

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

International tourist arrivals have over the past 30 years almost quadrupled, with 2004 as a record year counting around 763 million (World Tourism Organisation, 1998; 2005). Tourism has grown to become the biggest industry in the world. With US\$ 4,218 billion revenue it accounts for around 10 percent of the world's economic activity and, by its labour intensive nature, is a major generator of employment, 74 million directly and 215 million including indirect economic effect (World Travel and Tourism Council, 2004). The international tourist arrivals is expected to reach 1.56 billion within 2020, a doubling of the record year 2004, and East Asia and the Pacific with a higher growth than average is expected to become the second most important tourism destination after Europe (World Tourism Organisation, 1998). One of the reasons for the regions strong growth, along with economic growth, is that Asian travellers found immigration in the US and Australia problematic, which discourages travelling to these regions and instead inter-regional travelling in ASEAN countries might be expected (World Travel & Tourism Council, 1993).

One of the major tourism receiving countries in the East Asia and the Pacific is Thailand, which has seen an tremendous growth with an average annual growth of 8.2 percent in tourism since the middle of 1980's, growing from around 2.4 million to 11.7 million international tourist arrivals in 2004 (Tourism Authority of Thailand, 2005). One of the main destinations, Phuket, had in 2004 4.2 million guest arrivals at accommodations whereby 275,502 stayed at luxury accommodation. These figures have lead to a lot of construction of accommodation facilities, with a trend towards hotel resorts.

The strong growth and developments of many hotel resorts in Phuket has led to a fierce competition in attracting visitors. In order to survive, or more so to become successful, the hotel resorts need to work hard on gaining competitive edge over its competitors. The major directions in competitive strategy are either through cost leadership or differentiation. For the luxury hotel resort the latter is the most likely applicable strategy. One way of differentiating

itself is believed to be through operating and promoting an environmentally concerned hotel resort. This research will examine if it is possible to gain competitive advantage through development of environmentally friendly luxury hotel resorts, with focus on Evason Phuket Resort in Phuket, Thailand.

The hotel resort is already undertaking many environmental practices, being managed by the Six Senses Resorts & Spas corporation, which mission is to operate in a sustainable environment. Operating environmentally friendly includes many aspects in hospitality and practices may often vary from intended direction, thus, not necessarily making the hotel resorts gain any ground on its competitors. Few hotel resorts in Phuket promote their environmental practices possibly explained by the complexity of the issue. But with a growing concern of environmental issues around the world and amongst tourists, differentiation may be achieved through developing and operating environmentally friendly upscale/hotel resorts, thus gaining competitive advantage.

## **1.2 Thesis Statement**

In an area of increasing competition in the hospitality sector it is essential for companies to gain competitive edge over their rivals in order to become and stay successful. One of the main forms of competitive advantage is differentiation or focus differentiation. It is believed that a hotel resort can achieve this through developing and promoting itself through environmentally friendly development. The main concerns a hotel resort trying to achieve this have are lessening negatively environmental impact through reducing energy, water and paper consumption as well as reducing waste production. To get credibility it is important to be recognized by a third party or eco-labelled.

Measures to be undertaken in order to achieve these reductions not only will have a cost saving effect but also is believed to have market value by attracting environmental conscious guests willing to pay a premium price for the product. Demand for environmentally conscious products is growing, which suggests that developing environmentally friendly hotel resorts is economically beneficial.

Furthermore, social responsibility is recognized to be important both to get

acceptance amongst the local community, employees and guests in order to further differentiate oneself as a truly committed company, thus gaining competitive advantage.

### **1.3 Objectives:**

1. To examine the existing practices of environmental sustainability amongst luxury resorts in Phuket.
2. To examine proper actions and efforts to be undertaken for hotel resorts to operate environmentally friendly in the context of environmental sustainability.
3. To examine demand for sustainable developed hotel resorts.
4. To recommend how hotel resorts can capitalize on competitive advantage through sustainable development.

### **1.4 Significance of Study**

This exploratory research is looking into an aspect, which is becoming more and more important as the world is developing. It is an aspect that there has been done very little research in, particularly in regards to hospitality industry. For this reason it may not give any definite answers, but may be highlighting and discovering important aspects, which may form the basis for future research.

Tourism is the biggest and one of the fastest growing sectors in the world, with East Asia and the Pacific believed to become the second most important region after Europe according to World Tourism Organisation (1998), due to strong growth in its economy and large population. The industry has very often been developed without any planning and with very little thoughts of sustainability. The hospitality industry plays a central role in tourism and a hotel resort is a growing sector, particularly in Asia.

Along with a growing concern and interest in environmentally conscious hotel resorts it is possibly one of the major factors that hotel resorts can use in order to gain competitive

advantage in an ever increasing competitive market. Sustainable hotel resort development is still in its pioneering stages; therefore, this research can be an important starting point for companies who want to develop sustainable hotel resorts.