

NO. 5/2021

SMART TOURISM

HUMAN CAPITAL REPORT



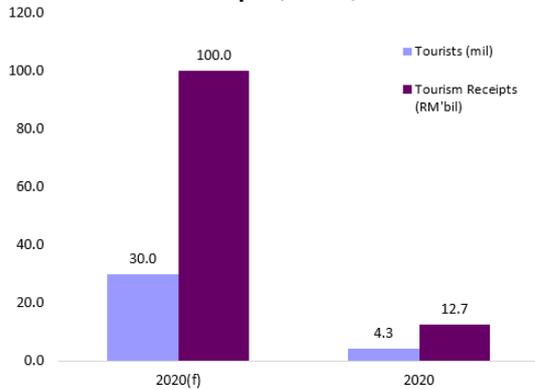
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TOURISM PERFORMANCE IN MALAYSIA

The tourism industry recorded positive growth from 2016 to 2019, mainly due to the growing size of the affluent middle-income population in Asia, greater connectivity, more affordable travel options and better economic conditions. In 2019, the gross value-add of the tourism industry (GVATI) was RM240.2 billion, compared to RM165.9 billion in 2015. Despite tourist arrivals increasing marginally by 0.4% per annum, from 25.7 million in 2015 to 26.1 million in 2019, total inbound tourist expenditure increased by 5.7% per annum, from RM69.1 billion to RM86.1 billion during the same period. Employment in the tourism industry also increased by 5.6% per annum from 2.9 million in 2015 to 3.6 million in 2019. ¹

Source: 12th Malaysia Plan 2021-2025

Expected and Actual Tourists (mil person) and Tourism Receipts (RM'bil) in 2020



Source: 12th Malaysian Plan 2021-2025
Note: (f) = forecasted

The COVID-19 pandemic has adversely affected most of the Visit Malaysia 2020 promotional campaigns. It caused a sharp decline in tourist arrivals in 2020 to 4.3 million tourists, with total receipts of only RM12.7 billion compared with the target of 30 million tourist arrivals and a revenue of RM100 billion.

The GVATI in 2020 also dropped 33.9% to RM158.9 billion, compared to RM240.2 billion 2019.

WHAT IS SMART TOURISM?

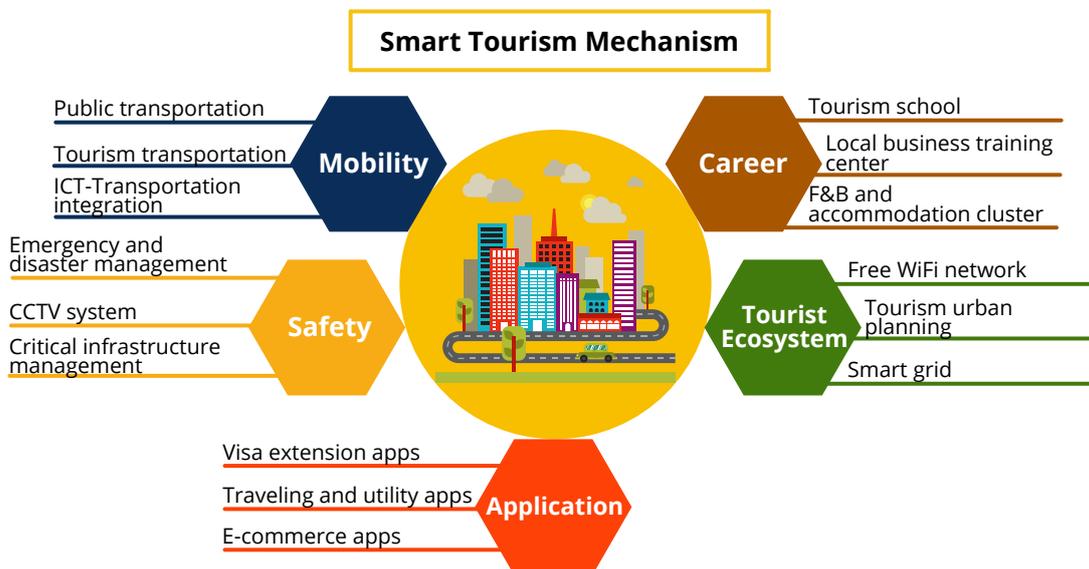
Smart tourism refers to **the application of information and communication technology (ICT), mobile communication, cloud computing, artificial intelligence, and virtual reality**, for developing innovative tools and approaches to improve tourism. It also refers to a tourism model that brings together a set of paradigms geared towards a more sustainable, efficient, and inclusive organisation, supported by technology, connectivity, innovation, governance, and creativity, with the aim of making the destinations more resilient, competitive, and better places to live. ³

Tourism was one of the first sectors to digitise business processes on a global scale, bringing flight and hotel booking online and thus becoming a digital pioneer. As ICT become a global phenomenon, tourism can be considered a consistent early adopter of new technologies and platforms.

Source: 2. *Augmented Intelligence: Leverage Smart Systems*

3. *Inland and Island Tourism, Contrasting Geographies Touching Each Other: Azores, a Peripheral Archipelago*

4. *Digital Transformation, 2021, UN World Tourism Organisation*



Source: Smart Tourism Mechanism from EFA Process (Proposed), 2018

QUICK FACTS

Tourism-based revenue projection



RM462* billion by 2030

from the current RM105* billion, an increase of more than four-fold.

Source: Malaysian Investment Development Authority (MIDA), 2021
*conversion rate USD-MYR as at 23 December 2021

Tourism represents

9% of the world's GDP

Source: World Economic Forum (WEF), 2014

These are five of the most common methods of implementing smart tourism:

Accessibility Options

A smart tourism initiative must be accessible to everyone, both physically and digitally, regardless of age, gender, religion, race, sexuality or disability. This also includes language and mode of communications that provide comprehensive detail on the tourism products.

Sustainability Initiatives

These initiatives should focus on driving sustainability, reducing carbon footprint, adopting environmentally-friendly approaches, and considering the host communities and their needs. The use of smart technology is crucial to improve sustainability practices, such as the use of solar panel lighting or eco-labelled products.

Information Sharing

Digital tools such as social media platform, QR codes and mini-programmes have opened up many opportunities for tourism providers to share information with their clientele. These tools enable them to share more efficiently and increase engagement with their target audience at every stage of their visit. Companies can also utilise smarter promotional and marketing campaigns through these channels.

Research and Management Tools

Tourism organisations adopt research and management tools to improve business outcomes. These include developing a customer relationship management (CRM) programme or designing a tourism flow monitor. Some companies have utilised these tools to create a smart parking app that has helped to reduce congestion and promote the ease of access for its visitors.

Tourist Experience

Tourism providers are now adopting innovative technological approaches to develop and enhance the tourism experience that they offer. This ranges from augmented reality (AR) applications to gaming and virtual reality. For example, the Qiandao Lake in China offers a virtual reality hot air balloon experience for tourists.

Source: Malaysian Investment Development Authority (MIDA), 2021

The **Malaysia Smart Tourism 4.0** initiative, launched by Tourism Malaysia on 5 April 2018, aims to bring the industry to the next level by taking advantage of opportunities in the digital age. These efforts will pave the way for new innovative sub-sectors and create employment opportunities in line with the National Tourism Policy 2020-2030 (NTP 2020-2030) and the United Nations' Sustainable Development Goals 2030 (UN SDG 2030).

Some major impact on the sector as a whole are the development of smart travel facilitation, smart destinations, and a new wave of job profiles.⁵

Source: Smart Tourism Ecosystem, Boxcube Asia



Smart Travel Facilitation

A comprehensive smart travel model; e.g., smart visas, borders and security processes and infrastructure. With the consolidation of these tools, passengers can book their flights and check in online, have their boarding passes on their smartphones, go through automated clearance gates and validate their boarding passes electronically to board planes. These measures improve both travel facilitation and security.



Smart Destination

A smart destination is one with a strategy for technology, innovation, sustainability, accessibility and inclusivity along the entire tourism cycle: before, during and after the trip. A smart destination is also one with residents and tourists in mind, factoring multilingualism, cultural idiosyncrasies and seasonality into tourism planning.

By continuously and accurately measuring, integrating and analysing data for efficient decision-making, prioritisation and anticipation of challenges, they create a seamless and exciting experience for tourists while managing local resources efficiently.



Job Creation

Similar to other economic sectors, intelligent automation will change the nature of some travel jobs and eradicate others altogether. However, digitally-enabled growth will also generate new employment opportunities that could outpace the automation of existing roles, especially as strong growth is forecasted for the sector.

The sector should therefore prioritise strengthening startups as well as Small and Medium Enterprises (SMEs) so they can become integral parts of the tourism value chain, thereby boosting technology and skills-based education, as well as adopting training and policies that stimulate innovation and solid employment.



#3

Malaysia ranks 3rd in the English Proficiency Index, out of 24 Asian countries in 2020.

#30

Globally, Malaysia ranks 30th, with Moderate Proficiency at 547 points.

Source: Education First English Proficiency Index, 2020

Product Augmentation Strategies

- Ecotourism
- Adventure Tourism
- Youth Tourism
- Sports Tourism
- Cultural & Heritage Tourism
- Community Based Tourism
- Island Tourism
- Coastal Tourism
- Urban Tourism
- Shopping Tourism
- Medical & Wellness Tourism
- Meetings, Incentives, Conferences & Exhibitions (MICE)
- Cross Border Tourism
- Rural/Agro Tourism
- Cruise Tourism
- Special Interest Tourism
- Muslim Friendly Tourism

Source: National Tourism Policy 2020-2030

BENEFITS OF SMART TOURISM⁶

Smart tourism brings many values to the consumers, as well as the industry players. These include:

Allowing innovation by all players, as well as the government to safeguard the integrity of the industry and develop best practices.

Making it easier to search for best offers for all travel needs, from buying tickets to booking accommodation, planning travel routes and purchasing needed travel products.

Establishing a self-guided travel market which is fast becoming the world's most popular tourism product.

Empowering merchants to create better products by reducing operational cost and inefficiencies. At the same time, coming up with informed and detailed marketing strategies.

Providing accurate and detailed data to the government – more targeted and smarter policies can be drawn up to make Malaysia a more attractive destination.

Enabling players to access detailed data-driven information to become more visible to visitors.

Source: *Smart Travel Unlocking Economic Growth and Development through Travel Facilitation*, WEF, 2014

BARRIERS TO SMART TOURISM⁷

Travellers in the 21st century have high expectations for efficiency and a low tolerance for barriers to global mobility. There are several key challenges hindering smart tourism, namely:

A lack of a comprehensive approach to managing travel security and border control results in inefficient and wasteful efforts by distinct government agencies with overlapping jurisdictions. This unintended redundancy therefore fails to enhance security.

Tourism SMEs with low levels of digitalisation to boost digital uptake and inclusion within digital business ecosystems; and to support innovative digital companies that energise business ecosystems.

Source: *Tourism Trends and Policies 2020*, Organisation for Economic Co-operation and Development (OECD)



BRIDGING THE GAP

The government has rolled out various initiatives to help minimise the barriers to Smart Tourism through Human Capital Development. This includes:

Budget 2022

- The implementation of the Wage Subsidy Program (WSP) targeted towards tourism industry players, specifically for tour operators who experienced a decline in revenue of at least 30%. With an allocation of RM600 million, this initiative will benefit more than 26,000 employers and 330,000 employees.
- Specific financing for the tourism sector of RM600 million under PENJANA Tourism Financing and BPMB Rehabilitation Scheme.
- Special Assistance to more than 20,000 tour operators registered under the Ministry of Tourism, Arts and Culture for a period of three months with an allocation of RM85 million.
- This budget also targets 220,000 trainees to undergo various upskilling and reskilling programmes with a total allocation of RM1.1 billion. Among the programmes that will be implemented is the place and train programme, which is a training programme with guaranteed placement and employment.

PEMERKASA Stimulus Package

- The exemption of HRD Corp levy for affected tourism and retail sector companies of up to June 2021.
- One-off Special Assistance Grant of RM3,000 for 5,000 tour agencies registered with MOTAC, as well as one-off cash assistance of RM600 for 4,000 homestay operators registered with MOTAC.

Source: *Budget 2022 and PEMERKASA Stimulus Package*, Ministry of Finance

QUICK FACTS

Key Highlights from Budget 2022



RM1.6 billion
has been allocated for
MOTAC

Source: Ministry of Finance

Training courses offered by Malaysia's accreditation body related to the Tourism Sector

Ministry of Tourism, Arts and Culture Malaysia (MOTAC)

- Travel and Tours Management Course (TTMC)
- Travel and Tours Enhancement Course (TTEC)
- Umrah Specialised Enhancement
- City Tourist Guides, Level 3
- Regional Specific Tourist Guide (RSTG) Sabah/Sarawak, Level 3
- Local Nature Tourist Guides, Level 2
- *Kursus Mesra* (fka We Are The Host)
- Eco-Host Malaysia

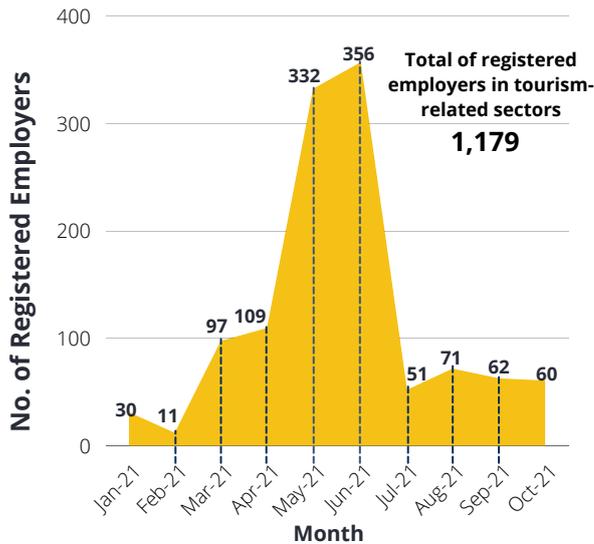
Association of Tourism Training Institute of Malaysia (ATTIM)

- Virtual Tour Guiding - Going Digital to Stay Afloat
- National Ecotourism Plan 2.0 2020-2030 & What is Business Events and Key Sectors of Business Events

Source: MOTAC and ATTIM

HRD CORP TOURISM STATISTICS

Following the expansion of coverage under the PSMB Act 2001, more industries are now covered, except for Federal and States Government, and NGOs in Social Welfare Activities.

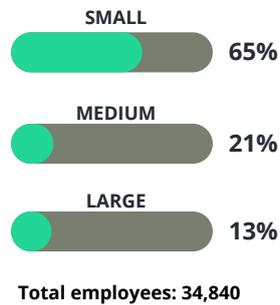


Source: HRD Corp Internal Data as of October 2021

HRD Corp's internal data shows the number of registered employers and employees within the tourism-related sector in 2021. When COVID-19 vaccination rate ramped up towards the third quarter of the year, it resulted in the government allowing inter-state and international travels from 11 October 2021.

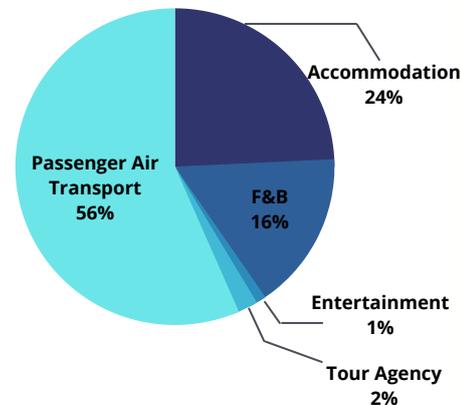
Number of registered employers was recorded at 1,179 in 2021 with a surge in May and June. Meanwhile the percentage of employees by industry size are 65% for Small enterprises, followed by 21% for Medium businesses and 13% of Large companies with a total employees of 34,840.

Percentage of Employees by Industry Size



Source: HRD Corp Internal Data as of October 2021

Approved Financial Assistance related to Tourism in 2021



Amongst Tourism-related sectors, Passenger Air Transport registered the largest number of Approved Training Places in 2021 at 19,737. On another note, about 49% of Approved Financial Assistance was channeled towards the Accommodation category.

CONCLUSION

Our ultimate goal is to make a solid contribution in achieving the NTP 2020-2030 as well as UN SDG 2030 and the global development community. This means using more real-time and new types of data to understand economic behaviour and recovery, leveraging digital trails around the city, offering tools to help people navigate and disperse footfall more equally, and collecting best practices to embed smart tourism in organisations across the sector. It is worthwhile considering exactly the kind of shifts we are experiencing and how we can ensure this revolution benefits everyone.

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- How Dublin is using 'smart tourism' to rebound and reset, 2021, Cities Today

QUICK FACTS

The internal data focuses on these sixteen (16) subsectors:

- Beverage Serving Activities
- Camping Grounds, Recreational Vehicle Parks and Trailer Parks
- Creative, Arts and Entertainment Activities
- Event Catering and Other Food Service Activities
- Gambling and Betting Activities
- Landscape Care and Maintenance Service Activities
- Libraries, Archives, Museums and Other Cultural Activities
- Organisation of Conventions and Trade Shows
- Other Accommodation
- Other Amusement and Recreation Activities
- Other Reservation Service and Related Activities
- Passenger Air Transport
- Restaurants and Mobile Food Service Activities
- Short Term Accommodation Activities
- Sports Activities
- Travel Agency and Tour Operator Activities

Source: HRD Corp Internal Data as of October 2021

The most common grant approved from January to October 2021 in the tourism-related subsectors:

36% Short-term accommodation activities

35% Restaurants and mobile food service activities

Source: HRD Corp Internal Data as of October 2021