

# **Tourism in the Philippines**

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Introduction to Hospitality

Final Exam

**1. What are some of the challenges that face the Philippines as they implement tourism as a major growth strategy for their economy? Why are they pursuing this? (10 points)**

One of the challenges facing the Philippines as they look to use tourism as a growth strategy for their economy is the infrastructure of the country. It currently is not prepared for a continued economic expansion as they have bottlenecks from road and rail to ports and power generation.<sup>1</sup> They want to have a world-class infrastructure, but an archipelago of 7107 islands presents a big challenge in transporting people to the different areas or tourism zones.<sup>2</sup>

Another challenge is in leakage of the revenue generated from tourism that does not stay in the country. Studies have shown that there can be a high amount of leakage especially when there is a large portion of foreign ownership within the country.<sup>3</sup> With the Philippines' Entertainment City, this is a very real danger because the entire cost of the construction will be borne solely by foreign investors.<sup>4</sup> They need to be careful to build up the infrastructure and the local industry in the area so that supplies and services can be obtained locally instead of having to bring these in from offshore. This will help keep money in the country.

The Philippines are a country with a high poverty rate, higher than any of the neighboring countries. In 2006 they had a 32.9% poverty rate and it is believed to be higher today<sup>5</sup>. Recent studies have shown that tourism has a potential as an anti-poverty strategy.<sup>6</sup> The Philippines believe that have much to offer, so they want to use tourism as a means to jumpstart their economy.

**2. Contrast the documents from Business Week and the State Economic Planning Office. These two documents are remarkably different. Explain the dangers in pursuing tourism as a development strategy for the Philippines. What are two socio-cultural issues that are negatively associated with the Philippines regarding tourism?(20 points)**

The two documents from Business Week and from the State Economic Planning Office are different in the following ways. The Senate Economic Planning Office article is looking at tourism as a means for development strategy and economic growth. Their outlook is rather reserved and cautious in the chances of tourism being the answer. The Business Week article, however, is very upbeat on the chances of the Philippine's sustained economic growth. They are not talking about tourism as the development strategy but rather the building and modernization of the country's infrastructure as the basis for sustained growth.

There are dangers of the Philippines pursuing tourism as an economic development strategy. First, if the country's infrastructure is not ready, they will not be prepared for the influx of visitors that the tourism industry would bring. Tourists expect certain things when visiting a country; good transportation and a roadway system to support that transportation. This is a special challenge in the Philippines which is a country of 7107 small islands. Not only do they need ground transportation but they also require good waterways to transport tourists between islands. Tourists also expect to not have issues with utilities (water, sewage, energy) or with telecommunications (cell and land phones, internet). The dangers in not having this infrastructure are that people will not come back and they will also pass this information on to friends and colleagues. Also, as seen in Jamaica, not having the proper infrastructure can lead to pollution and harm to the countries environment and ecosystem.

Another danger is in not having sufficient long-term planning. There are many potential negative environmental, social, and cultural impacts that are associated with tourism. These necessitate understanding what they are and long-term planning with all the stakeholders; government, private/commercial businesses, and the local community.<sup>7</sup>

There are some socio-culture issues that are negatively associated with the Philippines regarding tourism.

The first issue is “sex tourism”, which includes prostitution. Tourists generally have a higher level of income than the local population which allows them to buy sexual services. In countries with high poverty levels, such as the Philippines, women and children will come to the city for the sex industry.<sup>8</sup> Another issue is that with gaming comes addiction. Making it available near a large city such as Manila makes it more available and accessible to many people. Asia does have a gambling problem, but because of the Asian’s love for gaming, the industry is expanding rapidly in that part of the world. Researchers feel that due to this, pathological gambling could reach epidemic proportions in coming years.<sup>9</sup> It is incumbent on the Philippine government and the tourism department to try to stem this from lessons learned in other places such as Macau and Singapore.

**3. If you were going to market the Philippines as a tourist destination, and you were putting on your yellow hat from de Bono, what items would you stress to market tourism? (10 points)**

According to our readings, the Philippines main attraction is its diversity.<sup>10</sup> It is a country of 7107 islands, it has large scale resorts and smaller ecotourism developments, it has history, and it has beautiful beaches and mountains. This diversity and the fact that there is something for everyone to do is what needs to be marketed. Also, this diversity means that even the local population should be targeted since probably many have not seen everything there is to see. The Department of Tourism has already begun this in a campaign to encourage the public to take long weekends and tour the country, whether in nearby municipalities or provinces.<sup>11</sup>

There is another area that could be targeted and that is a combination of Filipinos living abroad and the real estate market in the Philippines. There are over three million Filipinos in the U.S. alone who still value their Filipino culture, history, and heritage. There is a push to get them to buy a second home in the Philippines. Once they have this property in the Philippines there is a tendency to vacation there more often and for longer periods of time<sup>12</sup>. This is actually part of their “The Philippines: Live Your Dream” campaign. Come vacation here and buy a vacation home while you’re here. The cost of living is low and the real estate market is booming right now, making it look like an ideal investment right now.<sup>13</sup>

**4. Godbey and Haworth Hospitality Press discuss the future of leisure. They mention the experience economy. What is our current economy now referred to and how will this change in economy change the way hospitality leaders do business? How would you apply this to the Philippines.(20 points)**

We are currently in the service economy which refers to a couple of economic developments. One is that today, more of the Fortune 500 companies are service companies rather than manufacturing companies. It also refers to the relative importance of service in a product offering; today’s products have a higher service component than in previous decades. This is called the servitization of products: everything purchased has a significant service component.<sup>14</sup> In other words, value is added by adding service.

However, the experience economy is now replacing the service economy. Consumers are not looking for services, they are looking for experiences. Consumers dine at theme restaurants, shop at experiential destinations, and vacation at resorts and theme parks that offer a grand experience. When people buy an experience, they pay to spend time enjoying a series of memorable events that engage them in a personal way.<sup>15</sup>

This will change the way hospitality leaders do business, as they will now need to not just focus on what services to provide but how to ensure that the service provides the guest with a memorable experience. The

services that are provided must be developed in such a way as to provide an experience. They can't just provide a basic service because that is what everyone else is doing, but rather, what can they do to make that service stand out and be memorable to the guests. There is a need in hotels to provide services entertain; such as video games, internet, and movies. Restaurants need to provide an experience such as great food, a themed environment, or a service staff that is trained so well as to be able to meet all the guests needs and wants. Vegas is an example of this shift; it's not just about casinos anymore. In Vegas, it is now about great dining experiences, a variety of shows and entertainment, and a great nightlife.

As the Philippines develop their tourism industry they need to keep this in mind. Casinos can bring in tourists and money but in the long run it is not what brings people back. They need to give them the experience they desire. In Entertainment City the focus needs to be put more on the experience of being there, not just the casinos. Provide world class entertainment and food, provide a variety of things to do, and provide great service. However, they have so much more to offer, they can provide the experience of relaxing on a beautiful beach, or exploring the beautiful mountains and islands.

**5. Do you think that the Philippines will succeed in its initiatives on tourism? Explain your answer as to why they will or will not do well using the articles as well as material from class.(30 points)**

I believe the Philippines will succeed in their initiatives on tourism. Is it the cure-all for their economy? I don't believe so, but tourism can be a part of that. It seems they have taken some lessons from other places and are trying to apply them to their country. The Entertainment City project is massive and maybe is the project with the most risk. This project has already started in July 2009, but is the area's infrastructure ready for it yet? From the article in Business Week it seems that they are still in need of roadway and port upgrades, modernization and upgrades of the airport(s), as well as the utilities system. This is a threat to the Entertainment City as seen from the example of Jamaica. Without everyone working together, this could have some of the same implications. The policies and the infrastructure should already be in place but all parties concerned need to work together to ensure this project does not end up with the same results as the Jamaica tourism industry did (pollution, ecological disasters, resentment, higher poverty levels).

However, on the whole I believe the government and the Department of Tourism have the right focus on the industry. They are trying to look at their strengths and market them. With the current economic boom they are in, they are focused on building the infrastructure of the country. This is a big challenge due to the great number of islands. However, they seem to have a focus on creating tourism zones that can be the destinations. By creating zones, they will be able to focus their efforts and spending; otherwise, it would be a daunting task. Also, as seen in the California Tourism report, having so much to do can also be a negative as people don't know where to start. By breaking it down into zones, it will be easier for tourists to wrap their heads around and decide what to do. This seems to already be the case. "When travelers come to the Philippines, they don't come to the Philippines per se," says Tourism Secretary Ace Durano. "They come to Boracay or Cebu or Bohol. Not the Philippines."<sup>16</sup>

According to the Department of Tourism, the natural attractions, though unique in many ways, are not sufficiently strong in themselves to attract the numbers required to support a significant tourism sector. All destinations, where the core products are nature and culture based but are not considered world class (such as the Galapagos, Egypt, Greece) face this problem. The strategy that many destinations do not have 'world class' nature and cultural attractions have pursued is to invest heavily in related products - golf, health and wellness, cruise, yachting, marinas, conference and incentive etc. These destinations have seen their tourism sectors prosper and grow.<sup>17</sup> This is a strategy that will allow them to have a destination for tourists.

However, they see a need for balance, using the tourism zones for investments but also looking to promote

ecotourism due to their many beautiful areas. Once there, they can market some of the smaller locations and ecotourism operations as a secondary destinations. The tourism department, for its part, said that eco-tourism has always been its advocacy through its promotions and activities. “Green tourism has always been our advocacy, being a country blessed with natural resources and ecotourism sites. With our participation in this upcoming event in Brunei Darussalam (Asean Tourism Forum), we aim to not only promote our tourism destinations, but also to call for responsible travel – both from industry players and tourists alike,” said Tourism Secretary Joseph “Ace” Durano. Among those activities that may be associated with green tourism or eco-tourism are bird and dolphin watching, nature trekking, snorkeling and visit of wildlife sites.<sup>18</sup>

They also seem to understand that they have a large market in Filipinos living abroad, especially in the US. They have on the most part done well and are sending money home that has helped with the current economic boon. Their “Live the Dream” campaign is targeting them to not just vacation there but to buy a second vacation home. This is helping the real estate business as well as bringing in tourists that have money to spend and who will stay for longer periods of time. Tourists who spend long periods of time will tend to spend in the local economy especially if they own a home there. This will help with leakages out of the country and local economy.

So overall I believe they are trying to do things the right way. It won’t be easy and there may be some failures, but they are headed in the right direction as far as their tourism industry is concerned.

**6. Do you think that the Bagong Nayong Pilipino will do well? Why or why not and how does it compare with the issues that face the gaming industry in United States? (10 points)**

I believe the Bagong Nayong Pilipino (Entertainment City) has a chance to do well as long as they don’t try to make it the cure-all answer for their economy. Gaming is very big in Asia because Asians love to gamble. So this will certainly be a draw for people from other Asian countries as well as the local population. However, the gaming is only a smaller part of the concept as it is planned \$15-billion entertainment and leisure complex which will feature a complete range of world-class amenities for people of all ages. The hotels will have such amenities as upscale retail opportunities, restaurants, theaters, a world-class aquarium, a world-class theme park, a museum, plus a tower that will be among the tallest in the world.<sup>19</sup> These will go a long way in providing that experience people are looking for today. Of course, all this depends on how well the Philippines address the challenges and dangers discussed in questions 1 and 2 above. From all the readings it looks like they are trying to understand all the issues and deal with them with all parties concerned.

In the American gaming industry we saw a shift from the dark, dirty casinos run by the mob to casinos that are now large entertainment complexes and are run by investors. It is no longer just enough to have a casino. There needs to be more to entertain the guests and give them memorable experiences. This same issue faces the Philippines as they build this complex – it can’t be all about the gaming. They must put as much, or more, focus on the other entertainment aspects of “Entertainment” City.

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<sup>1</sup> Pam Dougherty, "The Philippines: Setting the foundations", 2008, Business Week Special Advertising Section

<sup>2</sup> Ibid

<sup>3</sup> State of the Philippines, Senate Economic Planning Office Policy Insights, August 2006, "Tourism as a Development Strategy", page 7

<sup>4</sup> "Cheques and the City", In class handout: Sponsored Section

<sup>5</sup> Emundo Enderez, "Why the Philippines lags behind its neighbors", 1/10/2010,

<http://opinion.inquirer.net/inquireropinion/letterstotheeditor/view/20100110-246639/Why-the-Philippines-lags-behind-its-neighbors>

<sup>6</sup> State of the Philippines, Senate Economic Planning Office Policy Insights, August 2006, "Tourism as a Development Strategy", page 1

<sup>7</sup> State of the Philippines, Senate Economic Planning Office Policy Insights, August 2006, "Tourism as a Development Strategy", page 11

<sup>8</sup> State of the Philippines, Senate Economic Planning Office Policy Insights, August 2006, "Tourism as a Development Strategy", page 9

<sup>9</sup> Lin Woo Liu, "Asia's Growing Gambling Addiction", November 1, 2007, Time Magazine

<sup>10</sup> "Tourism's Plentiful Knock-On Effect", In class handout: Sponsored Section

<sup>11</sup> Malou M. Mozo, "DoT urges long weekend travels", January 9, 2010, <http://www.mb.com.ph/articles/237716/dot-urges-long-weekend-travels>

<sup>12</sup> "Tourism's Plentiful Knock-On Effect", In class handout: Sponsored Section

<sup>13</sup> The Philippines: Paradise Found, <http://www.fortune.com/adsections>, page S2

<sup>14</sup> "Service economy – Definition", [http://www.wordiq.com/definition/Service\\_economy](http://www.wordiq.com/definition/Service_economy)

<sup>15</sup> B. Joseph Pine II and James H. Gilmore, In Search of the Experience Economy, April 1999, <http://www.managingchange.com/guestcon/experien.htm>

<sup>16</sup> Daxim Lucas, "Sharp Rebound seen in tourism this year", January 01, 2010,

<http://business.inquirer.net/money/topstories/view/20100101-245033/Sharp-rebound-seen-in-tourism-this-year>

<sup>17</sup> "Destination Strategy: Move to an investment-driven strategy",

<http://www.tourism.gov.ph/Pages/DestinationStrategy.aspx>

<sup>18</sup> "RP to join green tourism forum", January 9, 2010, <http://www.sunstar.com.ph/manila/rp-join-green-tourism-forum>

<sup>19</sup> The Philippine Star, "Pagcor chief upbeat on Entertainment City project", July 16, 2009,

<http://www.philstar.com/Article.aspx?articleid=487049>