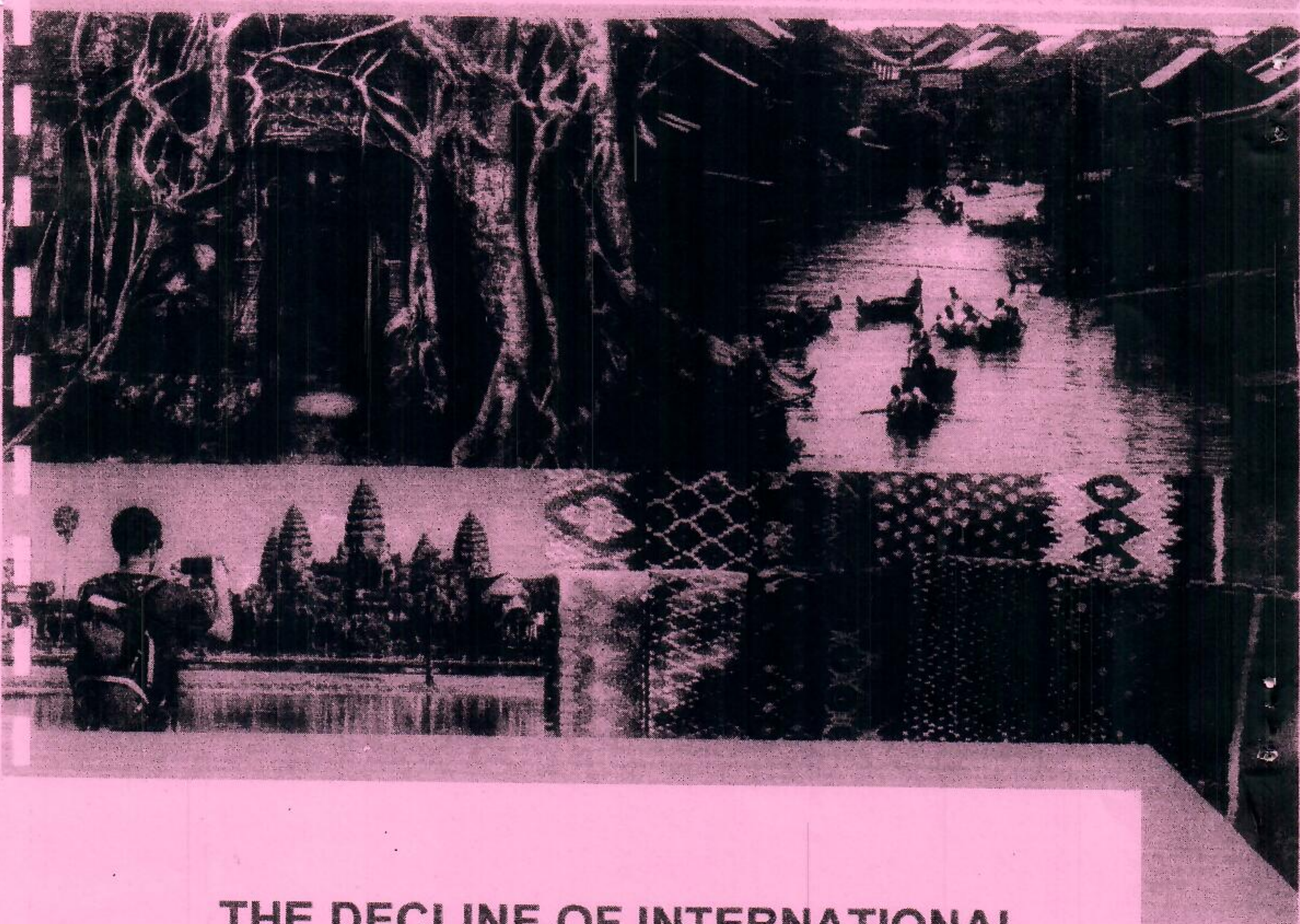

THE DECLINE OF INTERNATIONAL TOURISM NUMBERS IN SIEM REAP

Technical Assistance to the TCBP

TCBP (Tourism Commercial Capacity Building Programme)

Ministry of Tourism - Cambodia

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SOFRECO

The Decline of International Tourism numbers in Siem Reap

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Report prepared on behalf of the Ministry of Tourism by the Technical Assistance to the Tourism Commercial Capacity Building Programme. September 2019

1. Background

This summary report investigates the decline in tourism numbers based on the perception of the private sector in Siem Reap. In September 2019, the Technical Assistance team of the Tourism Commercial Capacity Building Programme were tasked with conducting this rapid study to support an earlier briefing note.

The report provides the direct feedback from the private sector with a focus on Siem Reap regarding the situation of the decline in international visitor numbers, perceived factors influencing the decline in international visitor numbers and some recommendations from the private sector stakeholders engaged with.

Two approaches were used to collect the data and feedback of the private sector:

- The creation of an online survey using the Survey Monkey platform
- A field mission to conduct face to face interviews with relevant stakeholders. This took place between 7th and 11th of September.

The feedback in the report is based on the 'raw and undiluted' comments of the stakeholders that the consultants engaged with. The common comments have been collated and rationalised to avoid duplication.

Stakeholders

As part of the consultation process, all the participants were given the chance to present their open comments regarding the decline in International Visitors that is impacting on their businesses. In order to create an open environment and ensure that all felt comfortable with giving feedback freely it was agreed that individual responses would be confidential.

The stakeholders were selected from the private sector network that has been developed over the previous activities of the Tourism Commercial Capacity Building. They included members of the Siem Reap Chapter of the Cambodian Hotel Association, the CAM DMC group of International incoming tour operators, individual hotels and restaurants, management team from T Galleria, and handicrafts specialists. The online survey was also distributed amongst the participants wider network.

The online survey resulted in 79 responses – 29 Accommodation providers, 33 Tour Operators and 16 other tourism related industries.

2. The decline in numbers of international visitors

Through the interview process all sectors reported a decline in incoming international arrivals, especially but not only those from the Western Market. It appears to be across both GIT and FIT visitor classes in general.

The online survey platform was used to ask more specific and quantifiable questions to understand the situation regarding the decline.

Tour operators engaged with were principally from the Luxury and mid-range sectors with an even split between Cambodia as a single destination and multi country tours in the region.

Of the tour operators surveyed and who completed the online survey 86.7% stated international visitors are declining, with an estimate decline of 28% over the last two years. More than 50% expected the decline to impact on the upcoming high season.

One travel operator who specialised in the Japanese and Korean market with a high proportion of repeat visitors, reported a 60% decline overall and feedback from regular youth groups that they would not return as they saw no change in offer and conditions. Cambodia Airport reported a 29% decline in YTP – August 2019 arrivals from Korea.

Hotel and Resort operators were principally from the 4- and 5-star sectors, with a higher occupancy from free independent travellers (average of 70%). 91% perceived a decline in international visitors with an average decline of 29% in the last two years. The stated that the decline was impacting on both low and high season but with a greater impact in the low season.

The hotel operators stated that the greatest decline was from the Western markets (including Australia), but also now impacting on the Asian markets including Korean, Japanese and Chinese (especially the high value FIT or small GIT).

It must be cautioned slightly that there has been an increase in hotel growth in the last 5 years faster than tourist arrivals, but the decline is still very evident.

The Survey also engaged with a limited number of other tourism related services including restaurants, tour guiding services and the handicraft suppliers. They all reported a decline in trade from international visitors (100%). They estimated the overall percentage over the last two years as 30% with the greatest impact in the low season. Over half (58%) expected the decline to continue to impact on the upcoming high season.

3. Issues contributing to the decline in numbers of international visitors

External issues

The current trade war between China and the USA is seen as a strong contributor to economic uncertainty. The wider political uncertainty caused by ongoing conflicts is also causing certain markets to reduce travel to destinations where they do not have strong confidence. The external (fake) news feeds about the political situation in Cambodia add to this lack of confidence in Cambodia, and internet searches by some customers about safety in the Kingdom lead them to advice about the petty crime situation.

Global economic issues are affecting the decisions being made regarding long haul holidays. Political and economic uncertainty is particularly strong in North America (due to the impact of Donald Trump), Europe and especially the UK market due to Brexit, and increasingly so in

Australia. This has resulted in an overall reduction in large value consumer purchases that are not regarded as essential.

It is especially damaging Cambodia as an extension destination, cutting the extension being the easiest way to reduce package's cost. That's why neighbouring countries still performing while Cambodia is down.

Many of the above markets are seeing an increase in short haul and domestic tourism. The increase in online booking has also seen a transition to many consumers booking trips at short notice, this is less practical for the long-haul markets and especially those with visa requirements.

It was also commented that the recent bankruptcy of the second biggest tour operator in Europe (Thomas Cook) will damage the image and confidence in packaged tour and increase the share of online direct booking with bed-banks, damaging DMC's BtoB business further.

It is also seen that competing destinations are more advanced in and committing greater investment into marketing and promotion activities consistently and over a long-time frame. This is now providing returns that benefit their tourism sector and the wider returns into their economies through the tourism value chain.

Internal Issues

The primary focus of discussions related to internal issues as they are potentially within the capacity of the public and private sector to respond to through interventions.

In both the face to face interviews and the online survey, there was a number of common responses regarding the perceived reasons for a decline in International visitors from especially non-Asian markets. It was felt that not one factor alone was responsible but a combination of external and internal factors.

Declining image of Cambodia

The instant and global nature of the modern media means that all stories quickly accessible across world and appear in searches about Cambodia. This means that even localised news and fake news can feature strongly when potential visitors are researching destinations. Some news stories are also featuring in mainstream media especially when promoted as part of the efforts of certain nations to interfere in the internal politics of the Kingdom.

Key issues referenced include:

- International media has covered negative stories about the Sihanoukville developments
- Fake news about Cambodia/Chinese military links are seen widely
- Press releases about working conditions of Cambodian worker led by NGO indirectly controlled/influenced by opposition parties (ex: Likadho press release about brick factories) presents a negative image
- Fake official website selling visas at 90 $ (1st on google, from Spain)) or fake official tourism board website giving partial information and selling tour (from Vietnam) present confusion
- Chinese crime stories are increasingly reaching the international media
- The images of rubbish and waste have been very strong on social media and international mainstream press
- Pretty crime (phone/bag snatching) has been featured in social media, consumer fed travel blogs and strong in general google searches

- Recently there has been an increase in coverage about border corruption and thefts from luggage by baggage handlers at Siem reap
- Not only border but corruption in general and the feeling of being cheated is growing among the tourists: at the border/airport being asked for extra money, cheats on official rates for boats on tonle sap lake, excessive rate for tuk tuk from the airport, fake Cambodian products in the markets,

Declining image of Angkor Wat and Siem Reap as a destination

Whilst the Angkor Wat temples have traditionally been a 'bucket list' destination for many people across the world, they are now competing with both 'unknown and new' world heritage attractions that are coming to the attention of the global traveller and an increasing decline in image that is reaching the consumer through social media.

The key issues highlighted in the feedback from the consultees include:

- Overcrowding of the principle sites is seen widely on internet including in images used by the public sector
- The large organised Chinese groups are seen as intrusive and the zero-tourism story is being reported in media
- Repeat visitors are not seeing an improvement in conditions or offer
- Plastic and other waste pollution at both site and across Siem Reap is being reported openly
- The quality of experience is lacking – along with a reputation as a destination with a lot of fake souvenirs sales
- Siem Reap itself is seen as a low-quality back packer destination – 50 cent beers and cheap low-quality food – pub street image.
- Lack of promotion of actual diversity of available products and experiences
- Opportunities for simple improvements of centre and river walk to enhance attractiveness missed.

Reduced competitiveness primarily due to higher internal costs

The tour operators and hotel owners both reported that they felt that increasing costs are impacting on the competitiveness of both their own businesses and the overall value for money attractiveness of Cambodia as a destination.

- Increase in Temple Pass costs is restricting longer stays and is prohibitive for family groups.
- Temple Pass charging structure is inflexible.
- Increased with no improvement of the services or cleanness
- Charging for Tour Operators to accompany groups and to conduct product development activities is not supportive and adds costs to PAX charge/or reduced profitability
- Photography charges for hobby photographers using big cameras is negative – and in modern world impossible to distinguish between amateur and professional photography equipment.
- VAT system affects Tour Operators significantly, and also issues with audit process where inflated figures (based on auditors' perception of product price rather than actual) are being used.

Hotels stated that in particular in low season they were reducing prices to an almost unsustainable level. This made it difficult for some to maintain staffing for ensuring quality, laying off trained staff and then having difficulties to replace. This is a private decision for which we cannot blame the government or the tourists' arrival decreasing. Some hotels don't play this game and remain expensive but with strong quality of services.

It was reported that some of the major hotels (with strong financial power) were responding to the crisis by offering short term packages that undercut the tour operators at a level that was impossible to compete with. This would negatively reflect on the perception of their pricing on the longer-term international market.

Visa Issues

It is felt that the current visa policy is adding to many other factors that are influencing a decline in numbers.

- The Visa requirement adds an additional barrier for international tourists (not ASEAN) when planning and travelling.
- Visa cost adds to holiday pricing – all additional costs such as visa, temple pass adds up to a significant amount. This is especially applicable to families travelling to the Kingdom.
- Competing destinations are moving to visa free or simple no cost visa on arrival

The competing countries (Thailand and Vietnam) that have removed, introduced visa waiver for key markets or removed visa charges for tourist stays have seen significant improvements in key high value markets. This has resulted in greater economic benefits through increased visitor spend for the country than from the visa fees. It also greats a greater feeling of visitor welcome.

The policy changes in competing countries where a trip to Cambodia has been traditionally an add on, has probably impacted on the decision to stay and explore the primary destination.

Altering visa policy does not impact on maintaining border security and restricting long stay/business travel as landing cards/passport checks can still be processed and the requirements for other visas can be maintained.

Air Connectivity

The sector raised issues regarding air connectivity for international visitor arrivals at Siem Reap that were impacting on the attractiveness of the destination.

- The lack of direct flights impacts ease of access.
- Existing connections with neighbouring destinations expensive and complicated
- Expensive destination compared to neighbouring countries – always need an extra flight.
- Combined with all other additional cost (visa/temple pass) adds significantly to trip cost
- Unreliability of internal flight connection – delays and cancellations

The need for additional flights from gateway destinations was adding to the cost for prospective visitors especially as taxes were quite high, this combined with the other cost issues already mentioned impacted on the affordability of the destination at a time when external factors were making consumers more cautious about spending.

This resulted in many of the traditional markets that included Siem Reap as part of a long-haul itinerary are now focussing on single countries who are also conducting better marketing and promotion, facilitating easier access and being more competitive.

Land Travel Connectivity

The issue of the road infrastructure featured strongly in responses as it was seen as a limitation for developing multi centre tours. There was a recognition that some routes were in the process of improvement, but it was felt that much more was needed.

In addition, the issue of road safety was high, many visitors commented negatively about road travel after trips in the country and this was being reported outside the country. It also featured in travel advisories.

It was identified that the price of land travel is more expensive than Vietnam or Thailand, as well as extra $ charged by guides when travelling with groups.

Weakness in International Marketing and Promotion

Many of the participants that were directly engaged with selling Cambodia and Siem Reap on the international market, raised a common perception regarding international marketing and promotion.

It is felt that the marketing and promotion of the destination on the western international markets has been weak and too focussed on the Angkor Wat complex. There needs to be a diversified image that shows the much greater product offer of both Cambodia and Siem Reap. This is needed to enable the country to be competitive against other destinations.

It was also felt that the full potential of Siem Reap was not marketed well – it was felt that there was not a lack of product across the full range, but that there was poor awareness of it. This was not just externally but that it also was not promoted in a joined-up manner in the Destination. Often NGOs and Private Sector had developed good opportunities but not promoted them fully to the rest of the sector.

Many of the lead DMCs were critical of historical activities at the International trade fairs and with engaging the media in Europe. The stand at last year's ITB was used as a key example but it was pointed out that similar situations had been common in the past at other fairs. The DMC present stated that it was not well designed, not high quality, presented negative images and alongside competing countries did little to promote the country. This has resulted in a reluctance to engage in future events alongside the Ministry as the investment of each operator was very high with little perceived return. In the consultation process they did indicate that if a real positive joint strategy was developed this would be considered.

It was strongly felt that the lack of a dedicated National Tourism Organisation was a major weakness for the marketing and promotion of the Country. It was seen that in competing countries with effective NTOs there was huge benefits for the tourism sector. The most successful approaches were based on active partnerships between public and private sector and strong investment in outsourcing of activity.

The Ministry of Tourism should move forward with developing the National Marketing and Promotion Board into a functioning National Tourism Organisation with an appropriate technical structure and a significant budget. The working structure should be designed in line with best international practice and focus purely on marketing and promotion activities.

An early win that will also build both the support of the Private Sector and capacity of the Ministry in working towards the professional model of NTO promotion.

There are a number of arts and performance opportunities such as Phare Circus, Cambodian Puppetry and Apsara Performances, and workshops to greater engage visitors. All add to the attraction as a destination.

Currently the majority of promotion of this diverse aspect of the destination is conducted at individual enterprise level, through the actions of NGOs such as GIZ and through limited collective activity such as that of the Kandal Village businesses who produced their own neighbourhood shopping guide. This dis-jointed approach is weak and cannot reach the tourist when they are choosing and planning their holidays.

Given the importance of Siem Reap in influencing tourism across the whole of the Kingdom, it is suggested that **a Siem Reap Tourism Board is created as a PPP to focus on promotion of the City and Province.** It should be staffed with specialists in tourism and marketing, work in partnership with the private sector. **This approach is successful globally and is regarded as best practice.** A really good model is that of the Ljubljana tourist Board in Slovenia - https://www.visitljubljana.com/en/about-us/ . This should be a separate structure from the Provincial Department of Tourism – but including representation.

Initial funding could be sourced from Donors, technical assistance provided to develop the human resource, and once functioning (delivering visible results) can move to sustainable financing structure based on governmental contribution (funded by Angkor ticket sales) a potential affordable tourism sector contribution (tourism tax), booking fees etc – that must be committed transparently to marketing and promotion activity.

Such **a localised structure would have the focus, knowledge and energy needed to professionally promote Siem Reap in partnership with the whole tourism industry.** It would bring a coordinated approach and feed into international marketing of Cambodia as a whole.

It is also felt that it is **very important for the private sector to have a better representativeness and one voice to work closely with government.** Some participants felt that there are currently too many organisations: 2 federations (Cambodia Tourism Federation and Cambodia Tourism Alliance) + many other independent groups such as STC (Siem Reap Tourism Club) or DMC Cam. It was felt by some that none of these group are really representing the private sector, and most of them have very few members (ex: Cambodia Hotel Association has 60+ members while there is more than 3000 hotels and guest houses in Cambodia).

Having one umbrella federation on top of all the associations will help to give a single voice to the private sector, as well as a compulsory registration to one of these associations for all the companies (it's the case only for CATA with travel agents, the only successful association with sustainable resources).

International Marketing and Promotion

This is the primary area that the private sector would like to see the direct intervention of the Ministry of Tourism.

The Ministry of Tourism should move forward with **developing the National Marketing and Promotion Board into a functioning National Tourism Organisation** with an appropriate technical structure and a significant budget. The working structure should be designed in line with best international practice and focus purely on marketing and promotion activities.

The sector highlighted the recognised need to diversify and energise the image of Cambodia on the international market. It was felt that there is enough product that can be used to show Cambodia Beyond the Temples. The Ministry of Tourism should alter its approach to

within the park. Cycle tourism is booming, is very attractive to small groups and families and becomes an added value offer.

It is suggested to create a Long circuit and some shorter family circuits. Combined with the creation of the route and a review of the Angkor Pass structure, that there is an offer of a sustainability discount ticket with access to limited/selected temples (not the main over visited ones) along the routes

The introduction of a temple cycle product can open opportunities for community run businesses to provide cycle hire, service points and rest stops on the route and hence support sustainable livelihoods.

The consultation group also made recommendations for some simple but effective Siem Reap town improvements. These include:

- Complete the riverside walkway to the same standard as the Prudential sponsored section. A nice circular route would be an enhanced attraction for visitors and local community alike.
- Review and possibly extend the non-motorised area within the centre in the evenings. Ensure enforcement to prevent motos etc.
- Develop the food street concept with a designated area, access to water and other facilities, waste management and standards set for vendors to ensure food safety.
- Improve waste management – serviced litter bins etc

Review of Angkor Pass Pricing and Structure

The private sector highlighted that the current pricing structure discourages longer stays, especially families will buy a one-day pass and fit in the major (overcrowded) temples. The **pass structure should be reviewed** to make it more affordable for families and also to use it as a tool to manage visitors by structuring the visits to help manage overcrowding – by categorising the temples and limiting number of the main temples each day and encouraging visits to the less popular temples. This idea has been previously shared with Apsara Authority.

Consideration should be given to **long established tour operators to have free or reasonably priced annual pass** to allow them to conduct product development trips or to accompany groups. It should be remembered that most of the incoming DMC are actually based here permanently, and the foreign staff have actually made Cambodia their home and are personally invested in the country, generating income for Cambodia and paying taxes.

Diversifying and Promoting the Identity of Siem Reap

One of the issues facing Siem Reap is that despite a diverse range of products that go beyond the temples, they are not used in the promotion activities of the town or of the country. Siem Reap Province has plenty to offer that will attract families and high value tourists and encourage them to stay for visits of up to a week.

These include excellent ecotourism and soft adventure activities in the surrounding area, innovative tours such as the Lavender Jeep Tour and others that take people into local communities and encourage experiential encounters, a rich wealth in high quality crafts, arts and textile related retailing (that can easily counter the low quality and fake experience in pub street/Night markets)– along with opportunities to meet local producers.

The city has excellent opportunities for food lovers – with a diverse range of restaurants and cafes catering from traditional Cambodian to global tastes and at all price points.

4. Key Recommendations from Private Sector

Whilst the focus of input was based on understanding the issues, the consulted private sector was actually very proactive in making key strategic recommendations that could be undertaken by the Public and Private Sector in partnership to improve the situation.

It is appreciated by the private sector, that many of these activities do not fall under the remit solely of the Ministry of Tourism but should be integrated into the new Integrated Tourism Master Plan for cross government action. The Ministry of Tourism should be the catalyst for change.

Improving the Image of Siem Reap

The Private Sector in Siem Reap is already making great steps to implementing a plastic free policy across many of their operations. Hotels are providing refillable water bottles and reducing use of plastic in room facilities, tour operators are providing refillable water bottle and refills on tours, removing plastics from picnics and promoting recycling of all waste generated during tours.

Given the negative images of waste at the Angkor complex, a major step will be making a transition to a **plastic free policy at Angkor Wat**. It was raised that this has been previously discussed with Apsara Authority, but no efforts had been made. It was felt that this was because of a reluctance to remove the opportunity for selling water bottles by the local community.

It was pointed out that it would be feasible with initial support and potentially a commercial partnership to provide communities with the facilities to provide safe hygienic sales of water refills alongside sales of refillable water bottles. This would provide a substitute income and reduce plastic on the site.

Food vendors can be required to stop selling food in plastic/Styrofoam containers – these can be replaced by natural and other sustainable alternatives. Again, support should be provided to enable the transition.

Alongside this a major clean-up should be carried out across the site to remove all existing waste. This can be carried utilising some of the income that Angkor wat generates. Effective waste collection and recycling points must be implemented as part of the site management.

Another area where the visitor experience could be improved in conjunction with community livelihood development is the raising of quality of sales of souvenirs and other products by vendors. A **Made in Cambodia** policy should be instigated for authorised vendor that requires the majority of product to be from Cambodian origin, and of good quality. This could be a major benefit for local producers and stimulate the local handicraft value chain.

The initiative of the Ministry of Tourism being developed under TCBP to strengthen Cambodian products into the tourism value chain is welcomed. The development of a new **Made in Cambodia authenticity label** is recognised has having potential to combat the continuing growth in poor or fake products.

Implementing and promoting both these actions would provide a good news story for the temples and Siem Reap. They also welcomed the upcoming ban on elephant rides as this was a negative activity.

A recommendation for new product development that would help to increase the length of stay is for the Apsara Authority and Ministry of Tourism to develop a long cycle circuit

create campaigns and marketing materials that showcase ecotourism, soft adventure and food experiences. This approach can respond to the changing demands of the international traveller.

The sector would like to see **better engagement between the Ministry and the Operators that promote and sell Cambodia as a destination.** They welcomed the opportunity that this study provided to input their views and concerns, An early win that will also build both the support of the Private Sector and capacity of the Ministry in working with the private sector would be to work jointly to raise the standard of the presence of Cambodia at international travel fairs – particularly on the Western market.

ITB provides an opportunity to create a model. The Stand design – at least choice of imagery should be done in partnership, the operators are willing to provide suitable high-quality images that go beyond the traditionally used landscapes. This will ensure that inappropriate imagery such as elephant rides and construction are not included.

The stand should be more dynamic – with activities to engage interest, not just the Apsara dancers. GIZ RED project are planning to bring community stakeholders – there is a possibility for engagement. A Cambodian Food Event should be organised on day 1 or 2 – to enable engagement with buyers and investors.

It is suggested that a **discussion meeting is facilitated by TCBP to bring CAM DMC, GIZ and MoT together to investigate this potential collaboration.**

It is also requested that the pricing structure for a place on the stand is reviewed – 1500USD is very high combined with the costs for travel etc. Most other countries do not charge or charge a smaller token charge.

Visa Facilitation

Whilst the topic of visas was seen as complex and difficult to resolve, the Private Sector felt that the Ministry of Tourism should be the catalyst to lobby the Government to carry out a review and economic analysis to look at viability of **reforming the Visa Policy in Cambodia.**

A Visa Policy Review should focus on introducing visa free for tourists up to 30 days from 'safe origin' countries. It could be in line with other ASEAN country policies. The Government can still require visitors to complete landing cards to collect data, scan passport etc. And still enforce ordinary visa for business, other visa types etc for entry. All the countries that have done this have increased tourism. Another big good news opportunity!

Because the main issue with Cambodia is the length of stay, we could be more creative and introduce a free visa for tourists staying more than 6 nights. The revenue generated by the extra nights (VAT, taxes on profits, etc...) will compensate the loss due to visa waiving. One more day on global average stay in Cambodia is 600 M$ extra spending.