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## Does tourism destination competitiveness lead to performance? A case of ASEAN region

### Abstract

The main purpose of this paper is to identify the causes of ASEAN tourism performance. This paper empirically examines the role of tourism destination competitiveness on tourism performance among the ASEAN countries. This study employed the Travel and Tourism Competitiveness Index (TTCI) to assess tourism performance of the ASEAN countries. More specifically, this paper explores whether tourism's core resources, complementary resources, destination management, tourism prices and globalisation promote tourism performance; determined by the Travel and Tourism Competitiveness Index (TTCI) rankings, the number of international arrivals and tourism's contribution to gross domestic product. Data published in the Travel and Tourism Competitiveness Index (2015) report by the World Economic Forum was used to represent most of the TDC, TTCI ranking and tourism performance variables. The indicators were selected under the condition that they reasonably fit the suggested research framework. Results from the correlation analyses show that air transport infrastructure, health and hygiene, safety and security and human resource variables all have explanatory power of the variation in tourism performance. The testing process also confirms that economic disparities between countries caused biases in the tourism competitiveness indexing. Finally, limitations of present findings were discussed, and implications for future studies are suggested.

**Key words:** tourism; destination; competitiveness; performance; ASEAN

### Introduction

A competitive destination is likely to develop rapidly over time, demonstrating superior performance against its competitors (Croes & Rivera, 2010). Yet, in order to obtain long-term sustainable performance, tourism destinations need to identify their competitive advantages over others. Reed and DeFillippi (1990) indicate that superior performance is correlated with a competitive advantage(s) and suggested that acquiring such an advantage(s) automatically results in improved performance. Furthermore, both structural and resource-based approaches suggest that competitiveness leads to better performance (Crouch & Ritchie, 2000). Thus, destination competitiveness needs to be evaluated according to its performance and efficiency. Moreover, the need to evaluate the performance of tourism activities is vital in order to provide tourism policy makers with accurate performance indicators for future strategic decisions (Assaf & Agbola, 2011; Barros, Botti, Peypoch, Robinot & Solonandrasana, 2011).

To date, a comprehensive study on tourism performance has yet to be undertaken. Much research exploring tourism destination competitiveness (TDC) focuses on the main factors affecting destination competitiveness (e.g. key attractions, tourism supporting factors, destination management, tourism policy and demand factors). Most of the work on TDC suggests that each one of these factors (at

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varying levels) can improve a destination's competitiveness. However, the way in which these items are interrelated and comprehensively contribute to a destination's success (or failure) remains largely unexplored. At present, some researchers have highlighted that assessing a destination's competitiveness should not be exclusively based on its competitive advantage(s), but should also take into account the actual performance (tourist arrivals, receipt, contribution to the GDP) of the tourism destination (Assaf & Agbola, 2011; Assaf & Josiassen, 2011).

Recognising that previous performance measures have limitations, Mazenec et al. (2007) attempted to measure tourism performance as a latent construct, which included three variables representing TDC: the market share based on international arrivals, tourism growth and distance-weighted market share. Recently, Croes and Kubickova (2013) designed a ranking system for tourism destinations, grounded by the competitiveness theory. Croes and Kubickova developed a performance indicator that ranked a country's dynamic performance (tourism growth rates, tourism demand), the size of the industrial base of the economic structure (tourism added value on GDP) and the quality of life standards in a country over time. By incorporating two relevant criteria in measuring tourism competitiveness; visitor's experience and quality of life, his study revealed that tourism competitiveness is the antecedent of tourism performance. Furthermore, his study proved that that favorable competitiveness factors will not automatically be translated into desired performance.

It is important to emphasise that despite the numerous TDC models that have been published within the tourism literature (Crouch & Ritchie, 1999; Dwyer & Kim, 2003; Enright & Newton, 2005; Kozak & Rimmington, 1999), these studies have yet to agree upon a single, comprehensive TDC model. Moreover, these models have continually overlooked the external TDC determinants, such as globalisation, tourism price, and tourism performance (Croes & Kubickova, 2013; Kim, 2012; Mazanec & Ring, 2011). In addition, no systematic attempt has been made to examine TDC as the antecedent of tourism performance. Specifically, this study intends to identify the determinants of TDC. Therefore, this paper seeks to develop a conceptual framework incorporating the interactions among TDC determinants.

## Tourism destination competitiveness

There are various forces that alter or impact a destination's competitiveness and these forces vary in terms of strength of influence on a destination's competitiveness (Dwyer & Kim, 2003). A destination's core resources and attractions, including inherited, created and supporting tourism resources, constitute the characteristics of a destination that make it attractive (or unattractive) to visit (Gomezeli & Mihalič, 2008). Destination management is also an important competitiveness factor, which includes policies regarding the management of destination tourism resources and supporting resources such as a destination's infrastructure, hospitality and accessibility (Crouch & Ritchie, 2000). Complementary conditions inherent within the broader socio-economic environment also work to define or change a destination's competitiveness. At the same time, demand conditions are determined based on the influx of tourists and their spending habits, which relate to individual preferences as well as a destination's product and service offerings (Kim & Wicks, 2010). The demand factors are then substituted with price competitiveness indices, using exchange rates and the relative changes in consumer prices under a new dimension, tourism price (Dwyer, Forsyth & Rao, 2002). Lastly, globalisation is taken into consideration, which encompasses the imports and exports of goods and services, the cross-border flows of resources and foreign investments among destinations, and the openness of all bilateral air agreements, for example (Kim & Wicks, 2010).

A performance perspective of TDC has many advantages in comparison to the conventional methods. The first has to do with the straightforward and transparent construction of relevant indicators. Second, the indicators are wide-ranging and include a nation's income, capital, trade and production rates. Lastly, these indicators are widely accessible and can be compared cross-culturally (Barbosa, Oliveira & Rezende, 2010). Previous studies on tourism destination performance focused on indicators such as customer satisfaction, destination competitiveness and international arrivals, derived primarily from the tourism satellite account database.

## The travel and tourism competitiveness index (TTCI)

The World Economic Forum (WEF) released the TTCI ranking by assessing the relative obstacles and drivers of travel and tourism development. The Travel and Tourism Competitiveness report was developed by the WEF in collaboration with experts from the sector. The TTCI offers a comprehensive framework that aims to measure the factors and policies that work to further develop and improve the tourism industry in different countries. From a methodological point of view, the TTCI evaluate the elements that ensure the development of the tourism sector in different countries via three categories of variables that affect global tourism competitiveness: policy rules and regulations affecting the tourism sector; business environment and infrastructure and; natural, cultural and human resources involved in tourism activities. The development of the TTCI has been supported by the major travel and tourism organizations and corporations, such as the United Nations World Tourism Organization (UNWTO), International Air Transport Association (IATA), World Travel and Tourism Council (WTTC), among others.

## ASEAN travel and tourism competitiveness

The Association of Southeast Asian Nations (ASEAN) was established in August 1967 in Bangkok, Thailand by five original member countries: Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam joined in January 1984, Vietnam in July 1995, Laos and Myanmar in July 1997 and Cambodia in April 1999. The formation of ASEAN was primarily a response to the threat of communism in South East Asia during the 1960s (Timothy & Butler, 1995). The primary aims of ASEAN were to ensure peace and stability across the region, to promote and facilitate intra-regional economic development and to encourage social and cultural progress among members (Hussey, 1991, p. 87, as cited in Timothy & Butler, 1995). In 1976, the ASEAN Committee on Trade and Tourism was formalised among the ASEAN member countries in order to deal exclusively with the tourism sector in that region.

The travel and tourism (T&T) industry is an increasingly important driver of economic prosperity and social progress in ASEAN. It is estimated that the T&T sector accounts for about 9 percent of employment worldwide. For ASEAN, the sector has been deemed critical in the establishment of ASEAN's Economic Community. Further, the potential of T&T in this region is enormous, since it is endowed with a wealth of natural resources and a rich cultural heritage. Actually, these countries, had been embedded in a long tradition of tourism businesses and activities. The extraordinary diversity of the ASEAN countries further contributes to their uniqueness and overall attractiveness. However, despite the many benefits of the T&T sector in ASEAN, numerous obstacles continue to hinder its development. Connectivity, infrastructure, market maturity, manpower standards and weak collaborative networks are some of the main challenges for ASEAN in the T&T sector.

The TTCI ranking analysis reveals a very mixed picture regarding the tourism performances of the ASEAN countries individually. The TTCI assessment shows ASEAN member countries draw mixed

pictures of the region. As Table 1 (below) demonstrates the ASEAN countries span across the entire spectrum of 140 economies, Singapore coming in 11<sup>th</sup> place in 2015 and Cambodia at 105<sup>th</sup>.

Table 1  
Selected tourism and economic indicators  
for ASEAN countries (2013)

Country	TTCI 2015	TTCI 2013	TTCI 2011
	Rank	Rank	Rank
Singapore	11	10	10
Malaysia	25	34	35
Thailand	35	43	41
Indonesia	50	70	74
Brunei		72	67
Vietnam	75	80	80
Philippines	74	82	94
Cambodia	105	106	109

Source: World Economic Forum (2015).

Further, based on the ASEAN 2015 TTCI report, this region has received the most international arrivals, which was certainly compounded by competitive prices, the natural environment, and sustainable travel options tailored to the middle classes in the surrounding areas. Recently, the ASEAN countries have begun work on expediting and easing visa processes, which would allow holders of visas for any of the ASEAN countries the option of traveling freely across all member states in the upcoming years. According to the UNWTO, this could lead to an increase of up to 10 million visitors in ASEAN countries a year.

The World Economic Forum (WEF) has ranked a few of ASEAN countries in a promising position in regard to its ranking in the Travel and Tourism Competitiveness Index (TTCI) for 2015, an improvement from the 2013 report. Compared to other regions, in 2015, Singapore was ranked at number 11, Malaysia at 25 and Thailand at 35. However, the 2015 TTCI report demonstrated that destinations endowed with natural and cultural resources, such as Indonesia, Cambodia and Vietnam, often fall behind the other advanced destinations. Despite this, most of the ASEAN countries rose in the arrivals due to the national prioritization on the tourism industry. In addition, the economic gap between ASEAN and other regions has also helped ASEAN countries with regard to price competitiveness. Despite receiving more arrivals, the adverse effects on the TTCI rankings are primarily due to their inability to supply quality tourism infrastructure, transportation infrastructure and sustainability factors, which include environmental issues, health and hygiene.

Looking to the TTCI report statistics, the highest ranked countries all qualified as advanced economies, suggesting that most of the elements that make up the TTCI depend directly on the degree of economic advancement. Singapore ranked among the advanced economies at number 11, proving its place among the best-performing advanced economies outside of Europe and North America. Malaysia came in at number 25, is the highest-ranked developing country, suggesting the ASEAN countries' strong performance across a wide spectrum. With four ASEAN countries featured in the top 50 of the TTCI, the tourism sector in ASEAN is undoubtedly competitive. It is nonetheless important to recognise the close relationship that exists between performance in the TTCI and economic prosperity, as the rankings continue to be led by Singapore and Malaysia. This is explained by the fact that, on average, advanced economies fare significantly better across most of the variables considered by the TTCI, including hard and soft infrastructures, regulatory frameworks, security and public health, which by and large benefit all sectors, boosting productivity and economic development.

## Methodology

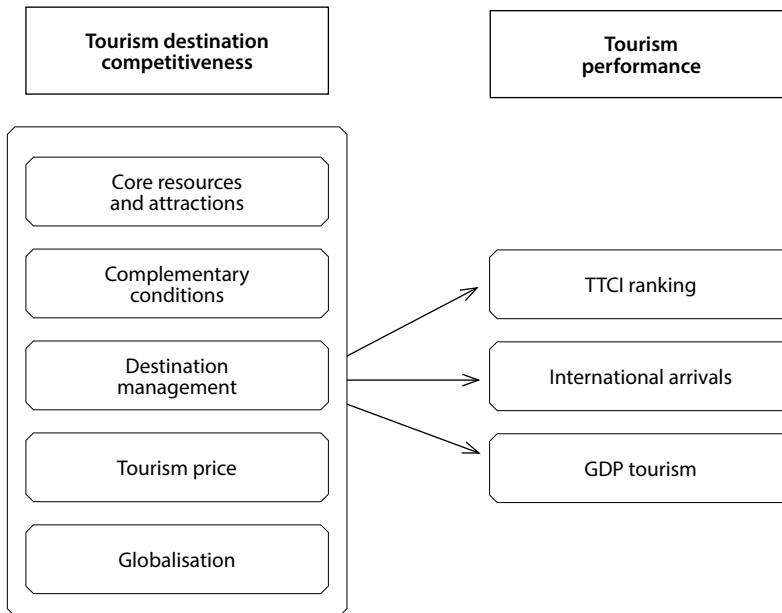
This study considers the various determinants of destination competitiveness based on the literature reviews of the key tourism destination competitiveness (TDC) models, with the intention to develop a conceptual framework incorporating the TDC and tourism performance. The literature review points out that a substantial amount of research is still warranted to develop suitable measures of destination competitiveness. For the purposes of this study, indicators from the 2015 Travel and Tourism Competitiveness Index (TTCI) report were adopted to represent the variables in the competitiveness model. For example, the number of cultural heritage sites were used to delineate the destinations' core resources and attractions. To gauge the destination management variable, the index of governmental prioritization of the travel and tourism industry is employed. Next, those countries whose citizens are exempt from obtaining visas are identified, representing the complementary condition variable. The ratio of the purchasing power parity (PPP) conversion factor to the destination's exchange rate is used to represent tourism price. And lastly, the net inflow of foreign direct investment (FDI) in U.S. dollars is used to represent the globalisation variable.

In total, 40 variables were collected from various sources. Data from secondary sources were in the form of soft data and hard data, which were collected based on their ability to reflect the proposed TDC determinants. The hard data includes statistics from World Travel and Tourism Council, and the soft data includes survey results of the World Economic Forum's annual Executive Opinion Survey. To investigate the linkage between a destination's competitiveness and its tourism performance among the ASEAN countries, the data from The World Economic Forum's, *The Travel and Tourism Competitiveness Index*, for the year 2013 was used. The 2013 report was used as this study uses the international arrivals data from the 2014 World Travel and Tourism Council database. In total, there were 15 variables in the form of soft data (e.g. the quality of staff training based on a Likert scale) and 25 variables in the form of hard data (e.g. number of UNESCO cultural heritage sites and CO2 emissions).

On the other hand, research on TDC modeling reveals three critical stages in constructing a destination competitiveness framework (Ivanov & Webster, 2013). The first stage involves identifying the determinants of a destination's competitiveness. The second stage involves selecting available data to represent the variables that measure the tourism destination's competitiveness and performance. The third stage is to specify the model and determine the meaningful causal relations between the dependent, independent and intervening variables. The research framework, outlined in Figure 1, is derived from various TDC research focussing on tourism policy, planning and management (Porter, 1999; Crouch & Ritchie, 1999; Dwyer & Kim, 2003; Gooroochurn & Sugiyarto, 2005; Croes & Kubickova, 2013).

The proposed research model (Figure 1) brings together the main elements of TDC, showing how they link to tourism performance. Since many of the previous TDC studies neglected either the supply or the demand components in their model construction, the objective of this study was to develop a composite model that encompassed both perspectives. Such a model incorporates all relevant TDC determinants that shape and influence a destination. Based on a comprehensive literature review, this study recognises five key determinants of TDC, which include the core resources and attractions, complementary conditions, destination management, globalisation and tourism price. Most of the relationship identified by Dwyer and Kim (2003) in their original Integrated Model (IM) model have been retained, with only slight modifications to the linkages between the determinants of competitiveness and economic prosperity. Since this study aims to identify the determinants of TDC and assess the effects of the TDC position on tourism performance, the economic prosperity variable was replaced by tourism performance, represented by the TTCI ranking, tourism contribution to GDP and international arrivals (Croes & Kubickova, 2013).

Figure 1  
Research framework



Based on the literature review, various research methods were used to examine the relationship between tourism performance and competitiveness. In this study, correlations were used to examine this relationship. The correlation analysis tested whether there is any significant relationship between these two dimensions based on five hypotheses proposed below:

**Hypothesis 1:**

There is a significant correlation between core resources and tourism performance.

**Hypothesis 2:**

There is significant correlation between complementary resources and tourism performance.

**Hypothesis 3:**

There is significant correlation between destination management and tourism performance.

**Hypothesis 4:**

There is a significant correlation between tourism price and tourism performance.

**Hypothesis 5:**

There is a significant correlation between globalisation and tourism performance.

## Results

The focus of this paper is on the macro aspects of tourism destination competitiveness and tourism performance. In particular, this paper explores whether the core resources and attractions, complementary conditions, destination management, globalisation and tourism price promote tourism performance; based on the TTCI rankings, international arrivals and the tourism contribution to the GDP.

Table 2

**Correlation analysis results for tourism destination competitiveness and tourism performance variables**

Code	CORE6	COM2	COM5	COM9	COM10	PRICE1	PRICE2	GLOB3
Variable	Average number of international fairs and exhibitions held annually in each country	Number of automated teller machines (ATMs) accepting Visa credit cards	Number of operating airlines	Internet users	Telephone lines	Index of the relative cost of access (ticket taxes and airport charges) to international air transport services	Ratio of the purchasing power parity (PPP) conversion factor to the exchange rate	Openness index of all bilateral air service agreements
TTCI				0.728* 0.041	0.741* 0.035	-0.629* 0.095	-0.659* 0.076	0.969** 0.000
Arrivals	0.822* 0.012	0.803* 0.016	0.827* 0.011					
TGDP								

\*\*Correlation is significant at the 0.05 level (2-tailed).

\*Correlation is significant at the 0.01 level (2-tailed).

Table 2 above shows the correlation results. Based on these results, only four dimensions of TDC were significantly correlated with tourism performance, namely, core resource (the average number of international fairs and exhibitions held annually in each country), complementary conditions (the number of automated teller machines (ATMs) accepting Visa credit cards, the number of operating airlines, internet users, telephone lines), tourism price (the index of the relative cost of access (ticket taxes and airport charges) to international air transport services, the ratio of the purchasing power parity (PPP) conversion factor to the destination's exchange rate) and globalisation (the openness index of all bilateral air service agreements). Therefore, hypotheses 1, 2, 4 and 5 were found to be significant. Meanwhile, the destination management dimension was found to be not significant; thus, hypothesis 3 was rejected.

The results from the correlation analysis show a mixed linear relationship between the TTCI rankings and the destination competitiveness variables. On the one hand, there is a strong positive linear relationship between the TTCI and internet users (COM9), telephone lines (COM10) and the openness index of all bilateral air service agreements (GLOB3). On the other hand, the TTCI rankings have a negative linear relationship with the index of the relative cost of access (ticket taxes and airport charges) to international air transport services (PRICE1) and the ratio of the purchasing power parity (PPP) conversion factor to the exchange rate (PRICE2). This is partly in line with Dwyer et al. (2002), who propose a negative connection between destination competitiveness and tourism price.

Further, there is a strong positive linear relationship between international arrivals and the average number of international fairs and exhibitions held annually in each country (CORE6), the number of automated teller machines (ATMs) accepting Visa credit cards (COM2) and the number of operating airlines (COM5). The available tourism supporting products and infrastructure can be classified as important factors that drive tourists to visit a destination. Surprisingly, however, no variable was significantly associated with tourism's contribution to GDP. Based on the above results, it is clear that the destination's core tourism resources were not the primary attributes affecting the TTCI ranking, which ostensibly consider other dimensions to be more important, such as the complementary resources (tourism infrastructure) and tourism price (purchasing power). However, it is important to note that when all the complexities of destination choice are stripped away, a country's core resources and attributes underline the fundamental motivations of travel (Crouch & Ritchie, 2000).

## Conclusion

The results of this study support the shortcomings of the TTCI indicators identified by previous research (Wu, Lan & Lee, 2012), which criticized the TTCI for basing its rankings on a destination's specific economic conditions rather than its competitiveness in offering a satisfactory tourism product. The highest ranked destinations in the TTCI were economically superior countries such as Singapore and Malaysia while the developing or less-developed countries, such as Indonesia and Thailand were ranked low in spite of their rich natural and cultural resources (World Economic Forum, 2013). As the TTCI report affords equal weight to all sub-indices/pillars, the economic disparities between countries will continue to cause biases in the indexing results of tourism competitiveness. Further, as long as the extant frameworks and the definitional systems of destination competitiveness cannot be cast into reliable cause-effect relationships, their practical benefits remain limited. Presently, the TTCI functions more as a collection of data, rather than as a model that depicts a clear and testable relationship among the interested variables. In addition, taking into account only the existing situation, the TTCI also fails to address the effects of future-oriented components as they relate to investment decisions, for instance. It also fails to delineate between the demand and supply aspects of competition and assumes a common perspective between domestic and international markets. Future research could comprehensively examine the economic measures as this would help verify the complexity of the relationship between the economic indicators and those underlying the infrastructure, environment and tourism sector. Such research would address the pertinent issues identified in this study regarding TTCI ranking was more as a collection of data, rather than as a model that depicts a clear and testable relationship among the interested variables. Meanwhile, the correlational analysis posits limitation. It can only demonstrate the relationship between variables, not causality. Therefore, it is suggested for the future researcher to use advanced statistical treatments (such as path analysis) to test the causality effect of the research variables. Despite the limitations, this study provides a valuable contribution to the tourism literature, expanding on existing theories of tourism destination competitiveness and its predictors.

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# Appendix 1

## List of variables

Core resources	Complementary resource	Destination management	Tourism price	Globalization	Tourism performance
Number of World Heritage natural sites in the country*	Number of hotel rooms available*	Destination marketing and branding	Index of relative cost of access (ticket taxes and airport charges) to international air transport services*	The net inflow of FDI, US dollars at current prices and current exchange rates in millions*	Travel and tourism competitiveness index*
Protected areas as a percentage of total land area*	Number of automated teller machines (ATMs) accepting Visa credit cards*	Availability of the travel and tourism data	Ratio of purchasing power parity (PPP) conversion factor to exchange rate*	Ratio of country balance of payments*	Tourism direct gross domestic product *
Number of World Heritage cultural sites and Oral & Intangible Heritage*	Sanitation and hygiene standards	Government prioritization of the travel and tourism industry	Hotel price index	Openness index of all bilateral air service agreements	Tourist arrivals*
The ratio of total seats for all major sports stadiums in the country to the total population*	Quality of air transport infrastructure	Quality of the educational system	Fuel price US\$ cents/liter*		
The average number of international fairs and exhibitions held annually in each country*	Number of operating airlines*	Availability of qualified labor			
Number of high-end shopping malls *	Quality of roads	Local availability of specialized training services			
	Quality of railroad infrastructure	Carbon dioxide emissions per capita in metric tons*			
	Quality of ground transport network	Stringency of environmental regulation*			
	Internet users*				
	Telephone lines*				
	Broadband Internet subscribers *				
	Mobile Broadband Internet subscribers *				
	Mobile telephone subscribers*				
	Attitude of population towards foreign visitors				
	International air transport network				
	Number of countries whose citizens are exempt from obtaining a visa*				

Note: \*Details of measurement scales and data sources are available in the 2015 Travel and Tourism Competitiveness Report unless otherwise indicated.

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