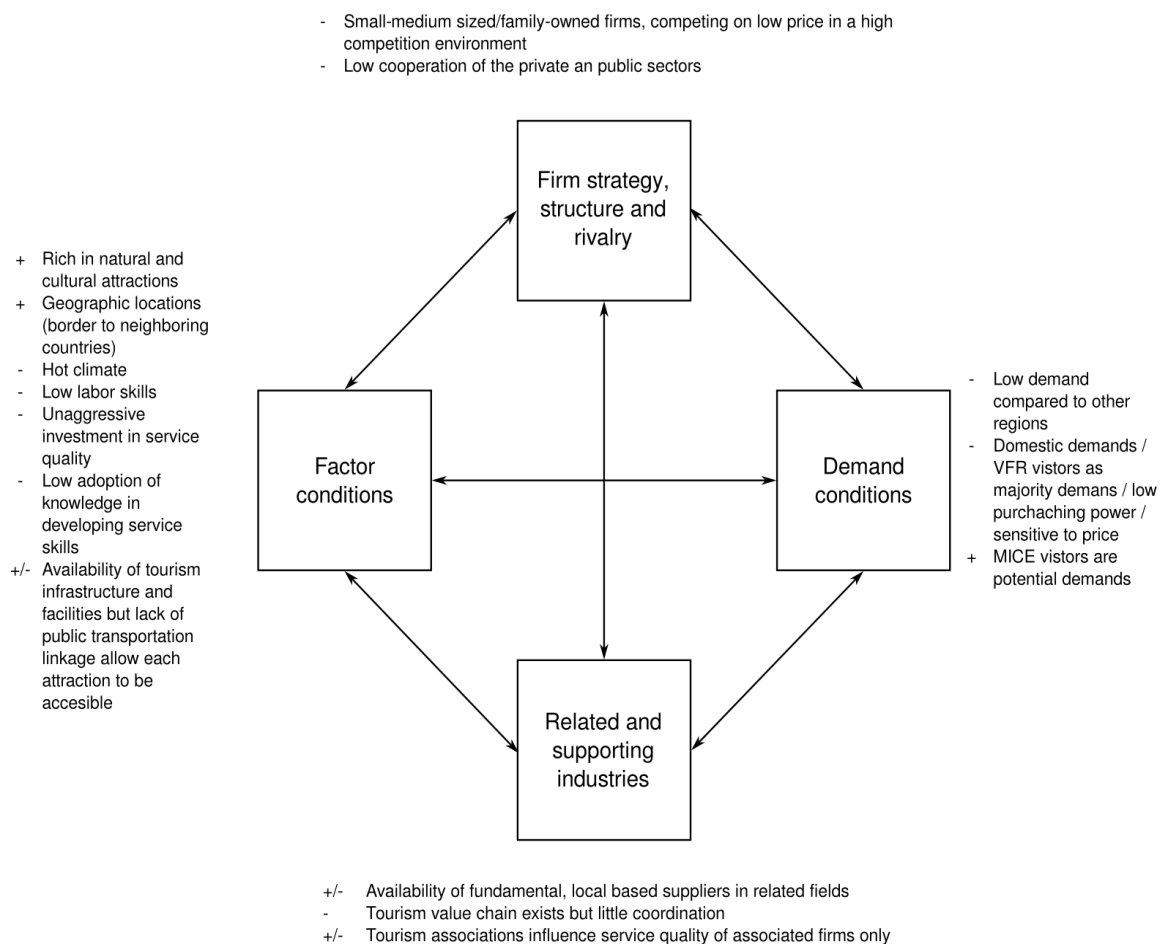


Figure 3: Porter's Diamond model in relation to tourism in Ubon Ratchathani.

The availability of factor conditions and the rate at which they are upgraded contribute to the competitive quality of a destination (Porter 1990: 74). These factor conditions reinforce and augment the competitive advantage of regional tourism, but they are unlikely to be upgraded easily by the tourism sector in Ubon Ratchathani because tourism entrepreneurs pay little attention to the development of the quality of human resources, the use of available knowledge resources, and the need to utilise more capital resources to improve product quality. As a consequence, tourism service quality tends to be low. Moreover, although Ubon Ratchathani has various sorts of transportation infrastructure and tourism facilities, the transportation system requires additional development. Further, Ubon Ratchathani possesses abundant attractions, but the hot climate, together with the scattered and remote pattern of tourist attractions seems to be a major constraint for its tourism development (Aneksuk et al. 2010). The same is true for related and supporting industries, because their availability is unlikely to help the tourism sector to develop new market opportunities or to collectively provide new experiences to visitors through the creation of new products by tightening up the cooperative linkages within their (vertical and horizontal) network. Only a few tourism firms have ambitions to develop their quality to respond to international demands. They do so partly by taking part in the tourism-associated institutions in order to access new knowledge and methods.

According to Porter's Diamond model, the competitive nature of firms is shaped by sophisticated home-based demands, which are significant in encouraging firms to compete in the international market, because sophisticated demand conditions create an environment that encourages firms to upgrade and expand their services in variety and quality. In the case of Ubon Ratchathani, tourism tends to rely heavily on domestic demand though international demand is still important. The characteristics of the majority of domestic demand are price-sensitive and the kind of tourist who travels by personal vehicle, prefers shopping for souvenirs, and visits temples as their popular places. The evaluation of their overall visitation experience is good. However, it is argued that this evaluation information is a partial picture. These are visitors who are unlikely to use public transport. If visitors from Bangkok or other regions were to evaluate tourism in Ubon Ratchathani, the results of the evaluation would possibly be different because some informants have mentioned that the quality of the transportation and tourism facilities in Ubon Ratchathani is relatively low. In addition, Jaensirisak et al. (2012) indicate a low level of satisfaction with the temple environments and physical facilities. In the face of these contradictions, we argue that the information in the government report needs

closer scrutiny, and the same is likely to be true in the case of international visitor evaluation.

As for the firm strategy, structure and rivalry, Porter (1990: 109) suggests looking at this determinant from the perspective of how firms are established and managed, and what the nature of domestic competition is, because different nation-states have different cultures and styles of management practice. Porter argues that there are some important aspects of a nation-state (e.g., attitudes toward authority, social norms of individualistic or group behaviour, and professional standards) that influence the organisation and management of firms. All these aspects are in turn based upon a national educational system, social and religious history, family structures, and so forth. Further, a vigorous domestic rivalry not only sharpens competitive advantage among domestic firms, but also stimulates them to improve and upgrade their products to sell abroad and grow their business. In the case of Ubon Ratchathani, its tourism structure incorporates small- to medium-sized enterprises owned by families where the entrepreneurial culture might induce little cooperation with others. Together with the low barrier to entry in the industry, the high level of competition, and the price-sensitive domestic market, this has created a pressure for firms to implement a low price strategy, instead of developing innovative tourism products. To be able to remain competitive at a trans-regional, national and international level, the tourism sector will need to improve its product quality. Besides, it is likely that the public administrative practices have constrained regional tourism development because it has brought about a weakening of the central-local cooperation, a vertical public administration, discontinuation of professional quality, and conflicts between different political perspectives. Also, the lack of entrepreneurial will and the seniority-based culture present constraints on tourism development in Ubon Ratchathani.

To conclude, by applying Porter's Diamond model, the findings demonstrate a relatively low advancement of tourism because of the cultural constraints, the low quality of factor conditions (in particular the lack of a skilled tourism workforce), little coordination in the tourism value chain, and low levels of cooperation between the public and private sectors and in the sophistication of demand conditions. These clearly illustrate a generally low level of competitiveness in the tourism sector in Ubon Ratchathani. With regard to Porter's Diamond model we present five proposals to assist in enhancing competitiveness in tourism development in the Isan region:

1. Stimulating the competitiveness of the tourism system by strengthening the business environment in Ubon Ratchathani/Isan because it is an effective driver in stimulating tourism firms to increase their competitive capability. To do so, two possible ways should be considered: through the macroeconomic reform policies and through cluster development strategies. Through macro-economic reform policies, for instance, in improving the service quality in the tourism sector, one could examine the educational system in order to stimulate the development not only of a skilled labour force (in terms of technical, foreign language and hospitality skills), but also in helping balance labour demand and supply in the tourism sector through the public–private sector planning of tourism development. Through cluster development strategies, the innovation chain can be created, knowledge and innovation can be transferred, tourist experience values (service and hospitality) can be added, and the unique selling points of the destination can be enhanced, thus generating an increased economic value.
2. Improving the strategic position of firms by changing from a pricing strategy to a quality strategy, centred on an economic value-added position in the regional-global demand chains. The shift in the competitive position will open new windows of business opportunities for local tourism firms to work together with international firms. The rise of the local service standard will make it easier to be recognised by international tourism firms (e.g., TUI and Thomas Cook) seeking to develop their new markets in the GMS that will contribute to economic development in Ubon Ratchathani and the Isan region.
3. Improving public–private collaboration: while the essential role of the public sector is to signal conditional opportunities and threats that influence the way the private sector competes, the strategy of the private sector has to be to modify itself to explore and exploit competitive opportunities. That is, the public sector has the indirect role and the private sector has the direct role to enhance the economic competitiveness of the region. Hence, a well-balanced level of collaboration between them will contribute significantly to achieving a competitive advantage for regional tourism.
4. Searching for new market opportunities: an active role of the tourism sector in stimulating the competitive advantage of regional tourism

implies an ongoing search for new market opportunities which are able to stand out nationally and internationally, focusing on core values of comfort, pleasure and experience.

5. Implementing a more targeted economic information system to meet the indicator requirements: based on our own experience we can see how the lack of data, together with the scattered and fragmented data available, makes it difficult to assess the current status of tourism development in Ubon Ratchathani/Isan region. Without a well targeted information system, it will be problematical to facilitate the economic competitiveness of tourism in Ubon Ratchathani and the wider Isan region. The information system can support the decision-making process of related parties to set strategic agendas and develop a more comprehensive regional tourism strategy.

## **EPILOGUE**

Although tourism is one of the fast-changing global economic sectors, the authors argue that tourism development in the context of Ubon Ratchathani from the time of this field study up until now (2015) has confirmed their findings. This is because Thailand has experienced political instability together with a world economic recession which has impacted on the development of regional tourism. The authors acknowledge that the application of Porter's Diamond model (1990) in tourism development is much more focused on economic development, while little attention has been given to the social and environmental sustainability of the Isan region (Rigg and Parnwell 2012). However, regional tourism development provides a means to enhance livelihoods and alleviate poverty in the Isan region, and in this way it can strengthen social sustainability in terms of reducing the migration and relocation of young people who have to search for work outside the region. The authors argue that the positive results of regional tourism development are that children and the elderly are not left behind, household members are reunited, household structures are reshaped, and finally "neo-localism" (see Parnwell 2005, 2007) can be regained and environmental sustainability enhanced.

## NOTES

- \* Nara Huttasin is currently a lecturer in the Department of Hotel Management, the Faculty of Management Science, Ubon Ratchathani University, Thailand. She has a Bachelor and Master's Degree in Business Administration at Chiang Mai University. She also reads for a Master's Degree in International Leisure and Tourism Studies in the Netherlands in 2005, and completed her PhD at Tilburg University, the Netherlands.
- \*\* Hans Mommaas is a full professor of leisure studies at Tilburg University and the Leisure Academy in Breda, The Netherlands. He is also an invited professor of cultural management at the University of Antwerp, Belgium and director of Telos, Brabant Centre for Sustainable Development, Tilburg, The Netherlands. As a member of the advisory board of the ministry of environmental affairs, he has been actively engaged in advising the Dutch government on regional and leisure development.
- \*\*\* Luuk Knippenberg is a senior researcher and lecturer at Radboud University Nijmegen, The Netherlands. His research focuses on ethics, social and institutional aspects of sustainable development and corporate social responsibility. He is interested in regional development in the Netherlands and Thailand. In Thailand, he has been adjunct professor at Ubon Ratchathani University.

## REFERENCES

- Aneksuk, B. et al. 2010. Potential, Price, and Value of Tourism Products for Income Generating for Ubon Ratchathani Province. Research report (in Thai), Ubon Ratchathani University, Thailand.
- Bobirca, A. and Cristureanu, C. 2008. Analyzing Romania's Competitiveness as a Tourism Destination. *Advances in Hospitality and Leisure* 4: 75–99.
- Clarke, M. 2006. Policy Implications of the Index of Sustainable Economic Welfare: Thailand as a Case Study. In *Sustainable Development Indicators in Ecological Economics*, ed. Lawn, P., 166–185. Cheltenham: Edward Elgar.
- Crouch, G. I. and Ritchie, J. R. B. 1999. Tourism, Competitiveness, and Social Prosperity. *Journal of Business Research* 44: 137–152.
- Dwyer, L. and Kim, C. 2003. Destination Competitiveness: Determinants and Indicators. *Current Issues in Tourism* 6: 369–414.
- Farrell, B. H. and Twining-Ward, L. 2003. Reconceptualizing Tourism. *Annals of Tourism Research* 31: 274–295.
- Gomezelj, D. O. and Mihalic, T. 2008. Destination Competitiveness – Applying Different Models, the Case of Slovenia. *Tourism Management* 29: 294–307.
- Hall, C. M. 2000. *Tourism Planning*. Harlow: Prentice Hall.



- Hall, C. M. and Butler, R. 1995. In Search of Common Ground: Reflections on Sustainability: Complexity and Process in the Tourism System: A Discussion. *Journal of Sustainable Tourism* 3: 99–105.
- Hassan, S. S. 2000. Determinants of Market Competitiveness in an Environmentally Sustainable Tourism Industry. *Journal of Travel Research* 38: 239–245.
- Higham, J. 2000. Thailand: Prospects for a Tourism-led Economic Recovery. In *Tourism in South and Southeast Asia: Issues and Cases*, ed. Hall, C. M. and Page, S., 129–143. Oxford: Butterworth and Heinemann.
- Jackson, J. and Murphy, P. 2006. Clusters in Regional Tourism: An Australian Case. *Annals of Tourism Research* 33: 1018–1035.
- Jaensirisak, S. et al. 2012. Travel Behavior and Attitudes of Local Population Regarding the Religious and Historical Places in the Ubon Ratchathani Municipal Area. *UBU Journal* 3: 116–144.
- Jerrold, W. H. and Chamrathirong, A. 2011. Thailand Migration Report 2011. United Nations Report, Bangkok.
- Kmonwatananisa, N. 2008. Thailand's Management of Regional and Spatial Development. Paper presented at Senior Policy Seminar on Management of Regional and Spatial Development, organised by the World Bank Institute in collaboration with the Korean Research Institute for Human Settlements (KRIHS), 29–30 October, Seoul.
- Leiper, N. 1990. *Tourism Systems*. Palmerston North: Massey University.
- Mazanec, J. A. et al. 2007. Tourism Destination Competitiveness: From Definition to Explanation? *Journal of Travel Research* 46: 86–95.
- Miller, M. M. et al. 2008. The Competitiveness of the Cuban Tourism Industry in the Twenty-first Century: A Strategic Re-evaluation. *Journal of Travel Research* 46: 268–278.
- Ministry of Tourism and Sports. 2008. Ministry of Tourism and Sports Report, Bangkok, Thailand.
- National Economic and Social Development Broad (NESDB). 2007. Report on Strategic Development Plan of the Northeast in the Period of the National Economic and Social Development Plan (in Thai), 10 September, Bangkok, Thailand.
- National Tourism Development Plan 2012–2016. 2009. The Ministry of Tourism and Sports Report (in Thai), Bangkok, Thailand.
- Navickas, V. and Malakauskaite, A. 2009. The Possibilities for the Identification and Evaluation of Tourism Sector Competitiveness Factors. *Engineering Economics* 1: 37–44.
- Noypayak, W. 2001. Thailand: Experiences in Trade Negotiation in the Tourism Sector, Paper presented at the World Trade Organization's Tourism Symposium, 22 – 23 February, Geneva.
- Opperman, M. and Chon, K. 1997. *Tourism in Developing Countries*. Oxford: International Business Press.

- Parnwell, M. 2005. The Power to Change: Rebuilding Sustainable Livelihoods in North-East Thailand. *The Journal of Transdisciplinary Environmental Studies* 4: 1–21.
- \_\_\_\_\_. 2007. Neo-localism and Renascent Social Capital in North-East Thailand. *Environment and Planning D: Society and Space* 25: 990–1014.
- Porter, M. E. 1990. *The Competitive Advantage of Nations*. New York: Free Press.
- \_\_\_\_\_. 1998. *On Competition*. Boston: Harvard Business Review Press.
- Richter, K. 2006. Thailand: North East and Economic Development. Presented to World Bank and NESDB on Management of Regional and Spatial Development, 26 October, Bangkok, Thailand.
- Rigg, J. 1991. Grass-roots Development in Rural Thailand: A Lost Cause? *World Development* 19: 199–211.
- Rigg, J. and Parnwell, M. 2012. Joining the Dots of Agrarian Change in Asia: A 25-year View from Thailand. *World Development* 40: 1469–1481.
- Sharpley, R. and Sharpley, J. 1997. *Rural Tourism: An Introduction*. London: International Thomson Business Press.
- Tisdell, C. 1998. A Review of Tourism Economics with Some Observations on Tourism in India. In *Tourism and Development: Economic Social, Political and Economic Issues*, ed. Tisdell, C. and Roy, K., 7–17. New York: Nova Science Publishers.
- Tourism Authority of Thailand (TAT). 2008. TAT-Ubon Ratchathani Office Report 2008, Ubon Ratchathani.
- Ubon Ratchathani Development Plan 2010–2012. 2009. The Provincial Operational Office of Ubon Ratchathani, Ubon Ratchathani.
- Ubon Ratchathani Provincial Statistics Office. 2008. Annual Report, Ubon Ratchathani.
- Vanhove, N. 2002. Tourism Policy: Between Competitiveness and Sustainability – The Case of Bruges. *The Tourism Review* 57: 34–40.
- \_\_\_\_\_. 2006. A Comparative Analysis of Competition Models for Tourism Destinations. In *Progress in Tourism Marketing*, ed. Kozak, M. and Andreu, L., 101–114. Amsterdam: Elsevier.