

Understanding crisis vulnerability of the MICE sector: A case study of Thailand

Key words: crisis, vulnerability, MICE, tourism, Thailand

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Biography

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Abstract

MICE (meetings, incentives, conventions, and exhibitions), has generated high foreign exchange revenue for the economy worldwide. In Thailand, MICE tourists are recognized as ‘quality’ visitors, mainly because of their high-spending potential. Having said that, Thailand’s MICE sector has been influenced by a number of crises in the past since September 11, 2001. While a number of researchers have discussed the crisis vulnerability of other tourism sectors such as restaurant and hotel, less effort has focused particularly on the MICE sector. The objective of this research is therefore to examine the crisis vulnerability of MICE and to provide recommendation for future research.

Introduction

As part of the tourism industry, MICE (also known as ‘business events’) increasingly generates significant amounts of revenue worldwide (Hing, McCabe, Lewis, & Leiper, 1998; Mistilis & Dwyer, 1999). Asia has been one of the front-runners in taking advantage of this interest from the traditional markets such as Europe and North America. Thailand, in particular, has been no exception (Rogers, 2003).

Thailand has long been focused on businesses in the MICE sector (Campiranon, 2005). Although tourists in the MICE sector are three per cent of the overall tourist arrivals to Thailand each year, the spending of tourists in this sector is three times higher than spending of tourists in other sectors (Tourism Authority of Thailand, 2004a). MICE delegates are therefore recognized as the most desirable category of ‘quality’ visitors, mainly because of their high-spending potential (Bangkok Post, 2003b) which generates foreign exchange revenue for the Thai economy (Tourism Authority of Thailand, 2001).

Thailand’s tourism has however been influenced by a series of external crises in recent years (Srikatanyoo & Campiranon, 2005), such as September 11, Bali Bombing, SARS, Iraq War, Bird Flu, and the tsunami. It is crucial to explicitly use the term ‘external crisis’ in this research as an external crisis is a crisis that is beyond the company’s control and therefore inherently provides a greater degree of risk and uncertainty (Evans & Elphick, 2005). These external crises and their adverse impacts have shifted the tourism industry into an entirely new paradigm, emphasizing the need for strong crisis management plans and rapid response mechanisms in order to retain

the confidence of travellers (Bangkok Post, 2003a; World Tourism Organization, 2005).

Whilst a number of researchers (e.g. Evans & Elphick, 2005; Stafford, Yu, & Armoo, 2002; Tse, So, & Sin, 2004) have discussed the crisis vulnerability of restaurant and hotel sectors, less effort has focused particularly on the MICE sector. Understanding the crisis vulnerability will help one to understand how crises can affect the MICE sector differently from other tourism sectors and also be able to cope with the crisis. In order to achieve an objective of this research, it is therefore crucial for the researcher to review the literature related to the MICE sector in Thailand and how it has been influenced by crises.

The MICE Sector

The MICE sector comprises one of the fastest growing sectors of the tourism industry worldwide (Hing et al., 1998). In addition, the MICE sector has long been recognized as a sector that draws lucrative direct and indirect revenue for host destinations (Lawrence & McCabe, 2001). It consists of various components, including: conventions, conferences, meetings, seminars, trade shows, exhibitions, and incentive travel. Its activities require many different players, including transport (international and domestic), accommodation, pre- and post-conference touring, purpose-built convention centers, exhibition facilities and hotels and catering and audiovisual services (Dwyer, Mistilis, Forsyth, & Rao, 2001).

Having said that, there is a lack of an accepted and properly defined terminology for a MICE business. Whilst the acronym 'MICE' is widely used around the world,

'business tourism' is widely used in Europe as the accepted generic term. In Australia, the industry has adopted the term 'business events' to describe its focus. Canada, on the other hand, uses MC&IT: meetings, conventions, and incentive travel (Rogers, 2003). Having acknowledged these arguments, the term 'MICE' will be employed in this research as it has been widely used by key authorities in Thailand including the Tourism Authority of Thailand (TAT) and the Thailand Incentive and Convention Association (TICA). Each component of the MICE sector is now explained below.

Meetings are a crucial element of business. Whilst meetings can be held for different reasons (Hindle, 1998), one of the most common reasons is to solve problems and make decisions (Hayes, 1998). Basically, a meeting is an event usually involving a few executives discussing business round a boardroom table. However, the word 'meetings' is also used in a wider sense to describe conferences, meetings, and seminars, in a collective manner (Seekings & Farrer, 1999). It can also be defined as an event where the primary activity of the attendee is to attend educational sessions, participate in meetings and discussions, socialize, or attend other organized events. There is no exhibit component to this event (Fenich, 2005).

Incentives can be defined as an all-expense-paid travel (Rogers, 2003) which organizations mostly use to motivate and reward their employees (Fenich, 2005; Rogers, 2003; Seekings & Farrer, 1999). Incentives may also include an educational element, team-building activities, and a conference-type session. It is however more susceptible to the ups and downs of the economies and political situations than most other components of MICE. The Gulf War in 1990, for example, virtually wiped out the American incentive travel market. Similarly, the impact of 'September 11th' on the

American travel industry was huge and it will take some time to recover (Rogers, 2003).

When meetings are combined with exhibitions, the event is generally called a 'convention' (Montgomery & Strick, 1995). Whilst this term is mostly used in America, the term 'congress' is the usual English equivalent in continental Europe (Seekings & Farrer, 1999). Convention can be defined as an event where the primary activity of the attendees is to attend educational sessions, participate in meetings/discussions, socialize, or attend other organized events (Convention Industry Council, 2005). It is also globally recognized for its valuable economic contribution in terms of employment and income. Other contributions include associated social and cultural benefits to the destination, the exchange of ideas, the cultivation of business contacts, the provision of forums for continuing education and training, and the facilitation of technology transfer (Dwyer, 2002).

The exhibition is an event at which the primary activity of the attendees is to visit exhibits on the show floor. These events focus primarily on business-to-business (B2B) relationships (Fenich, 2005) particularly to gain new clients (Jurisevic, 2002). The practice of holding exhibitions alongside conferences has also grown significantly in recent years. Part of the reason is because exhibition can be invaluable to the delegates. For instance, it can give the delegates the opportunity of viewing the latest developments in technology, comparing the offerings of various suppliers, checking prices, obtaining technical information, and discussing their particular needs with the exhibitors. Exhibitions can therefore 'add value' to the event, being seen by

the delegates as something offering benefit over and above a basic conference (Seekings & Farrer, 1999).

The MICE sector in Thailand

Thailand is an emerging MICE market with significant growth potential. Whilst the MICE industry is still in its development stage in Thailand, Thailand is already one of the top five countries for MICE business in Asia attracting an estimated 100,000 delegates and 25 billion Thai Baht (approx 785 million AUD) in revenue per annum (Rogers, 2003). The MICE businesses in Thailand have gained popularity due to a number of reasons. Part of that is because Thailand has unique geographical surroundings and has a wide array of traditional cultures (Tourism Authority of Thailand, 2004a), a safe and hospitable environment, very good value for money, and good accessibility (Rogers, 2003).

Government bodies also play a key role in attracting more MICE business in Thailand. Since 1984, the government and private sectors jointly established the Thailand Incentive and Convention Association (TICA) as a means of aiding the growth of Thailand as a preferred destination for the MICE sector (Thailand Incentive and Convention Association, 2004). With an aim to become the 'Tourism Capital of Asia' by 2006, Thailand is investing heavily in promoting the MICE businesses (Tourism Authority of Thailand, 2003, 2005) and turning popular tourist destinations, such as Phuket, into center for the MICE businesses as well (Intarakomalyasut, 2004; Tourism Authority of Thailand, 2004b). Moreover, a number of additional improvements in recent years, such as an expanded and improved internal

infrastructure, has also leverage Thailand's importance as a MICE destination (Rogers, 2003).

The MICE sector and External Crises

As already addressed, the scope of this research is the focus of external crises in the MICE sector. Hence, internal crises (e.g. financial crises, scandals, etc) will not be discussed here. Generally, crises affect businesses in the MICE sector in a number of ways. The terrorist attacks of September 11, 2001, however constitute an extreme example of the many crises that a business operation might face (Stafford et al., 2002) and thus provides a clear example of external crisis in the MICE sector.

The September 11 tragedy adversely affected MICE sponsors and hotels (Foster, 2001). The safety concern, fear of travelling by airplane, and frustration over travel delays caused by heightened security and reduced flight schedules (Eisinger, 2002) has caused airline flight loads and hotel occupancies to drop significantly (Foster, 2001). Many companies carefully determine if they should send their delegates to attend a conference in potentially uncertain locations (Centaur Communications, 2003). MICE sponsors have been faced with the decision of either cancelling their event outright or holding it with fewer attendees. At the same time, hotels have been confronted with massive no-shows (Foster, 2001). As a result, these consequences led to the cancellation or postponement of conferences and meetings scheduled (Rogers, 2003).

It should be pointed that wars and health-related outbreaks as well generate a significant negative impact to the MICE businesses. Non-terrorism crises (e.g.

epidemics, wars, agricultural disasters such as ‘foot and mouth’ outbreak that affected the UK in 2001) have a negative impact on the demand for conferences in the countries and regions where they break out. Sometimes the impact will be short-lived, sometimes it may be more prolonged (Rogers, 2003). Government travel advisories warning of potential terrorist threats and the inflated media coverage surrounding SARS also resulted in mass cancellations and postponements of events planned for 2003-2004 (Bangkok Post, 2003c). In the aftermath of many crises, it is therefore difficult for anyone to decide where in the world to hold international meetings (Charles, 2003).

Methodology and Data Collection

This research adopted a qualitative approach as it is suitable when a concept or phenomenon needs to be understood because little research has been done on it (Creswell, 2003). A sampling design implemented in this research has been guided by a sampling design process proposed by Malhotra (2004) and Aaker et al. (2004) which emphasizes the need for the researcher to define the target population, determine the sampling frame, and select a sampling technique.

In this research, the target population is defined as organizations offering MICE services in Thailand. The sampling frame has been obtained from a cd-rom directory of organizations in Thailand offering MICE services. Having determined the second sampling frame, this research then adopted a convenience sampling as a sampling technique as it allows the respondent to be deliberately selected to reflect particular features of or groups within the sampled population (Ritchie, Lewis, & Elam, 2003).

With all these considerations, the in-depth interviews using semi-structured interviews technique have been undertaken in Thailand with the high-level executives of 37 organizations that offer MICE services. The position titles of these interviewees are manager, director, general manager, and president of the organization. The interviews were conducted in 10 weeks starting in the middle of November 2005 and finished in the end of January 2006.

As suggested by Malhotra (2004), the researcher started the interview by asking a general question and then encourage the subject to talk freely about their attitudes toward an issue. Following the general discussion, the interviews were guided by questions used in Srikatanyoo and Campiranon's (2005) study by asking the respondents how they have been affected by external crises that have happened recently since September 11, 2001. In the next section of this paper, the data analysis and key findings are discussed.

Data Analysis and Findings

This research employed N6 as a tool to categorize and simplify the qualitative data. N6 stands for NUD*IST Version 6, and NUD*IST stands for Non-numerical Unstructured Data * Indexing Searching and Theorizing. N6 is a computer package designed to assist researcher in managing Non-numerical and Unstructured Data, the sort of data that is made by interviews. The program provides tools to assist interpretation and coding, or Indexing, Searching text or patterns of coding and theorizing about what has been identified and understood as the patterns become clearer (QSR International, 2004). The following issues are a few specific areas from

the results of this research that report the interviewee's perceptions as to how the MICE sector has been affected by crises.

Generally, results from a data analysis support the argument that Thailand as a MICE destination has been influence to a series of crisis as interviewee #3 commented that:

All crises affect our business, since September 11, SARS, terrorism, bird flu, and tsunami. After the September 11, Thailand's tourism is healing and tourists started to return to Thailand. However later we have SARS, so the tourism business is on the hold again. When SARS situation is getting better, now we have tsunami. All these crises increasingly influence the industry. I think now the MICE market in Thailand has been declined to the lowest point.

The reason that MICE is more vulnerable to crises than other tourism sectors, e.g. FIT, is because MICE is generally a trip sponsored by a company. And most of the time, the high level executives will be joining the MICE event and travelling on a corporate insurance plan. Due to this liability issue, the decision makers at the company will be very careful before requesting their staff to attend any MICE event in a crisis-affected area. Interviewee #12 also emphasized that MICE is more vulnerable to crises than other tourism sectors by saying that:

FIT tourists are now returning to Thailand after the tsunami crisis, but not MICE. Normally, MICE requires long-term planning about 1 or 1.5 year, while a large conference may require 2 years of planning. So the planner will have to defend why the conference should be held in that destination. Therefore, if there is bad news about the destination then it is unlikely that the conference will be held there.

Among the four segments within the MICE sector, the incentive seems to be the most sensitive to crises. An incentive market, particularly an inbound one, does not seem to

have a good outlook. This is because an incentive by nature is a reward trip to motivate the employees. However offering an incentive trip to Thailand during SARS, for example, will not be motivating as there is a risk involved. Moreover, MICE organizations that focus mainly on an incentive market also have to face another aspect of difficulty as interviewee #21 said:

If you can not find a motivating destination as an incentive and you still want to reward your employees, you can still reward a plasma TV to them instead of going to SARS destination, because incentive can be either cash, merchandise, or trip. So incentive destination is not only competing with other destination, but also with other type of incentive as well.

Another issue that has been revealed by the interviewees is the perception of overseas MICE market. Long haul markets do not seem to have a good geographical understanding therefore they are quite vulnerable to crises. For example, SARS happened in Singapore and Hong Kong but people in Europe had an impression that those countries are close to Thailand therefore they have decided not to come to have their MICE event in Thailand. Interviewee #12 noted that long haul market is more vulnerable to crisis than regional market by saying that:

Foreigners often assume that a crisis that happened in Indonesia might affect the whole Asia Pacific region. The fact is that Thailand is very far from Indonesia. However they perceive that Thailand has been negatively affected from Bali bombing and even bird flu in Vietnam. They are too sensitive! The first groups of tourist that return to Asia are Asian tourists. This is because they know that the situation is not that bad.

Results from the data analysis also explained that the overseas MICE markets, especially the long haul market, are susceptible to crises due to two major factors, which are news and travel advisory issued by the government or reliable association.

Firstly, overseas tourists rely heavily on news which is normally overwhelmed with the crisis situation. Sometimes the news depicts a very negative image of the situation and repeats those images again and again when the situation is not as bad as it is. Secondly, travel advisory issued by the government or reliable association also causes MICE to be vulnerable because the tourist would listen to those advisories. If the government or WHO issues a travel advisory concerning a risk in travelling to Bali, for example, there will only be a few organizations that ignore this advisory.

These two dominant factors significantly influence the decision making process of the MICE tourists. As a consequence, any life-threatening situation will make the MICE delegates hesitate to come. This is mainly because they feel that the crisis, e.g. the tsunami, might happen again. They also feel that the destination might be unattractive or the essential infrastructure may be negatively affected by the crisis. Some say that they feel that it is inappropriate to enjoy their activities while other local people are suffering from the aftermath of the crisis.

Conclusion

The main objective of this research was to examine the crisis vulnerability of the MICE sector. Findings from a data analysis supported the literature review in three major points. Firstly, the findings support the literature that an incentive market is more susceptible to the ups and downs of the economies and political turbulence than most other components of MICE (Rogers, 2003). Secondly, crises influence many organizations to carefully determine whether they should send their delegates to attend the MICE event in a crisis-prone area (Centaur Communications, 2003). Thirdly, government travel advisories warning of risks and the overwhelming media

coverage also resulted in mass cancellations and postponements of MICE events (Charles, 2003).

Results from this research also show that MICE is vulnerable to crises for a number of reasons. Unlike other tourism sectors, MICE is generally a trip that has been sponsored by a company and therefore it involves an issue of liability and insurance. A large number of MICE events are also joined by the high-level executives of the company and therefore it would be unsafe for the company to risk its executives in a MICE event that is held in a crisis-affected area. Further more, this research also show that long haul market tend not to have a good understanding of geographical region.

In conclusion, MICE is part of tourism and it is a lucrative business mainly because of its high-revenue potential (Bangkok Post, 2003b). With a number of recent crises, it is clear that tourism sectors need a strong crisis management technique (Bangkok Post, 2003a; World Tourism Organization, 2005). Having said that, MICE has its own characteristics which is why crises affect MICE differently from other tourism sectors. Hence, it is believed that crisis management techniques that have been proposed in other tourism studies (e.g. Evans & Elphick, 2005; Stafford et al., 2002; Tse et al., 2004) might not be able to apply in the MICE context effectively. Therefore it is recommended here that future crisis management research should take the characteristic of MICE into consideration in order to develop a crisis management model that can be applied in the MICE sector.

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