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## **PREPAREDNESS OF SMES TOWARDS AEC : A CASE STUDY OF TRAVEL AGENTS IN BANGKOK**

### **Abstract:**

This paper is a survey research conducted with the main purpose of developing preparedness guidelines toward the ASEAN Economic Community (AEC) for small and medium enterprises (SMEs) in travel agent businesses of Bangkok, Thailand.

The primary data was collected from a sample of 30 travel agents, whom were selected by convenience sampling. In-depth interview and a structured questionnaire were used as the tools in collecting data. A qualitative approach, as well as descriptive statistics such as frequency and percentage, was adopted when analyzing the data,.

The content of the research covered business function (management and human resources, finance, marketing, and production) of travel agents in Bangkok. Besides, the perception and preparedness of travel agents towards AEC were also studied.

The research results showed that most of the respondents had relative high perception towards the AEC that will be implemented toward the end of 2015. They realized that there are both positive and negative impacts of the AEC and, thus, have adopted several strategies in order to cope with the AEC. These strategies were to conduct research on demand of customers, to recruit highly qualified employees who have the ability of speaking multiple languages, to adjust the payment or welfare systems, to develop training programs concentrating on industry standards and language training, to develop new tourist programs, and to revise tour fees regularly.

### **Keywords:**

SMEs, AEC, Travel Agent

**JEL Classification:** A12

## Introduction

The ASEAN Economic Community (AEC) shall be the goal of regional economic integration by 10 Southeast Asia nations, which we call the ASEAN nations. These countries include Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Singapore, and Vietnam, AEC envisages the following key characteristics: a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy (The Asian Secretariat, 2014).

The AEC has agreed to strengthen and increase the competitive edge of Small and Medium Enterprises (SMEs) in the region. (The Asian Secretariat, 2008). Therefore, SMEs play major role in the context of the AEC because the geographical area of trading and the number of ASEAN consumers will also increase. However, the competition among ASEAN businesses is also going to increase. Thus, all member countries should be prepared for a detailed action plan before the opening of the AEC at the end of 2015.

Most tourism businesses in Thailand are SMEs. This makes it inevitable for Thailand to be affected by the AEC. Thailand is the country of most preferred destination in South East Asia by tourists all over the world as it is an exotically attractive place to visit. The image of the country includes the land of smiles, friendly elephants, and beautiful temple and beaches. Many tourists who have visited Thailand have learned that Thailand is not only a country of the past, but it is also a country that aims to compete in the fast-paced moving world of high technology. Time magazine reported that Bangkok was identified as the most visited city in the world by the 2013 Global Destination city index (Tourism Authority of Thailand, 2013).

Tourism is a major economic factor in Thailand. Every year the number of visitor arrivals increases. In 2012, Thailand achieved record-breaking visitor arrivals by crossing the 22 million mark (International Public Relations Division, 2013). This shows that Thailand tourism economically is still in a positive way to do business. Surely, changes will occur in the Thailand tourism industry when the AEC is enacted after the end of 2015, because more SME's entrepreneurs will be involved in the industry.

When AEC is implemented, the ASEAN member countries will setup new parameters for tourism industry professionals, such as travel agents, hotels, tour operators, transport companies, and tour guides. Likewise, the government of Thailand has completed its internal requirements and procedures to join other ASEAN Member States by signing the ASEAN Mutual Recognition Arrangement (MRA) on Tourism Professionals, which is one of the ASEAN tourism initiatives to support the establishment of the ASEAN Economic Community 2015 (The Asian Secretariat, 2012).

The MRA has the primary purposes to facilitate moving professional personnel in tourism in the ASEAN region and to help develop education and train professional personnel in the ASEAN member countries in order to be standardly accepted in the group of member countries. When the ASEAN community is opened, the certified qualification and certified tourism professional standards personnel will have the right to travel and work in the ASEAN member countries. Moreover, the member countries have prepared the ASEAN Common Competency Standards for Tourism Professionals (ACCSTP), which is a framework for standardized performance of tourism professional personnel that includes Common Core Competencies for every group and Functional Competencies by MRA tourism professional personnel of ASEAN. ACCSTP will cover 32 jobs positions in 2 programs (hotel business program and tourism business program) in travel agencies and tour operators. Thus, after the ASEAN community is opened, Thailand's labor market will also be more opened. The skilled workers will be able to move to the source that pays them higher. Meanwhile, more foreign workers will work in Thailand's tourism sector (Ministry of Thai tourism and Sports, 2013).

As the Travel and Tourism sector plays a very important role in the overall ASEAN economy, ASEAN tourism attractiveness needs to be more accompanied by excellent quality of services provided by the tourism industry within the region, in order to ensure growth sustainability and greater contribution to the ASEAN economy. Having high-skilled tourism workers to deliver services should become a norm to guarantee satisfaction of tourists visiting the region (The Asian Secretariat, 2012). The perception and preparedness of travel agents are essential in adapting to the paradigm of the AEC. Therefore, the author is interested in conducting a research related to this particular issue with the hope that the results of the research will be beneficial to all parties involved in the Thai tourism business.

## **Research Methodology**

This paper will be conducted based on a qualitative approach. In depth interviews will be used as a research tool. The content of the research will cover business functions of travel agents, such as management and human resources, finance, marketing, and production, in Bangkok. Moreover, the study will cover the perception towards AEC; positive and negative impact. Lastly, the preparedness towards AEC: enhancement of knowledge of AEC, recruitment, training, and expansion were studied as well.

## **Research Results**

The research results concerning the perception toward AEC information and the preparedness towards AEC are as follows:

53.33 percent of the respondents perceive that there are between 1 to 5 countries in AEC, whereas 46.67 percent of them perceive that there are between 6 to 10 countries in AEC.

76.67 percent of the respondents perceive that the objective of the AEC establishment is for free trade, 60.00 percent perceive that it is for an increase in economic competitiveness through a concept of single market and production base, and 36.67 percent perceive that it is for sharing research and developing of new technology.

93.33 percent of the respondent's perceive that the positive impact of the AEC will be an increase in number of tourists and 96.67 percent perceive that the negative impact of AEC will be a higher level of competition in businesses. They stated that higher competition among ASEAN countries and higher turn-over of employees will lead them to develop new destinations and multi destinations, which is a new challenge for travel agents.

100 percent of the respondents have been continuously trying to improve their knowledge of AEC through news on television and radio. They have also been keeping up with AEC information through the internet. Additionally, they have been receiving AEC brochures or leaflets from private and government sectors and have been invited to join seminars from time to time. These respondents realized that proper information will increase opportunities and advantages for their businesses.

83.33 percent of the respondents will conduct a research on the demand of customers. They realize that researches will provide information toward customers' attitude, which will allow them to gain first mover advantage when compared with competitors. In addition, some of them will conduct research on new prospects or unpredicted situations.

86.67 percent of the respondents are planning to recruit highly qualified employees who have the capability of speaking international languages, especially English. They consider that language barriers can lead to inefficient communication with international customers. Therefore, if they want to be able to develop under new phenomena, they need to recruit highly qualified and professional employees.

96.67 percent of the respondents will adjust the payment or welfare system. They are expecting to have higher competition on recruiting good staff, who come from AEC countries. Therefore, attractive salary and welfare would be critical factors for new prospective staff. This will also be used to maintain loyalty of present staff.

93.33 percent of the respondents are planning to develop training programs, particularly those on language training. They consider the improvement in international language as a tool to effectively communicate with tourists. Training will be held either in organizations or outside organizations. Some of the respondents will train their employees about the effects of the AEC on their businesses and the requirements of the MRA certificate. This will guide their staff to adjust themselves and encourage them to work more efficiently under changing situations.

100 percent of the respondents are planning to develop new tour programs. They have been following both domestic and international news and tourism tendency in order to create new tour programs. As a result of the new ASEAN landscape, they need to develop new domestic and multi-destination tour programs.

100 percent of the respondents are planning to develop the existing tour programs. They have been collecting feedback from their customers and tour agents. Some of them have upgraded existing tour programs into luxury programs. Some have expanded itineraries while maintaining the standard of services. Finally, some have provided services in different ASEAN languages.

56.67 percent of the respondents have been revising tour fees regularly in order to compete with other tour agents. They try to concentrate on cost reduction as per market demand, which will possibly make the price lower than the competitors.

66.67 percent of the respondents are planning to open new branches and offices. As the single visa scheme will be developed, the number of tourist arrivals will increase rapidly, so they plan to open new branches and offices in many ASEAN countries.

46.67 percent of the respondents have developed promotion strategies to attract new customers. They have tried to find new customers and concentrated on new market segmentation so that they will be able to maintain sales in a changing environmental.

Finally, some recommendations are recommended by the respondents to the relevant parties in assisting travel agents: providing up dated information that will be beneficial for travel agents consistently, facilitating travel agents in collaborating and finding foreign partners or joint venture in ASEAN, assisting travel agents in developing niche markets, developing free English programs for travel agents, and providing knowledge about service orientation; high quality, honest, and quick response.

## **Discussion**

This paper is a survey research conducted with the main purpose of developing preparedness guidelines for SMEs in travel agent business of Thailand. SMEs play an important role in ASEAN economic integration; 95 to 99 percent of firms in the ASEAN Member States (AMSs) are SMEs. Together, they create between 43 to 97 percent of employment, contribute between 23 to 58 percent to the GDP, and contribute 10 to 30 percent in total exports of AMSs (Intal, Ponciano Jr. and et al, 2014).

The travel agent business belongs to the hospitality sector of SMEs. In Thailand, travel agents earn more income from foreign tourists than from domestic tourists when comparing

with the travel agents in other ASEAN countries. The World Tourism Organization (UNWTO) forecasts that in the next 10 years, the proportion of tourists travelling to the Asia-Pacific region will increase from the current 20 percent to 27 percent, while the proportion of tourist travelling to Europe will drop from 52 percent to 46 percent. Therefore, ASEAN integration towards a single market will increase opportunities for the Thai hospitality sector to earn additional income. For example, the organization of package tours throughout ASEAN, instead of only in Thailand, by networking with travel agencies in other ASEAN countries or establishing branches abroad. Thailand's reputation will help to attract tourists to the country. On top of this, travel agencies will have an opportunity to advertise and sell their package tours to other ASEAN countries (Economic Intelligence Center, 2011).

This opportunity is recognized by some travel agents in Thailand. As it is shown in this research results, which illustrate that most of the respondents have prepared and adopted several strategies in order to cope with the inevitable changes of the AEC, which will be implemented in late 2015. These strategies are improvement in knowledge of the AEC, conducting a research on demand of customers, recruitment of highly qualified employees, adjustment of welfare systems, development of training programs, revision of tour fees for competition, expansion of new branches and offices, and development of promotion strategies.

The research results regarding the preparedness of SMEs in travel agent businesses and the strategy of development of training programs are in line with the survey of the University of the Thai Chamber of Commerce's (UTCC) economics faculty and the International Trade Studies Centre in 2014. That is, they have found that some SMEs are adequately prepared to meet the challenges of AEC. Although only 36.9 percent of Thailand's 512,000 SMEs are prepared to meet the challenges of AEC, the research has shown a positive trend when comparing with last year's figure, which was 42.2 percent in the adjustment process. Moreover, 13 percent of those SMEs need assistance for improvement in their English program (The Establishment Post, 2014). This need complied with the research results that the respondents are planning to develop training programs for their staff, particularly on language training as they considered that fluency in international languages as a tool to communicate with customers effectively.

In Thailand, about 4.8 million people work in tourism and related businesses; however, a lot of these Thais are poorer in foreign language skills, especially English, than their counterparts in Indonesia, the Philippines, Myanmar, and Vietnam (Thailand Development Research Institute. 2015). Therefore, it is an urgent need for local staff to improve their language proficiency; otherwise they may lose their jobs to foreigners because of their poor language skills (Tourism Council of Thailand. 2015).

## Conclusion

As ASEAN countries are promoting the AEC to provide knowledge of their people, the Thai government has to focus more on promoting the AEC for tourism professionals.

1. Develop the whole society of the ASEAN Region. Provide equal opportunity for education, employment, and prosperity. Adapt MRA-TP (Mutual Recognition Agreement-Tourism Professional) certification for tourism business employees to meet the requirements of the AEC. Also, organize seminars, work-shops, debates, and conferences to disseminate information. Government agencies have promoted the AEC program with the help of more advertising in paper and electronic media and have periodically updated AEC websites. Engage the private sector to participate in joint promotional and marketing of ASEAN tourism activities in Thailand. Use the Visit ASEAN Campaign logo so the people of Thailand will recognize it.
2. Conduct research for the new perspectives of the tourism industry to create new clusters of tourism destinations throughout the ASEAN region also study the demand of tourists in the AEC, for example like multi-destinations and multi-country destinations. There are many positive impact as a result of the one visa policy and multi destination programs, on tourism based business, such as sales volume will be increased and the number of tourists will be increased.
3. Recruit skilled and professional employees to meet the requirements of the AEC MRA-TP certification. Train present employees to earn certificate of a MRA-TP. The travel agents would be prepared for higher competition with other ASEAN countries. Also, Thai travel agents would be prepared for countries where English is dominant; for example, Singapore, Philippines, and Malaysia.
4. Develop a unified welfare system program for the ASEAN countries to stop high turn of employees. There is the need to conduct a specific area of tourism AEC research that focuses on SMEs business for tourism to identify the minimum and a layered salary system and other benefits, such as, incentives, bonuses, and dividends.
5. Certify all the tourism industry employees by the Mutual Recognition Agreement for Tourism Professionals (MRA-TP), which is required after the AEC is opened in December 2015. According to the Thailand Development Research Institute (TDRI), the country had a shortage of skilled labor. The Thai government and private sector have to develop an infrastructure to produce skilled labor in order to compete with the skilled labor in other ASEAN countries; for example, open new vocational institution. Existing educational program will have to be modified and adjusted for future phenomena.

6. Unify the Thai labor payment system to compete and meet the requirement of the ASEAN competency requirement.
7. Prepare a new roadmap for ASEAN Tourism. Identify programs and activities, timeframes, and responsible units that will be suitable for ASEAN. Rearrange Thai new tour programs, such as multinational or multi destination programs. Also, improve coordination among the ASEAN agents to provide all region professional services.
8. Translate travel documents and tour programs into multiple ASEAN languages. As the ASEAN region did not agree on one language, agents would develop multi language programs as well as maximize the use of English language. Develop the language capability of local tourist guides for ASEAN tourism.
9. Study tour program and conduct research to determine new competitive tour fees among the ASEAN countries.
10. Expand branches to the entire ASEAN region to provide tourism services to tourists and to increase tourism businesses because of the new landscape of the ASEAN region. The new opportunity, as well as new challenges, will be a heading for agents.
11. Offer promotional packages for group tourists and FIT tourists in the ASEAN region. Also, offer competitive package rates for tourists who want to visit multiple destination in throughout the ASEAN region.
12. Improve quality of services, such as promote responsible tourism, educate tourists, follow a sustainable tourism policy, be punctual, follow up with drivers and guides about the services of programs, conduct surveys about satisfaction of tourists towards tour programs, follow up by e-mail, read comments of tourists, transparency, periodically update websites, and enhance their services of whole ASEAN nations.
13. Develop innovative and experiential regional tourism products, creative marketing, and investment strategies to create a competitive atmosphere in Thailand. Like Thammasat University, the government will have to create more academic institutions to provide strategic planning assistance on the development of tourism facilities. Enhance the quality of human resources, services, and tourism facilities in the region to fulfill the requirements of skilled tourism professional labor. Accelerate travel facilities and connectivity among the ASEAN nations to achieve the objective of professional tourism services. The ASEAN National Tourism Organization (NTO) will be required to put into place the legal and regulatory framework, and the institutional infrastructure that will allow ASEAN to effectively fund its regional tourism initiatives. Identify ASEAN Tourism Sites and promote them in Thailand. Implement an eco-tourism projects in Thailand for ASEAN. Develop an intra-



ASEAN curriculum for Thai people. Integrate and structure tourism approaches for assisting ASEAN tourism in Thailand. Develop and emphasize the issue of quality tourism products as world travelers are now increasingly looking for greater variety, flexibility, and quality products that offer the value of money.

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