

# **THE POTENTIAL EVALUATION FOR SUPPLY CHAIN VALUE ADDED IN TOURISM INDUSTRY OF THAILAND**

by

**Kemkanit Sanyanunthana**

Information Technology Program,  
Suan Dusit Rajabhat University,  
Bangkok, 10300, Thailand

Tel. +668-1619-3023, E-mail: mod\_487@hotmail.com

## **ABSTRACT**

The purpose of this article is to study the management of supply chain in tourism business. The concept is to study and evaluate the efficiency changes of management and compare potential investment between each province of Thailand region. In order to increasing value added for Thailand tourism industry, seeking opportunity and increasing competition ability for Thai tourism entrepreneur to ASEAN community including the development of tourism supply and increasing competition ability for Thailand foundation among market opportunity, tourist demand and demand and supply configuration. This study could assist government sector and private sector to determine tourism business operation policy and investment of new tourism attraction policy. Furthermore, produce higher logistic network for transportation plan, decreasing operation cost, increasing value added and creating the competition advantage for Thailand among ASEAN community. This is a qualitative research and qualitative research. It aims to study the needs of tourists, and to assess the potential of tourism in order to develop of the tourism in Thailand. The results show that the province is potential in its physical and environmental quality, economics, social, culture, nature and the administration and management. With regard to the analysis study of the city's potential, it is suggested that transportation and routes should be developed in order to access the tourist destinations easily and travel at all seasons. The original nature should be preserved and maintained for its value and utilization for further study.

## **KEYWORDS**

Supply Chain, Tourism, Value Added, ASEAN Community

## **INTRODUCTION**

Including the Tourist services center that providing accurate information for travelers. World Tourism Organization forecasted that the number of international travelers will reach 1600 million people from 2004 – 2020 as well as the long distance travel will be more popular. Asia and Pacific is the forecasted populist region. Statistic showed that there were more than 397 million travelers (25.4% on market share) from 1990 to 2010 which was on the second rank. While the first rank is Europe which grow up by 6.7% per year. The tourist groups prefer to visit China, Hong Kong, Australia and New Zealand. From the Ministry of Tourism and Sport (2004: 4) shows that South East Asia region is the new progressive destination.

Association of South East Asian Nations will establish ASEAN Free Trade Area in order to create competition ability for ASEAN goods among global market. This affect ASEAN to attract more investment from other countries and also launch ASEAN Tourism Agreement which coalition for ASEAN Single Destination. There are various issues to discuss due to the trade route of China-Burma-Laos-Thai. For instance, the merchandize and broader crossing regulations should concern as Easy come Easy go. The consideration of Border Pass while traveling to a connected country and the Entry-Exit Permit while traveling cross countries, for example Thailand to China. The creating of Visa Free Zone, Travel Pass rate and Tax rate has to be standardizing as well as increasing the security measure. In the present, Thailand in collaborate with neighbor countries for bilaterallness and multilateral level.

The collaboration is shown in Greater Mekong Sub Regional Cooperation: GMS, IMT-GT and BIMST-EC. There is a negotiation between Thai government and ASEAN member in order to generate some regulations which support all tourists from both in and out of the region. Furthermore, this will create the collaboration between public sector and private sector for expanding the tourism investment to neighbor countries. Regarding strategy of Thailand policy, tourism industry is classified as one of the biggest industry. Tourism industry generates income to the country and also develops such the local economic, local community, employment rate and other related tourism business.

Thailand in the past year, travelers from East Asia and Asia are the crucial target. This shows on the increasing number of East Asia travelers and the number of Thai travelers. So the tourism industry is a major industry which generates enormous income to the country and influence the economic system. Many countries, for example, Thailand, Burma and Cambodia are awakened to the tourism strategies in order to attract more visitors. So that traveler from all over the world interested in visiting Thailand. This is a great opportunity for Thailand to find a network and hold the target market to visiting Thailand. Regarding the related tourism industry agency, there are several government agencies such as Ministry of Tourism and Sports, Tourism Authority of Thailand, Provincial Administration Organization (PAO) and Regional Administration Organization. There are other private agencies, for instance, airline, travel agency, accommodation and resort, restaurant and souvenir shop etc.

The local community has to prepare for developing their competitive potential and conduct tourist plan for ASEAN. The study of motivate factors and traveler behavior on demand side as well as the study of tourism model, tourist destination, tourist information center, services, facilities and the collaborate of local community on supply side are the key point. The integrated study is the appropriate method in combine those factors together in order to create a competitive tourist plan for government sector, private sector and also the local community. As the result of this is the integrated model that could benefit to all of the related industries of Thailand. Regarding the coming of ASEAN community, the objectives of this article is to review the literature and evaluate the potential in order to increase a level of value added in tourist supply chain of Thailand.

This article is composed of five components; 1) introduction: the background of tourism industry, the truth and important of tourism industry problems. 2) Transportation in Thailand 3) supply chain of tourism industry management 4) literature review, theories which relate to potential evaluation of Thailand tourism industry management, and problem solving method for create the model theory of travel along Thailand. 5) Conclusion, suggestion and continued research.

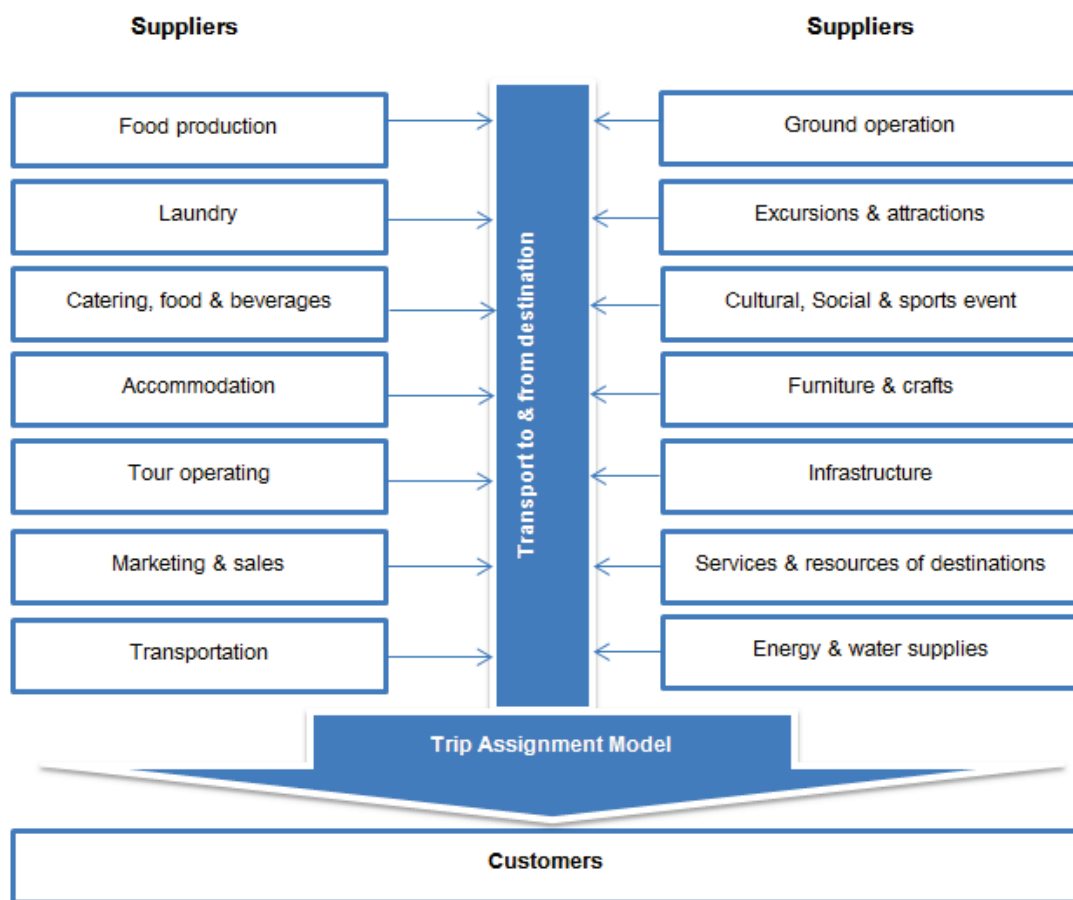
## **TOURISM INDUSTRY SUPPLY CHAIN**

Annular reaction supply chain or reaction is the operation of relationship between business-to-business or personal-to-personal. This focus on the moving management of product, service and information monitored by indicators and just in time and real time condition limitation.

The essential goal is to contribute a sustainable customer satisfaction. The supply chain procedure is composed of provision process, production, marketing, distribution, logistic and movement, storage and information technology. Providing the management system to reaction with every factor for satisfy all customers and reduce the total cost in order to raise competitive potential.

The supply chain mission includes information technology management which is the key supporting factor for efficiency and effectiveness success. The study of tourism industry supply chain is one of challenging aspect as the acceptance of impact on economic and social of tourism industry. For instance, tourism industry generates more income, employment and business. The relationship between tourism industry and tourism supply chain could address on the diagram below.

**FIGURE 1  
TOURISM CHARACTERISTICS AND RELATED TSCM ISSUES**



Regard to a difficulty of tourism unit among Asian region including Thailand, there is none of problem on destination; however, the problems are from the tourism supply chain. This is because tourism industry is a service business which could not transfer any physical product to customer as general business. Customer or travelers are required to gain the service at a particular destination by themselves. While tourism services supply varies with the specific seasons and also tourism services could not store as regular products. The tourism components are diversity and individually; however, they work together. This would cause a difficulty on controlling the quality and standards of services. The organizing of tourism industry supply chain is a significant division as it advocates the most efficiency on cost, time and customer satisfaction. So that arranges the efficiency developing and supporting tourism plan to raise the feeling of worthwhile among travelers. The value added policy is the appropriate approach. As a consequence, all tourism sector supposed to emphasized on value add and improve tourism products and services.

**THEORETICAL RESEARCH FRAMEWORK**

The study of potential developing method specify by the special interest tourism model. This study divided tourism into 4 categories; 1) Ecotourism 2) Health and sports tourism 3) cultural heritage tourism 4) leisure tourism. Subsequently, draw a link between each type of tourism to the travel route in Thailand. Next, study the result with potential development of demand, supply, marketing mix and value creation innovation. The research method used for this paper is a mix method through combining both quantitative research and qualitative research. Lastly, this paper would integrate the result from both sections. This research will present the association between countries as well as ASEAN community. The conclusion is separated to four parts; 1) Cluster Model, 2) Integration Collaboration Tourism, 3) Cluster Model GMS's Tourism, 4) Integration Collaboration GMS's Tourism.

Regarding the literature review, there are several documents which related to tourism supply chain theory along with the theory of potential evaluation in tourism industry management. Furthermore, the problem solving method for creating a model theory of Thailand travel route.

**TABLE 1**  
**LITERATURE REVIEW AND RELATED THEORY**

<b>Study</b>	<b>Methodology</b>
WirojRujopakarn (2004)	To study and analyze the travel demand at the current situation and future
Yilmaz and Bititci (2006)	To study the evaluation of efficiency tourism using value chain model. To combine 2 techniques, Value Chain Analysis and SCOR model. To explain the operating and supply chain management, demonstrate all supply chain business activities. The principle of SERVQUAL and value for money to measure the quality of services. On the other hand, general organizations use the quantity internal evaluation. There are various indicators, for example Profitability, Productivity, Cost, Cash flow and Capacity management.
Schiefelbusch, et al.(2006)	Study the tourism business strategic plan and tourism logistic of Germany. Create the travel chain that consist of transport activity and travel activity. By offering the route and vehicle option for traveling to particular destination. Explain the travel activity that would take place on the route. Developing tool called "EVALENT" for evaluating the supply chain. At the end, select the travel activity that less impact to the ecology, community and social. This aims to construct a sustainable tourism.
OntarioBuys (2006)	Study the project from Canada "Ontario Ministry of Finance"; study the efficiency supply chain evaluation in order to identify patient needs from the hospital service. This project follow the thought of balance scorecard as efficiency evaluation frame Next, increase the measuring dimension that related to hospital operation as a service business. To transform the measure dimension from four to six dimensions. Previous model consist of four dimensions; 1) The Financial Perspective 2) The Customer Perspective 3) The Business Process/Internal Operations Perspective 4) The Learning and Growth Perspective. Then adding two more; suppliers and people. Core supply chain operations, Emerging supply chain practices, Supply chain excellence. There are two groups of efficiency supply chain evaluation which are qualitative and quantitative evaluation.
Zhang, et al.(2009)	Regards to the literature reviews, the efficiency evaluation is an essential part for tourism supply chain. There are several researches focusing on the efficiency evaluation of industrial sector. On the other hand, the study of efficiency evaluation on services business sector is rarely found. There are three particular group of indicator. 1) Financial performance 2) Operational performance 3) Overall supply chain performance
Zhong Zhou andAnthony Chen (2009)	Study Traditional Four-Step Model, traveling model theory, study model of mathematic in order to forecast quantity and personal and goods traveling characteristic concerned with traveling route selection
Lee-Ing Tonget al.(2011)	Study DOE: to design the efficiency experiment for improving quality analysis of fundamental tool and statistic system.

**TABLE 2**  
**REVIEW OF THE KPI LITERATURE**

<b>Dimension</b>	<b>KPI</b>		<b>Study</b>
Transport	1.	Cost Reduction	M. Vrtic, et al.(2005)
	2.	Course Benefits	
	3.	Trip Distribution	
Customer	1.	SERVQUAL <sup>a</sup>	a) Yilmaz&Bititci(2006) c) Zhang, et al.(2009)
	2.	Value of money <sup>a</sup>	
	3.	% of repeat customer <sup>a</sup>	
	4.	Customer response time <sup>c</sup>	
	5.	Customer satisfaction <sup>c</sup>	
Financial	1.	Revenue per customer <sup>a</sup>	a) Yilmaz&Bititci(2006) c) Zhang, et al.(2009)
	2.	Marketing Cost (variable) <sup>a</sup>	
	3.	Total Cost <sup>c</sup>	
	4.	Manufacturing cost <sup>c</sup>	
	5.	Return on investment <sup>c</sup>	
	6.	Profit <sup>c</sup>	
	7.	Value chain cost (fixed) <sup>a</sup>	
	8.	Cash flow <sup>a</sup>	
	9.	Distribution cost <sup>c</sup>	
	10.	Inventory cost <sup>c</sup>	
	11.	Total revenue <sup>c</sup>	
Internal process	1.	% of no show <sup>a</sup>	a) Yilmaz&Bititci(2006) c) Zhang, et al.(2009) d) OntarioBuys (2006)
	2.	% of overbooking problem <sup>a</sup>	
	3.	Manufacturing lead time <sup>c</sup>	
	4.	Product availability <sup>c</sup>	
	5.	Transaction and technology <sup>d</sup>	
	6.	Forecast accuracy <sup>a</sup>	
	7.	Product quality <sup>c</sup>	
	8.	Supply Flexibility <sup>c</sup>	
People	1.	Voluntary Turnover	OntarioBuys (2006)
	2.	Level of internal staff satisfaction	
	3.	Proportion of individuals actively appraised and assessed	
	4.	Proportion of individuals qualified to agreed role standards	
	5.	Investment in education and skills development	
Supplier	1.	Supplier performance	OntarioBuys (2006)
	2.	Proportion of suppliers measured	
	3.	Number of new supply sources	
	4.	Total number of active suppliers	
	5.	Proportion of invoices paid within due date	
	6.	Supplier feedback survey	
Sustainable	1.	Ecological indicators	Schiefelbusch, et al.(2006)
	2.	Social indicators	
	3.	Economic indicators	

The result of this research is the essential tourism information. Additionally, this would increase the research value. Regards to creating tourism networking, the study of travel demand analysis, existing travel quantity and future travel quantity analysis. As a consequence, Thailand would be able to improve the efficiency to compete with our neighbors such as Laos, Burma, Vietman and cambodia. This will also build a corroborated network model in tourism management among Asian countries which will increase the competency and prepare ourselves before joining the AEC.

## SUMMARY AND RECOMMENDATION

The study of theory and literature reviews found that the efficiency evaluation trends to multi-dimension evaluation together with tangible and intangible cost analysis. Including defined the evaluating objectives to clarify efficiency evaluating indicator and potential on supply side.

Therefore, the supply chain could be evaluated from the objectives. This flexible method could also adjust to another dimension of evaluation. To reach the standard of completeness efficiency evaluation as well as cover the efficiency evaluation directed to supply chain, strategy and goal of increase the value added. Furthermore, creating competitive among tourism networking collaboration for every sectors; government, private, community, domestic and regional. This study was to demonstrate the cooperation from every party in the supply chain, including support develop the strategy to suit the organization. This generates the evaluation index, especially for tourism industry. Tourism industry is important in terms of revenue generating function which links to many stakeholders in the supply chain in order to form the trip assignment model in tourism management. To spread the efficiency of tourism around the country, supporting the increasing number of tourists as well as creating high level service on tourism logistic. Spreading the tourism in order to balance, speed up , and cost minimization. Also, create the value added for tourism industry in regional and domestic level. Form the Thailand's core competency in Asian Economy.

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