

**PARADISE
STRESS TEST**

Phuket's luxury resorts, like Six Senses, find that the new breed of Asian tourist is more interested in temple tours than worshipping the sun

INSET

The Chinese Tea Garden at Six Senses
Destination Spa on Naka Island

phuket's HAPPY TRENDING

DESPITE THAILAND'S POLITICAL TROUBLES AND A BUMPY GLOBAL ECONOMY PHUKET ENJOYS STRONG TOURISM GROWTH AS IT ADAPTS TO THE CHANGING TASTES AND DEMOGRAPHICS OF ITS VISITORS, REPORTS **BILL BARNETT**



IT WAS JUST A FEW MONTHS AGO THAT BRAND THAILAND came under international scrutiny in a less than flattering manner. For about a fortnight practically all TV and print news media outlets led with the kingdom's political woes, not to mention Twitter tweets and graphic YouTube videos. CNN's Dan Rivers become a poster child for sloppy reporting earning an angry backlash from Thais who felt some international news outlets sensationalised the events to gain viewers. A compounding drop kick of travel warnings from foreign governments added to the mounting bad PR.

travel and a rise of the Asian tigers. The region led the worldwide recovery and a new set of tourists is causing a game-changing shift. Short-haul Asian and Middle East markets are taking a more dominant role as European tourists, hit by economic worries and plunging currency exchange rates, are staying home in droves. For example, in the UK where the baht has steadily strengthened, many British travellers are now opting for domestic staycations. The changing faces of Phuket's tourists point to a market in transition or perhaps even transformation. Phuket version 2.0 could be an altered reality from where we stand today. Hoteliers' resorts and facilities are geared mainly to Eurocentric customers who stay for several weeks with lounging on the beach or by the pool their main pursuit. Enter the new Asian tourists from China, India and other neighbouring countries whose holidays are shorter, more cost sensitive and involve activities other than staring at the deep blue sea all day, every day. They want attractions, shopping and tours to keep them on the go.

To make things more complicated factor in the flood of Russian and Middle Eastern tourists, micro segments that have unique requirements including the latter's strict food and beverage needs. Over the last 24 turbulent months two defining characteristics are the two Ps: prices and pool villas. Hotels needed to either adjust rates to the mass-market base of customers or cater to the upper segment's growing demand for private accommodation. The island laid claim to pioneering the phenomenon in the 1990s with Amanpuri and then Banyan Tree developing new niches of upscale luxury with individual villas with private swimming pools in which services such as dining and spa treatments came to you versus you having to go to them. Old-school thinking was candle-lit silver service meals on white tablecloths in a suite. Along come reclusive, sanctuary-like villas from which more than a few guests never



PRIVATE LIVES

RIGHT
A private villa at Renaissance Phuket Resort & Spa

OPPOSITE FROM TOP
Outrigger Laguna Phuket Resort & Villas is just one of many resorts now offering non-traditional accommodation; a pool villa at The Residence in Bangtao; a 180-degree living room at Andara Resort Villas



For many would-be tourists Thailand's tourism destinations, including Phuket, had a cloud of uncertainty hanging over them. Without a doubt the unrest severely damaged Bangkok's tourism revenues for much of the first half of 2010, but the storyline for the rest of the country is more complex and tracking Phuket's performance tells a different tale. In the first half of the year surging visitor arrivals rose 28 percent over 2009 bringing the tally to 1.74 million passengers arriving by air. International travellers led the charge rising 49 percent and domestic numbers were up 13 percent.

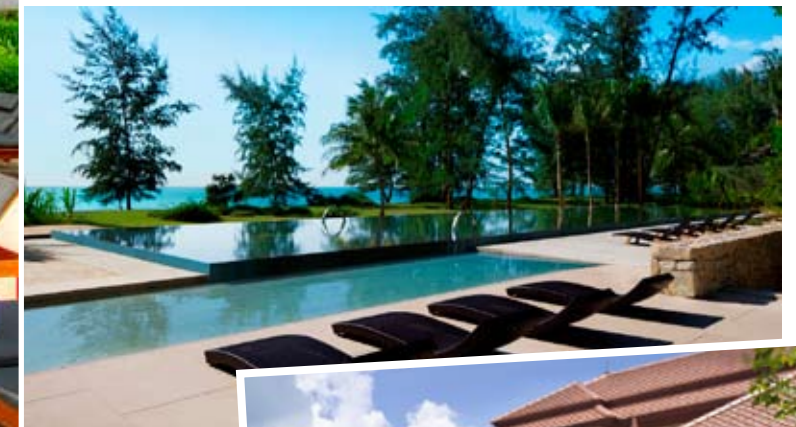
When political demonstrations in Bangkok hit full stride in May they impacted the southern resort island as second quarter year-on-year comparisons fell short by 26 percent. What continues to drive growth can be directly attributed to air travel best summed up with the phrase, "you can't stay there if you can't get there." Increases in direct flights grew 30 percent over the same period of a year ago, mainly by regional Asian and Australian service. Tracking the number of flights into Phuket International Airport (PIA) the clock has been rewound back to the banner year of 2007. A ready supply of airline seats is the primary driver of the recovery engine, which is a strong tourism fundamental often overlooked. Looking into the rear view mirror for a moment, in 2008 the world as we knew it suddenly turned upside down. Lehman Brothers' collapse, Wall Street woes and currency flops in Europe all changed the state of play. More than two years later, financiers, economists and heads of state still fumble for words when asked, "will things ever be the same?"

In the context of tourism, perhaps the best answer is yes, no or maybe. Travel trends have shifted dramatically with reductions in long-haul





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emerge during their entire stay. Take it down a notch though and on come mid-range hotels as the island edges higher into a larger-scale tourism model. Despite all of the volatility from recent economic and political events this link in the chain has performed the best. Safety in numbers could be an appropriate adage.

This year the hotel development pipeline has expanded with investor confidence strong in the hospitality sector. A marked swap to Thai-based businesses that view hotels as a long-term, stable business model have eclipsed foreign investors. Much of this change can be attributed to ready access to Thailand-based debt and equity. At the beginning of 2010 there were 43,036 rooms in registered tourism establishments in Phuket ranging from guesthouses to hotels up to luxury boutique properties. By the end of this year another 11 percent is set to enter the supply stream of 4,538 new rooms. Heavy global hotel brand concentration has been heightened with new openings this year by well-known names such as Renaissance in Mai Khao, Westin in Siray, ibis in Kata and Centara's new beachfront Karon hotel, as well as Andara Resort Villas. Glancing further ahead, Accor plans another Novotel, Mercure and Pullman have new properties in the works along with InterContinental's Holiday Inn

on the northern west coast and Starwood's Four Points by Sheraton stand out as solid offerings.

Perhaps another key trend is the evolution of the non-traditional accommodation market with pool villas and condos now being managed by hotel chains and competing in increasing numbers. Demonstrating this emerging segment is the integrated resort Laguna taking on Hawaiian hotel chain Outrigger in Laguna Village. A large supply of enviable resort products has been scooped up over the past decade by overseas property investors who now want to target recurring income via rentals. For consumers the value proposition of a two or three-bedroom pool villa in a prime resort location at the cost of a hotel suite has been wildly successful. Another alliance is emerging Thai chain InVision Hospitality with The Residence in Bangtao. For families, multi-generational groups and close friends this residential-led hospitality product adds texture and appeal for the traveller, while causing competitive strains for cookie-cutter hotels. An outcome of the downturn in residential property has real estate brokers getting into the vacation rental market and even existing internet hotel booking engines tapping into the growing niche market. If you can't sell it, rent it is the mantra of the moment.

Phuket's changing skyline is a reflection of the island's tourism industry bursting at the seams. Phang Nga bay has two standout properties under the Six Senses group with the innovative destination spa on Naka island. Another entry is Thanyamundra Organic Resort in nearby Phang Nga's pristine Khao Sok forest area that specialises in yoga and meditation. This is part of multi-millionaire Klaus Hebben's visionary investment in Phuket that includes three boutique hotels, an international school and world-class sports train-

ing facility and ultra villa estate Malaiwana on Nai Thon beach. A continued push into east coast areas such as Siray, Cape Yamu and islands off Chalong is creating a variety of new options for visitors. With the recent expansion of Sarasin Bridge linking the mainland to the island, travel time to nearby Natai, Thai Muang and Khao Lak neighbouring Phang Nga will see exciting new options emerge. Boutique resorts Aleenta and the Sarojin have already received high marks on iconic travel site TripAdvisor proving that an emerging new breed of traveller is willing to head north which offers some of Asia's best beaches and natural backdrops for a perfect getaway.

Leading infrastructure upgrades is PIA. The airport's expansion will increase passenger capacity from 6.5 million per year to 12.5 million by 2013. Included is a private aircraft facility for the rich and famous. On the horizon there are mounting voices of concern about hotel oversupply, environmental catastrophes and an ageing transportation system. While these problems are not unique in a world headed to global urbanisation, tourism remains at the forefront of the island's economic engine and prosperity.

Brand Phuket and brand Thailand remain intrinsic bedfellows in a yin and yang relationship. It could be said that what happens in Phuket stays in Phuket or vice versa. But the underlying attraction of the exotic offering of hospitality, food and attractions are synonymous with all things Thai. The journey forward for Phuket's tourism industry looks to be testing and rewarding where the trip is more important than the final destination itself. ■

EXTENDED FAMILY HOLIDAY

CLOCKWISE

FROM TOP LEFT

Andara Resort Villas' separate villas give added texture to the family holiday; the public pool at Renaissance in Mai Khao; a villa holiday allows families to do activities together or separately; a pool villa at Westin Siray Bay Resort & Spa; rustic luxury at the newly opened Thanyamundra Organic Resort

INSET The main pool at Westin Siray Bay Resort & Spa

