EXUBERANT OPPORTUNITY

Malaysia Indicator

28th February 2022
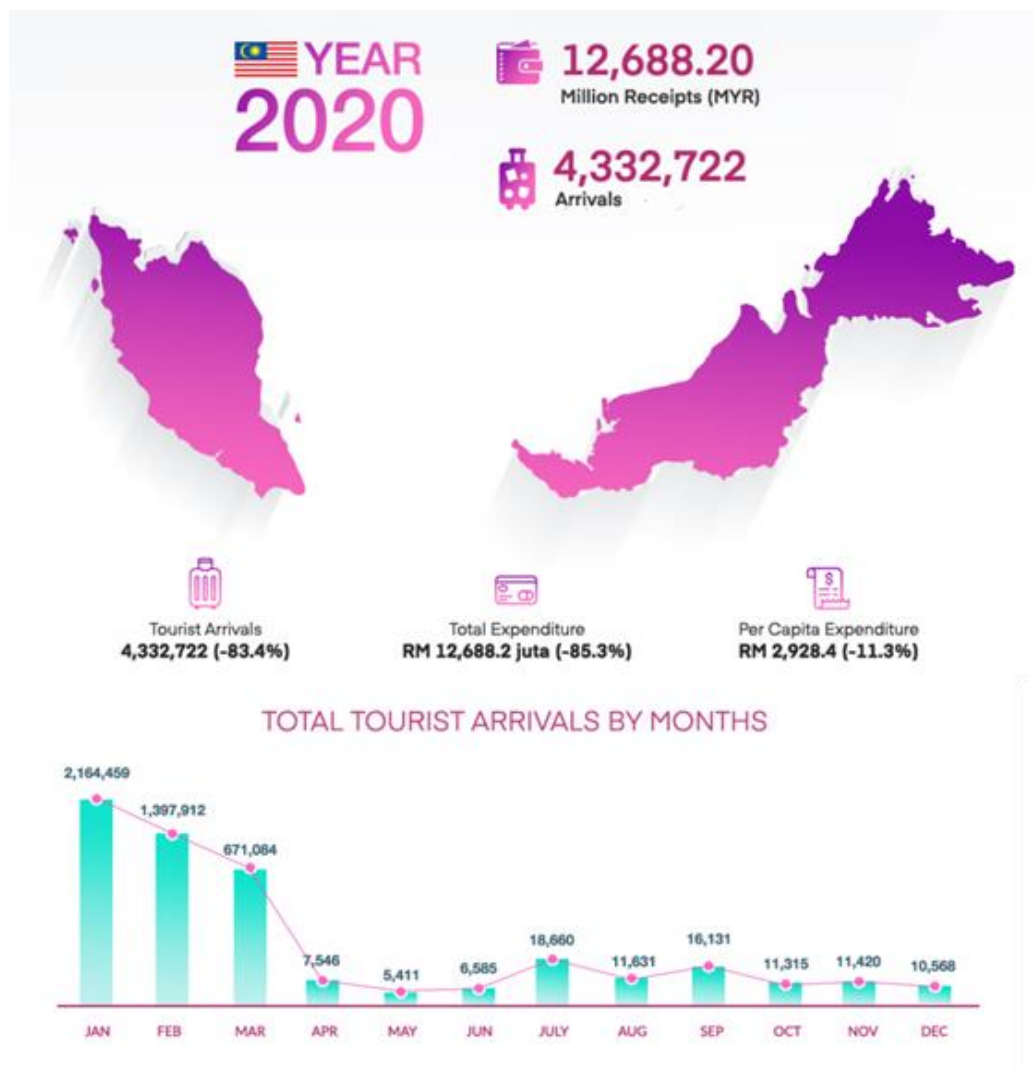
THE
AFTERMATH

The tourism sector became among the most wounded sector in the country after the lockdowns were imposed to contain the virus which inadvertently affected the country's economy.

Back in 2019, the Gross Value Added of Tourism Industries (GVATI) contributed 15.9 per cent to the country's Gross Domestic Product (GDP). Therefore, this proves that the tourism industry is heavily tied with the country's economy, seeing that it is one of the economic indicators.

YEAR 2020

12,688.20 Million Receipts (MYR)

4,332,722 Arrivals

Tourist Arrivals
4,332,722 (-83.4%)

Total Expenditure
RM 12,688.2 juta (-85.3%)

Per Capita Expenditure
RM 2,928.4 (-11.3%)

TOTAL TOURIST ARRIVALS BY MONTHS

| JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC
2,164,459	1,397,912	671,084	7,546	5,411	6,585	18,660	11,631	16,131	11,315	11,420	10,568

Source: Tourism Malaysia

CHALLENGES CONFRONTED

Although Malaysia is now moving towards the post-Covid-19 recovery phase, the hotel industry was still widely affected. Nonetheless, the pandemic has widened the private rental market as more focus is now on domestic tourism.
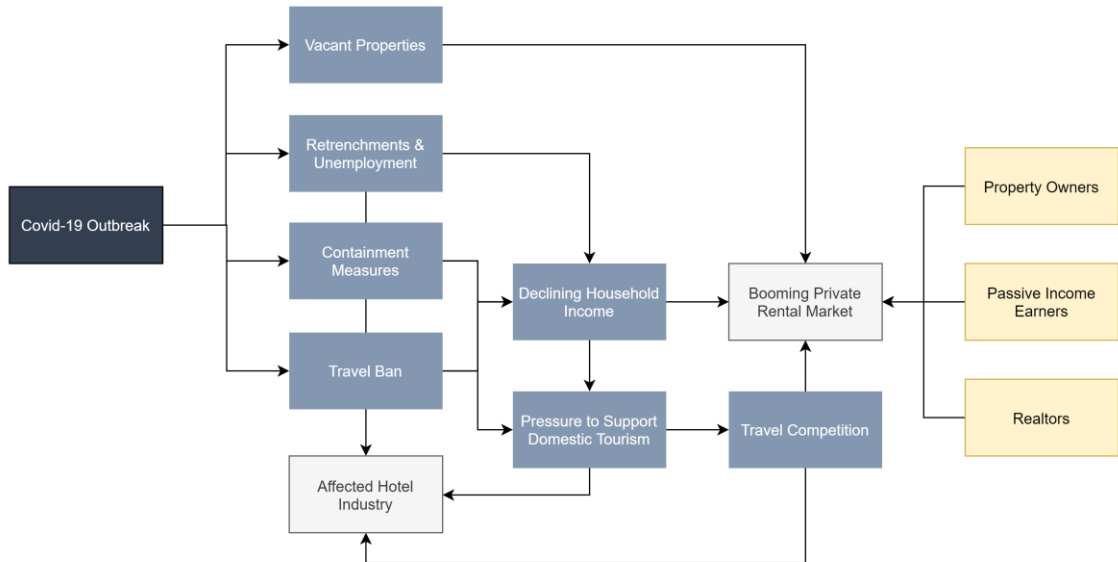

NEW OPPORTUNITY
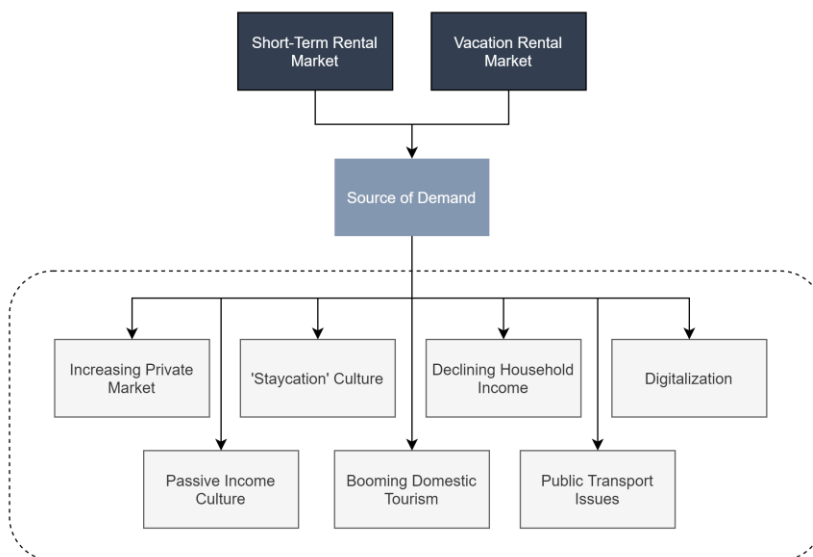
The burgeoning opportunity for the short-term and vacation rental markets is also highly contributed by the high cost of living and declining household income which led to more pressures on making passive income through rentals and real estate.
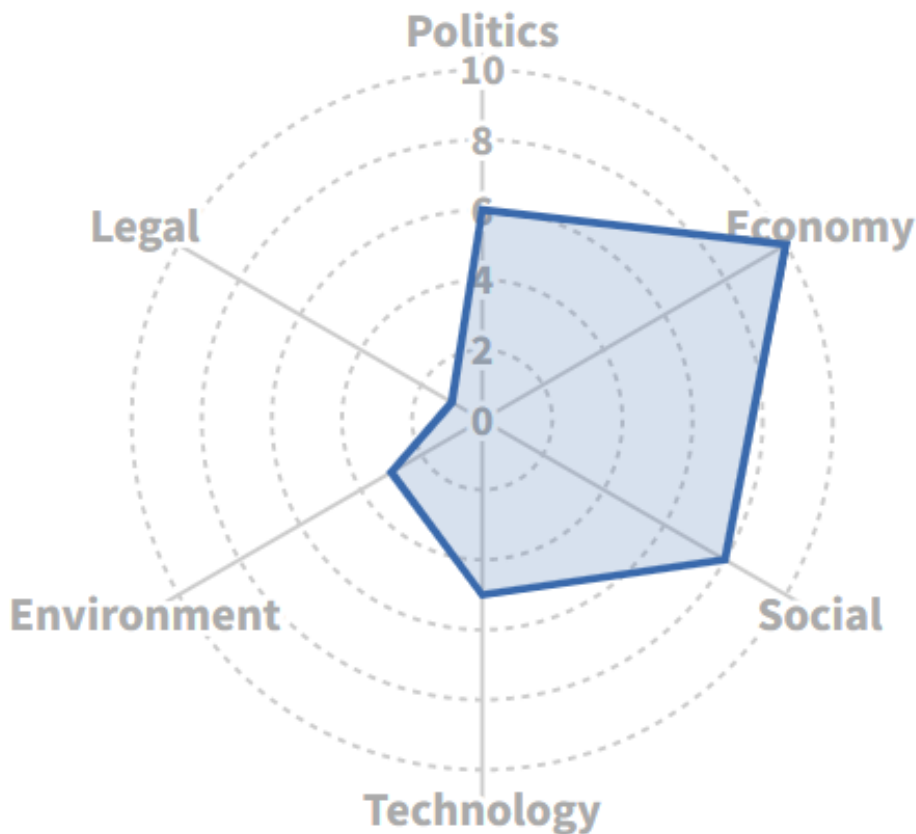
As such, this has also impacted the tourism landscape in the country where more people are opting to rent private residences than hotels for a cheaper price. Meanwhile, digitalization has also thrust this new demand seeing that renting out properties is becoming easier online.
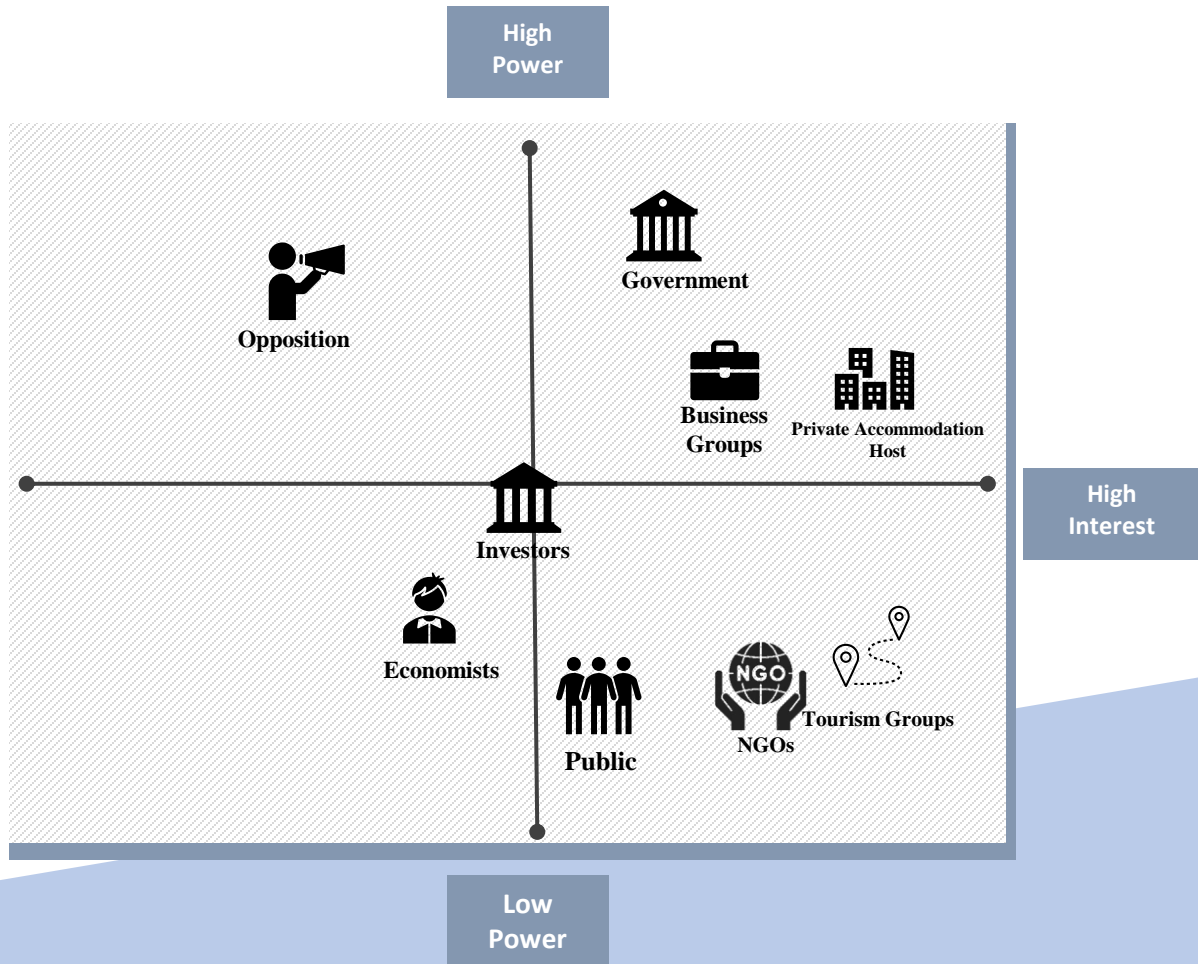
STAKEHOLDERS **ANALYSIS**

Aside from understanding the external factors, grasping the relevant key players associated with the tourism sector is also crucial. Thus, it is reflected in the analytics that private accommodation hosts, business groups, and tourism groups have the highest interest when it comes to this industry.

However, while the public plays an important role in the future of the industry, in terms of power and influence, it ranks the lowest among the listed stakeholders, mostly due to the limited impacts in their role.
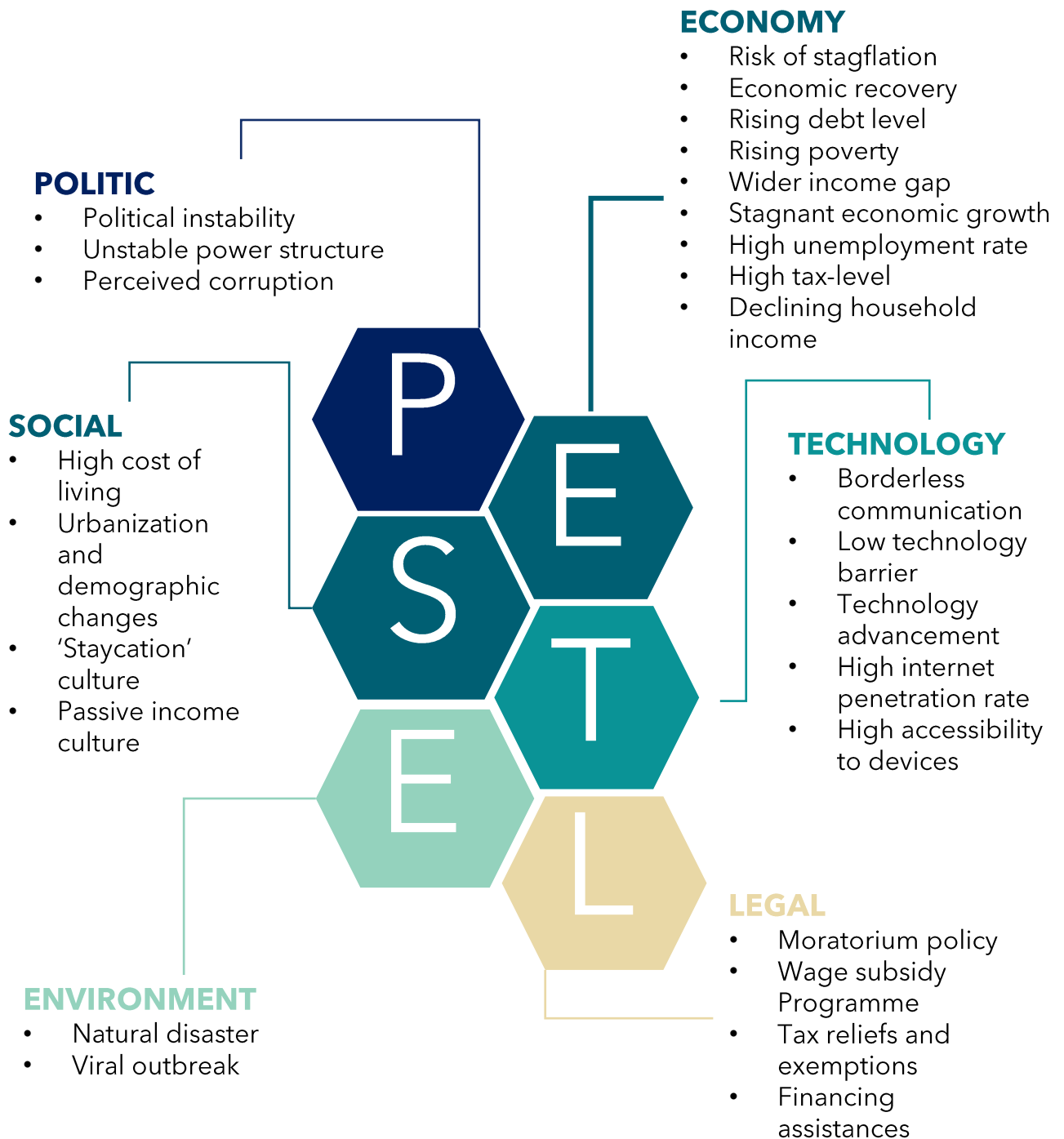
Radar chart with axes: Politics, Economy, Social, Technology, Environment, Legal. Scale from 0 to 10 marked at 0, 2, 4, 6, 8, 10.
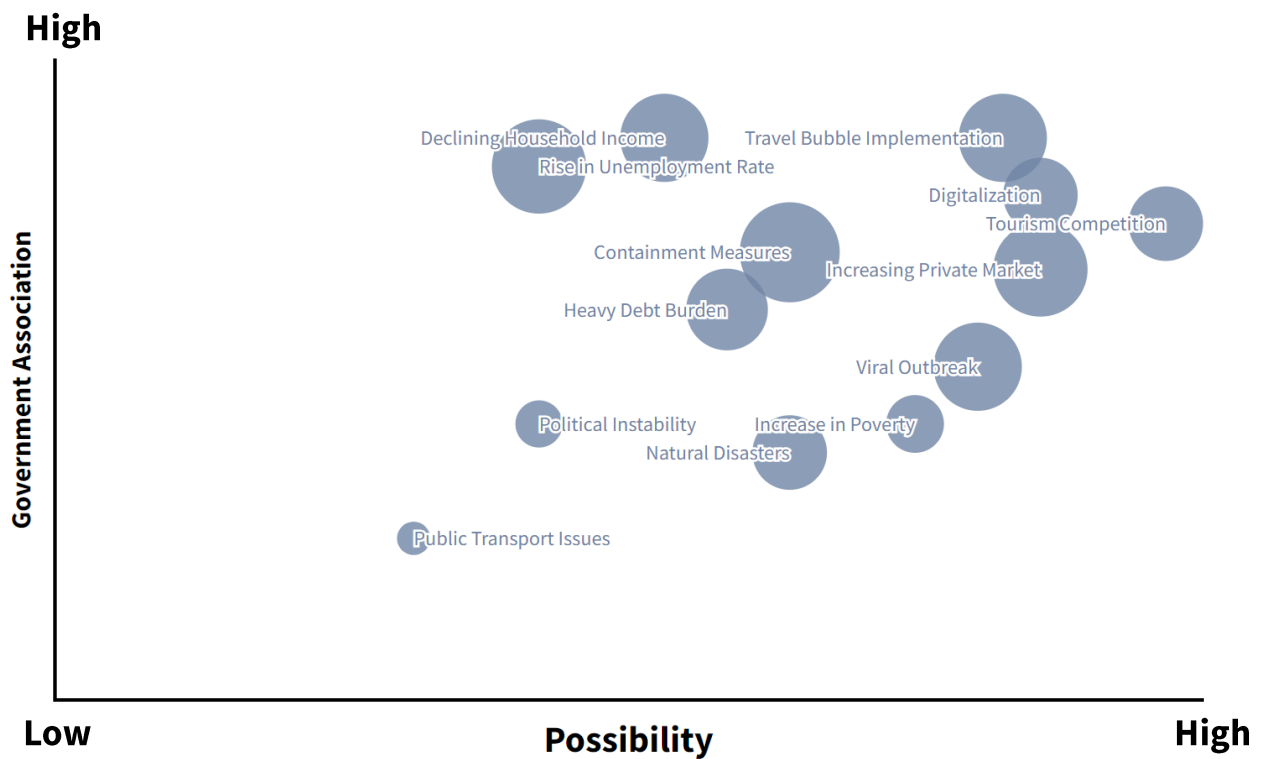
SCANNING THE
MACRO ENVIRONMENT

Hence, it is crucial for relevant stakeholders to be aware of its surrounding environment by scanning all the internal and external factors which might contribute to the developments of the tourism sector with a more holistic view of the tourism landscape.

As such, it can be seen that the factors impacting the industry can be measured across dimensions. Thus, aside from economic factors, the tourism and hotel business is also associated with social, political and technological factors.

SIGNAL SCANNING

POLITIC
- Political instability
- Unstable power structure
- Perceived corruption

SOCIAL
- High cost of living
- Urbanization and demographic changes
- 'Staycation' culture
- Passive income culture

ENVIRONMENT
- Natural disaster
- Viral outbreak

ECONOMY
- Risk of stagflation
- Economic recovery
- Rising debt level
- Rising poverty
- Wider income gap
- Stagnant economic growth
- High unemployment rate
- High tax-level
- Declining household income

TECHNOLOGY
- Borderless communication
- Low technology barrier
- Technology advancement
- High internet penetration rate
- High accessibility to devices

LEGAL
- Moratorium policy
- Wage subsidy Programme
- Tax reliefs and exemptions
- Financing assistances

P
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DRIVERS OF
CHANGES

High

Government Association

Declining Household Income
Rise in Unemployment Rate

Travel Bubble Implementation

Digitalization

Tourism Competition

Containment Measures

Increasing Private Market

Heavy Debt Burden

Viral Outbreak

Political Instability

Increase in Poverty

Natural Disasters

Public Transport Issues

Low   **Possibility**   **High**

In order to scan all the external factors surrounding the hotel and accommodation sector, understanding the drivers of change that will impact to the hotel and accommodation business is also pivotal.

With the move towards economic recovery, tourism competition, travel bubble and the increasing private rental market are among the main components of the current landscape.

BOOMING

CULTURE

ADR declines are steepest in urban hotel markets

AIRDNA str

27 markets globally, weekly ADR (USD) and % change from prior year

■ Weekly of March 31, 2019   □ COVID Low Point   O % Change

Hotel (Regional)	Hotel (Urban)	Rentals HC (Regional)	Rentals HC (Urban)	Rentals 2BR+ (Regional)	Rentals 2BR+ (Urban)
$138 / $74 / -46%	$169 / $79 / -53%	$156 / $137 / -12%	$124 / $110 / -12%	$297 / $287 / -3%	$279 / $256 / -8%
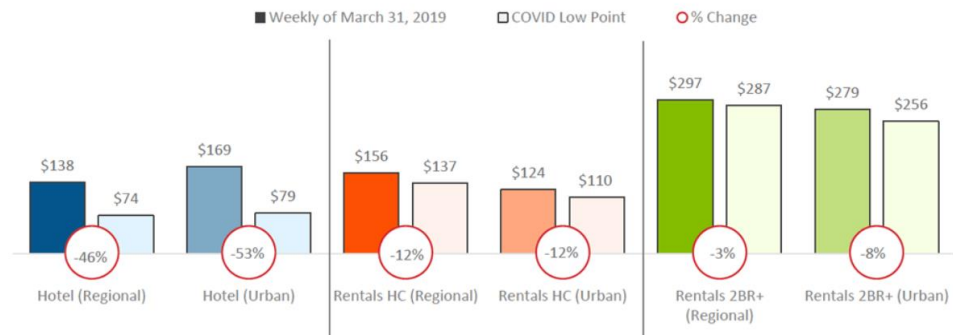
Rentals HC = studio & 1BR hotel comparable short-term rentals

CloudTalks   *ADR = Average Daily Rate

Source: STR & AirDNA
2020 © CoStar Realty Information, Inc.

The tourism industry is now facing a new business prospect stemming from the "staycation" culture in the country.

This might be contributed by factors such as digitalization and the rise of the private property market where more property owners are making use of the various rental listings online such as Airbnb, Agoda, Booking.com, and many more.

In this analysis, the report will be focusing on the results of the booking listings from one of the major travel booking websites in Malaysia.

NEW

GATEAWAY

Distribution of Listings
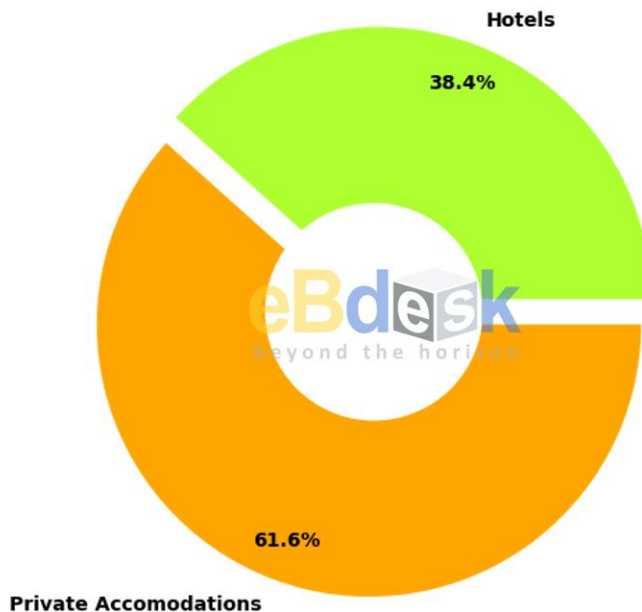
Based on the analytics from a prominent travel booking websites in the country, it is visible that there are more private accommodations posted on the website as compared to hotels.

Hence, this justifies the new "staycation" culture in Malaysia where more people might be preferably inclined towards booking travel stays in private accommodation rather than registered hotels on the booking site.

The overpowering demand for private accommodation listings might also be contributed by the cost of living in Malaysia as bookings on private accommodations are generally cheaper.

OVERSHADOWED

The short-term rental business of private apartments has become more prevalent as the number of listings is almost as much as the number of hotels.

The imbalanced of listing between hotel and private accommodations the hotel have heavily dominated the analytics, stood at 33.39%, burying down other types of listing.
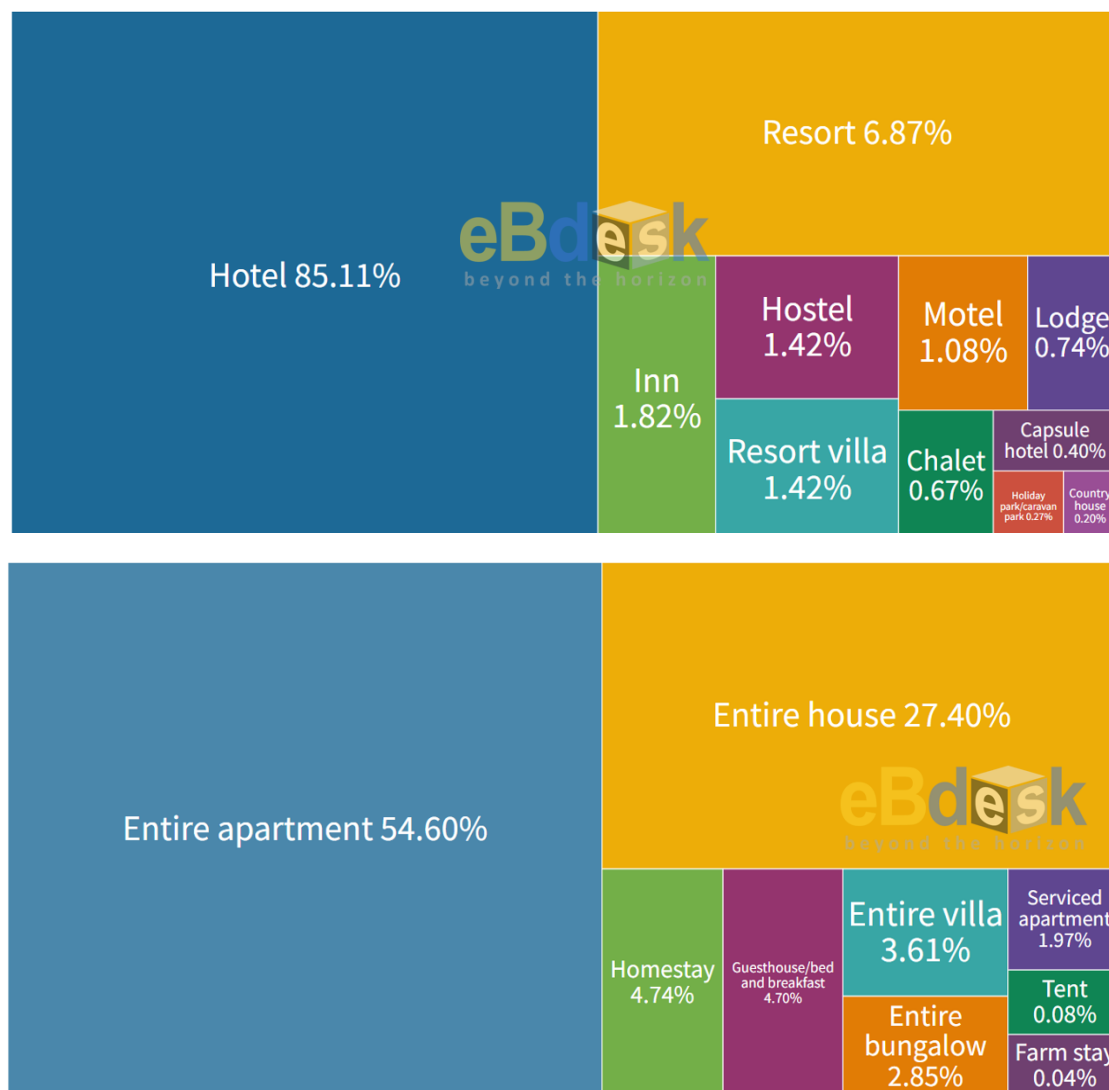
It is reflected in the data that the private accommodation is following closely in terms of the distribution of listings as 33.29% of it is coming from the entire apartment. It is also notable that the a significant portion from entire house has managed to appear in the data.

Distribution of Listings by Types
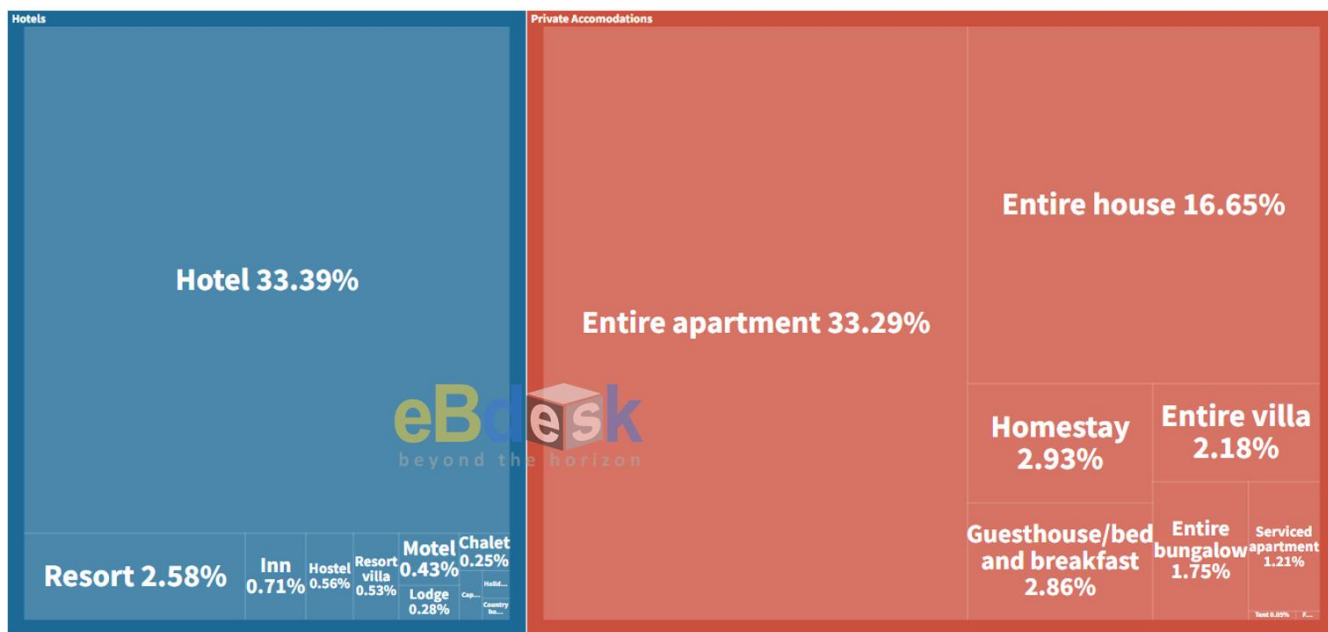
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MORE CHOICES

Hotel 85.11%

Resort 6.87%

Inn 1.82%

Hostel 1.42%

Motel 1.08%

Lodge 0.74%

Resort villa 1.42%

Chalet 0.67%

Capsule hotel 0.40%

Holiday park/caravan park 0.27%

Country house 0.20%

Entire apartment 54.60%

Entire house 27.40%

Homestay 4.74%

Guesthouse/bed and breakfast 4.70%

Entire villa 3.61%

Serviced apartment 1.97%

Entire bungalow 2.85%

Tent 0.08%

Farm stay 0.04%

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The array of choices from the Private Accommodation category is proven in the analytics as the Entire Apartment property type takes about half of the category listings whereas the Hotel category holds more than 80% of the category listings.

It is also clear that there is also a demand for the Entire House property type under the Private Accommodation category.

UNUSUAL
EXPECTATION

Distribution by Price Range, Type and Locations

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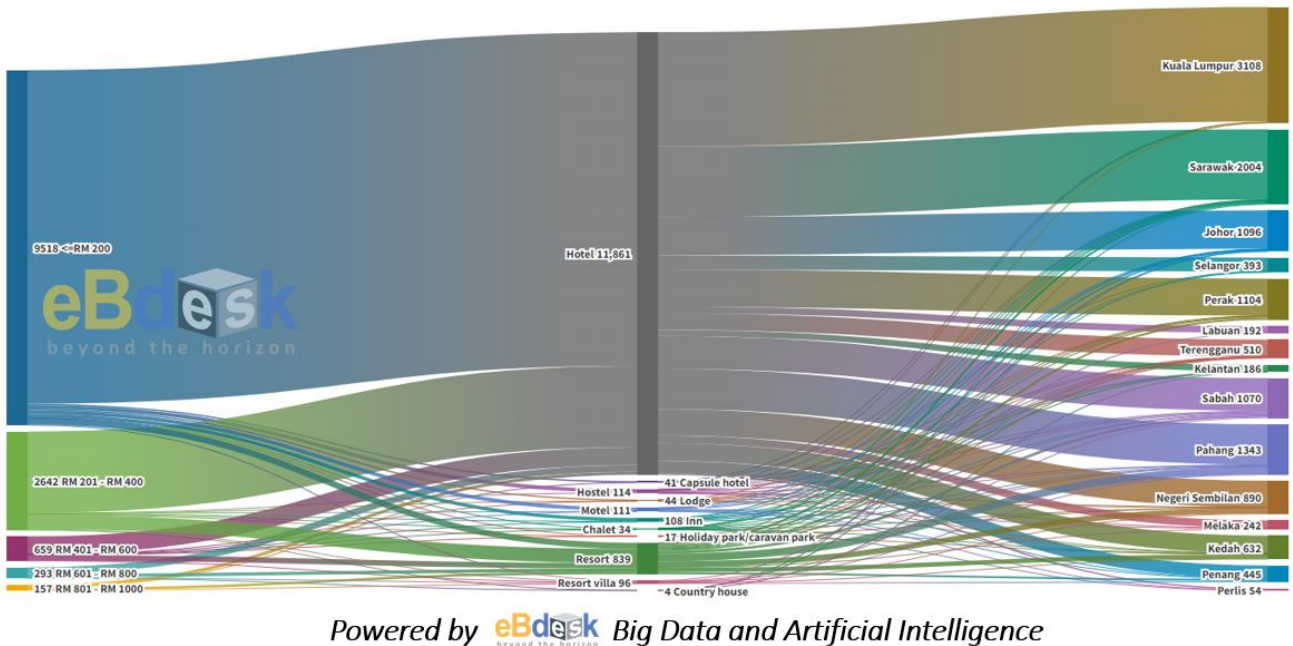
Although there might be more listings from the Private Accommodation category, the analytics indicates that the majority of the hotel listings on the prominent site are priced less than RM200.

Hence, this shows that the rise in private listings might not be contributed by the affordability of hotels seeing that there are numerous hotels advertised below RM200 including in KL.

The emerging trend of the staycation is seen to affecting the prices below RM200 as people are more preferred to choose a cheaper place in order to stay in for a short time only.

DESIRED SECURITY

Distribution by Price Range, Type and Locations
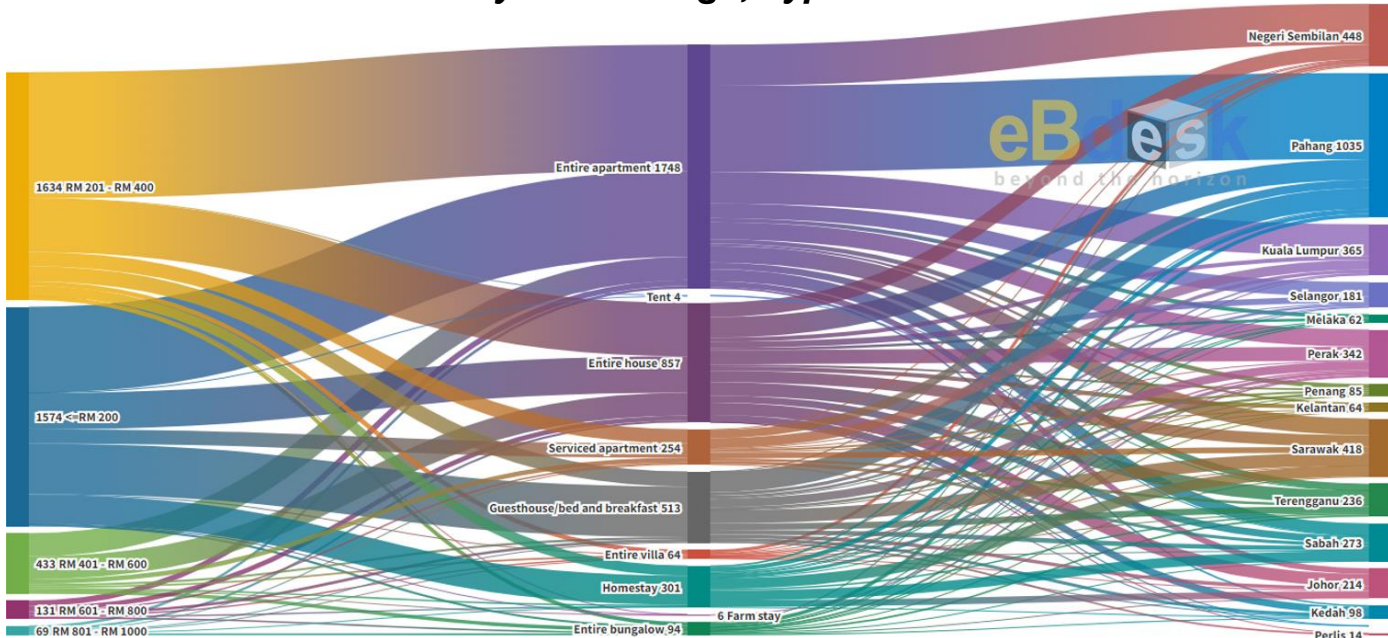
Powered by **eBdesk** *Big Data and Artificial Intelligence*

In contrast to the Hotel category, listings under Private Accommodation has slightly more listings with the RM200 to RM400 price range.

Thus, this indicates that when it comes to private listings, there is more demand for slightly expensive listings with the Entire Apartment becoming the main choice in the prominent side.

On a side note, it is also visible that Pahang has the highest private listings while KL only have 365 of private listing proving that Pahang is a place for a proper vacation rather than the staycation trend.

1748 OF THE TOTAL LISTINGS
ARE FROM ENTIRE APARTMENT

LAVISH CLUSTER

Taking a closer look at the price distribution for the Hotel category, most listings on the pricier side are usually property types listed as Resort Villa and Country House while listings within the RM200 to RM400 price range are Resorts, Holiday/Caravan Park, and Chalet.

Meanwhile, Hotel listings such as Hostel, Lodge, Inn, Motel, and Capsule Hotel that is usually for business trips or backpacker's staycation which is explained that the median for hotels is mostly below RM200.
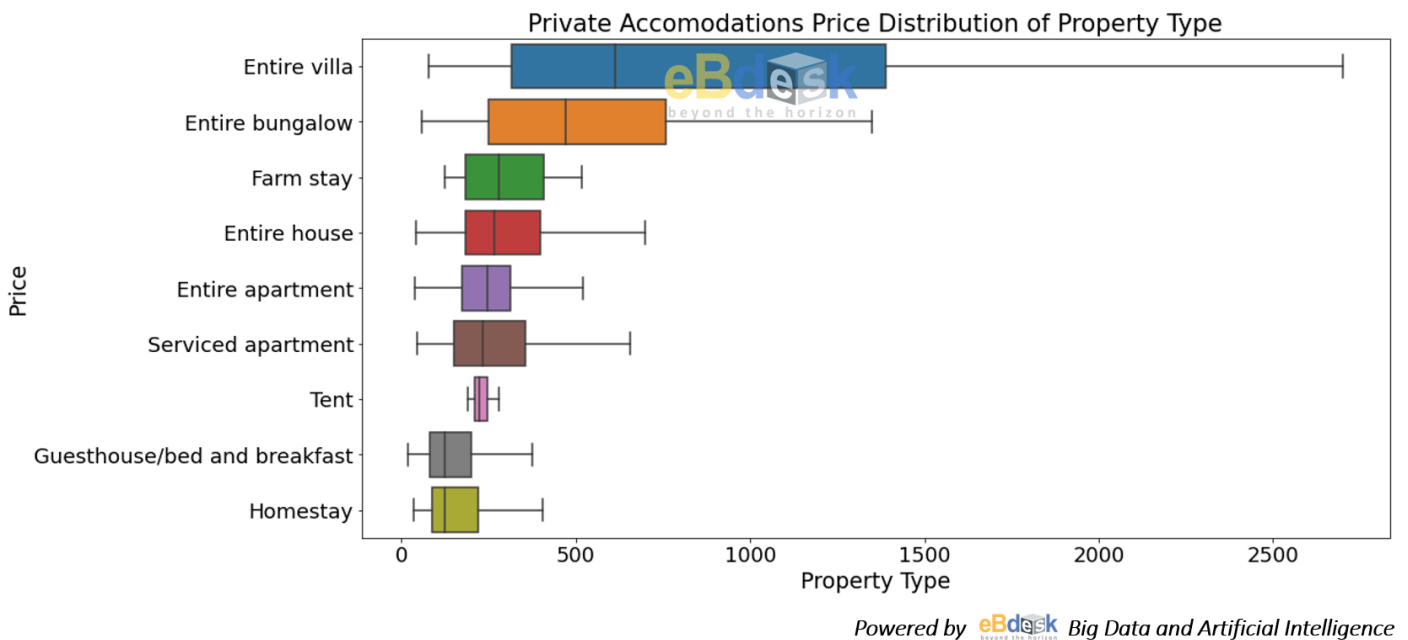
Thus, it can be concluded in the analytics that property size and price possessed a significant relationship among one another whereby the larger the square feet, the higher the median price.

Hotels Price Distribution of Property Type

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PECULIAR

POSITION

Private Accomodations Price Distribution of Property Type

Meanwhile, when it comes to the private listings, the expensive listings are usually the Villa and Bungalow property types. However, when it comes to the Entire Apartment property type, the median shows that it is mostly priced between RM200 to RM400.

Hence, it is indicated that apartment listings are slightly more expensive than hotels as most customers would prefer to book the entire accommodation, instead of according to rooms types in hotels.

IMPERTINENT CAUSE

```
Significance level:  0.05
X-squared = 168.023680980186, df = 70 , p-value < 0.9999906291020619
```
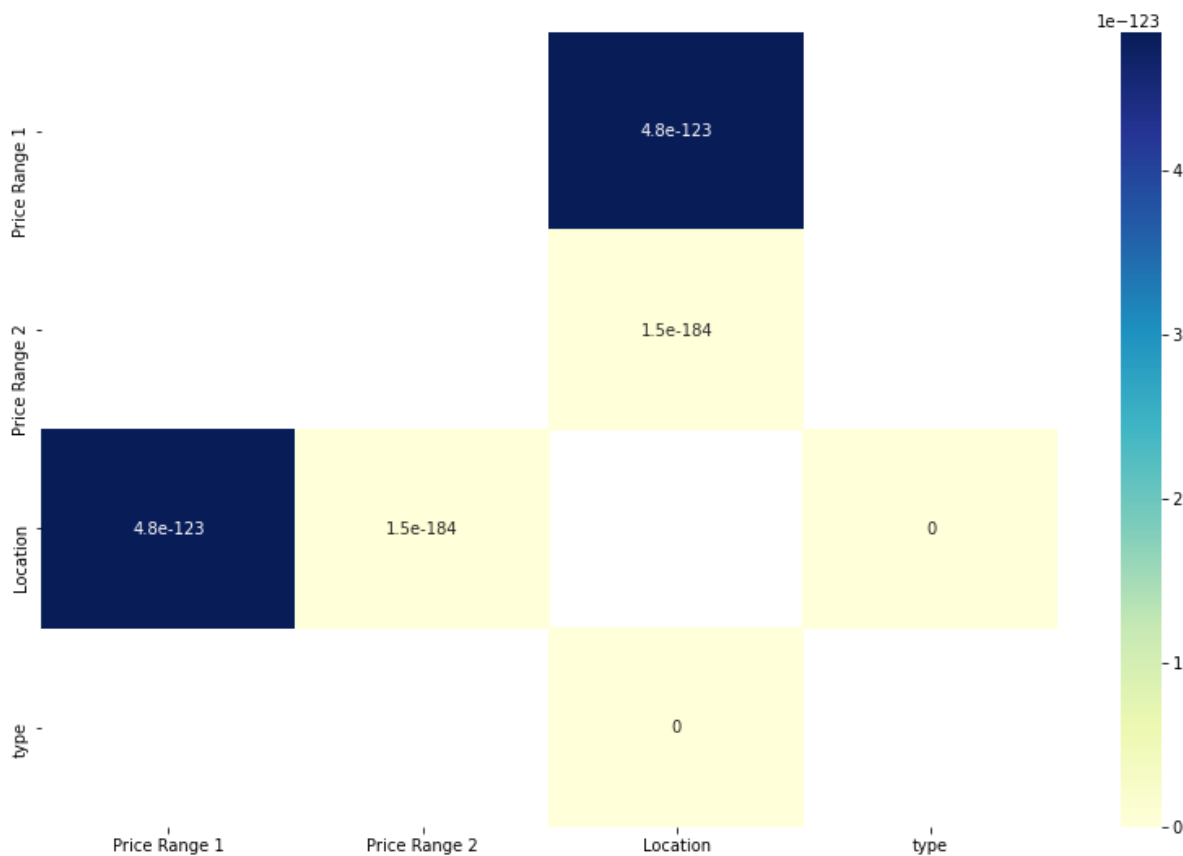

	Price Range 1	Price Range 2	Location	type
Price Range 1	NaN	NaN	4.84257e-123	NaN
Price Range 2	NaN	NaN	1.52629e-184	NaN
Location	4.84257e-123	1.52629e-184	NaN	0
type	NaN	NaN	0	NaN

As the data has been analyzed further to identify the dependency between the variables, it is depicted in the data that when chi-squared test has been conducted for price range, location and hotel types, the dependency existed only for location and price range as room hotel type does not play any significant role in terms of dependency.

HIGH
DEPENDENCY

Significance level: 0.05
X-squared = 52.3248212841052, df = 70 , p-value < 0.9434535117238775
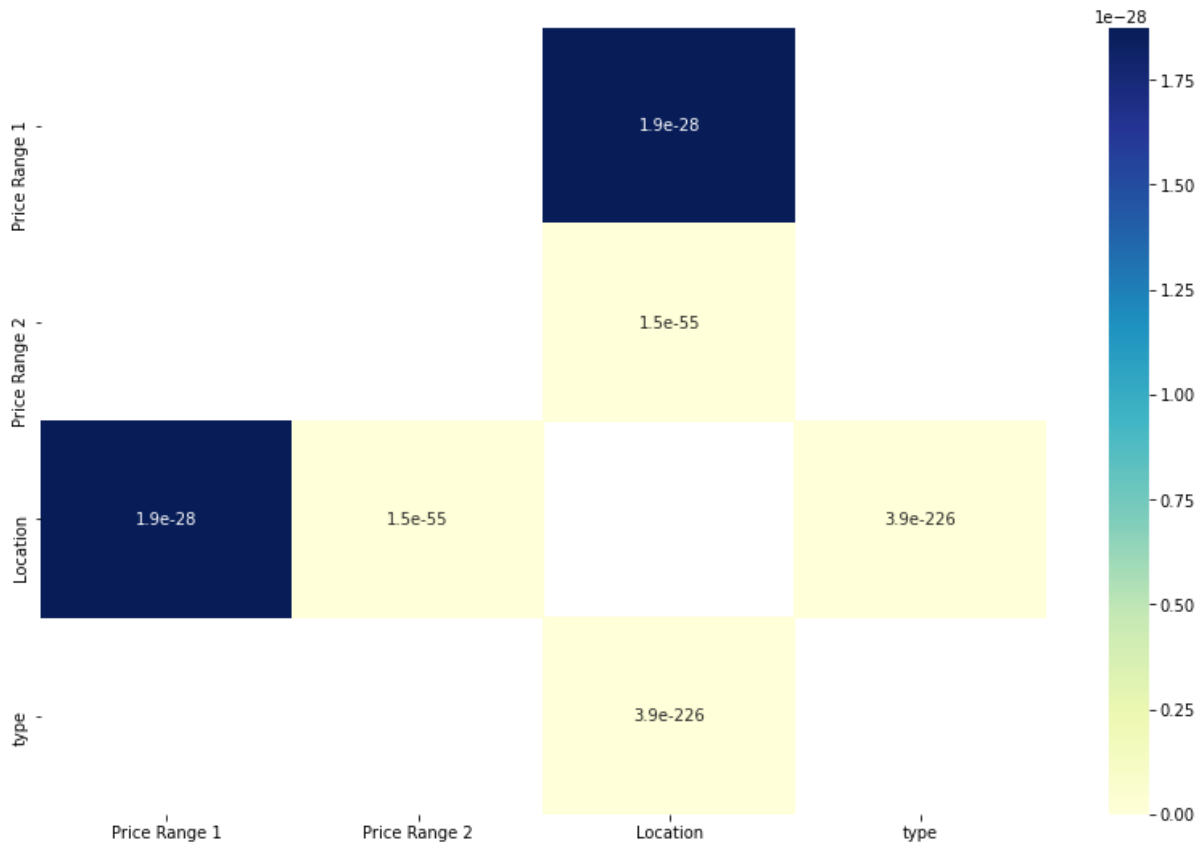
	Price Range 1	Price Range 2	Location	type
Price Range 1	NaN	0	1.87428e-28	4.23697e-155
Price Range 2	0	NaN	1.45921e-55	6.11023e-219
Location	1.87428e-28	1.45921e-55	NaN	3.88522e-226
type	4.23697e-155	6.11023e-219	3.88522e-226	NaN

Strikingly, the outlook is slightly different as the data has also been studied to identify the dependency of the same variables for private accommodations.

In contrast, the location of the accommodation has a high dependency in terms of the price range and also the property type as the p-value are below than the significance level.

THE
OPPORTUNISTS
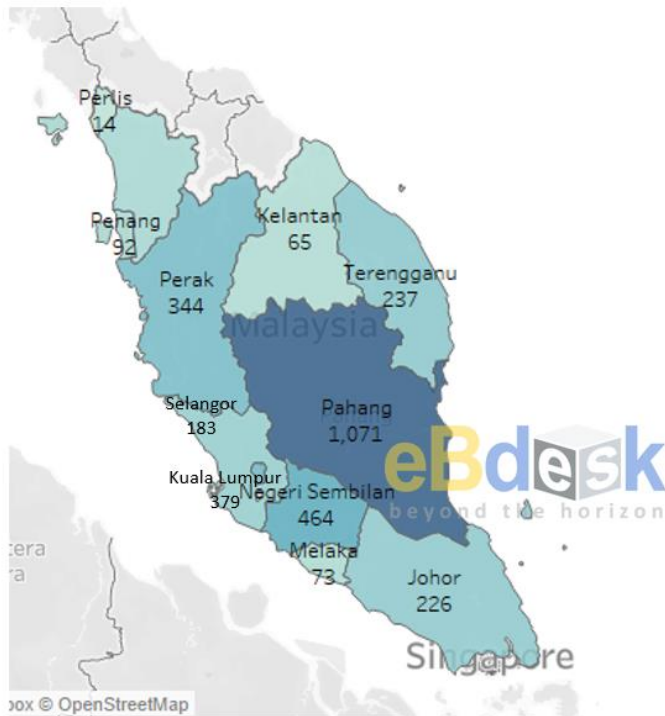
Based on the analytics, it is visible that people in Pahang are making use of this paradigm shift in the tourism landscape by advertising their private accommodation. This could also mean that Pahang is among the most visited state seeing that it is still close to KL and Selangor, making it a convenient and affordable choice.

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THRIVING

CITY
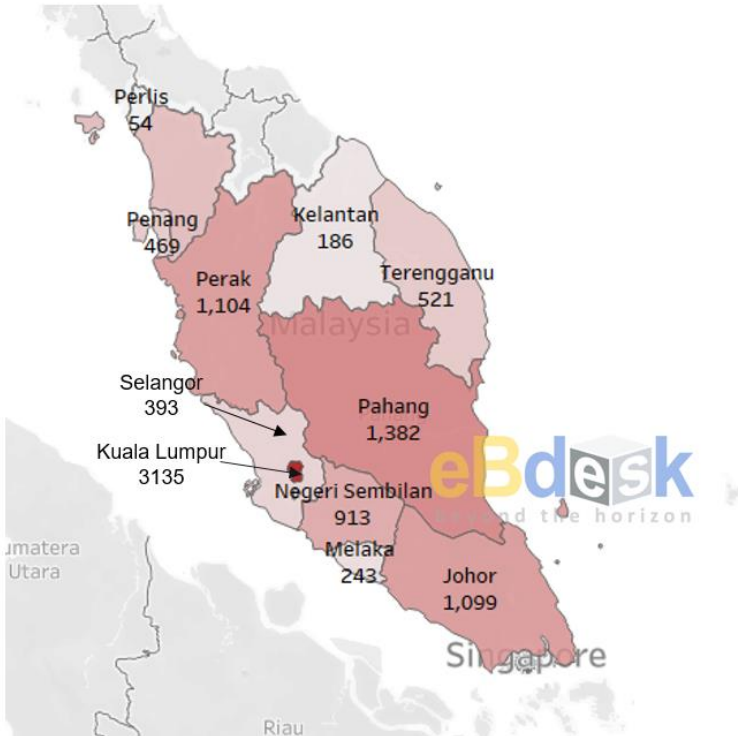
Although Pahang has led with the most private accommodation listings, the hotel listings in KL and Sarawak are more domineering than in Pahang. Hence, this indicates that there is still high demand for hotels in KL and Sarawak although the private accommodation was less than 500 in these areas.

THE ULTIMATUMS

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Wordcloud of most listed facilities in Hotels

When it comes to the facility demands in hotels and private accommodation, it is clear that hotel customers are more concerned with smoking areas, elevators, allowing pets and Wi-Fi availability.

Interestingly, private accommodation customers are comparatively more concerned over having air conditioning, prepared toiletries and free parking.

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Wordcloud of most listed facilities in Private Accommodation

STRIKING FACTORS

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Wordcloud of rooms with the most offers (Hotel)

Powered by eBdesk Big Data and Artificial Intelligence

Wordcloud of rooms with the most offers (Private Accommodation)

Taking a step further, rooms with the most offers for both hotels and private accommodations usually will include perks such as food delivery, coffee or tea maker, convenience stores and airport transfers to grab the customers' attention.

This also indicates that the offers are somewhat similar for both categories, which shows that the thriving demand for private accommodations might be due to the "hotel-grade" hospitality provided in today's age.

DEEPER
ENGAGEMENT
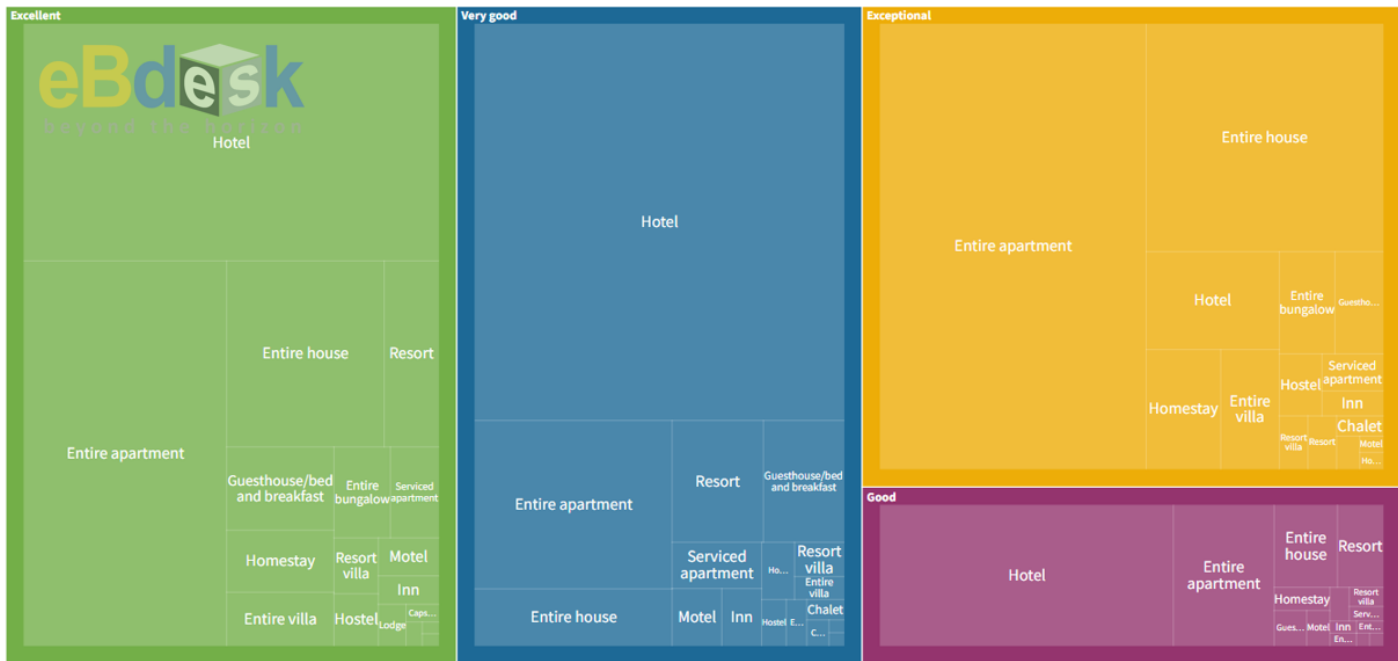
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Ratings are very valuable for both the guest and the hotel owner. For the potential booker, it's a valuable resource during the search for an overnight stay while for the hotelier, it's a way to increase visibility and improve customer contact, which also has a positive effect on the guests.

When it comes to the guests' ratings, hotel customers are more active in leaving reviews and ratings after their stay with mostly rating their stay as excellent.

However, private accommodation customers are more inclined towards giving the highest scores as compared to hotel customers.

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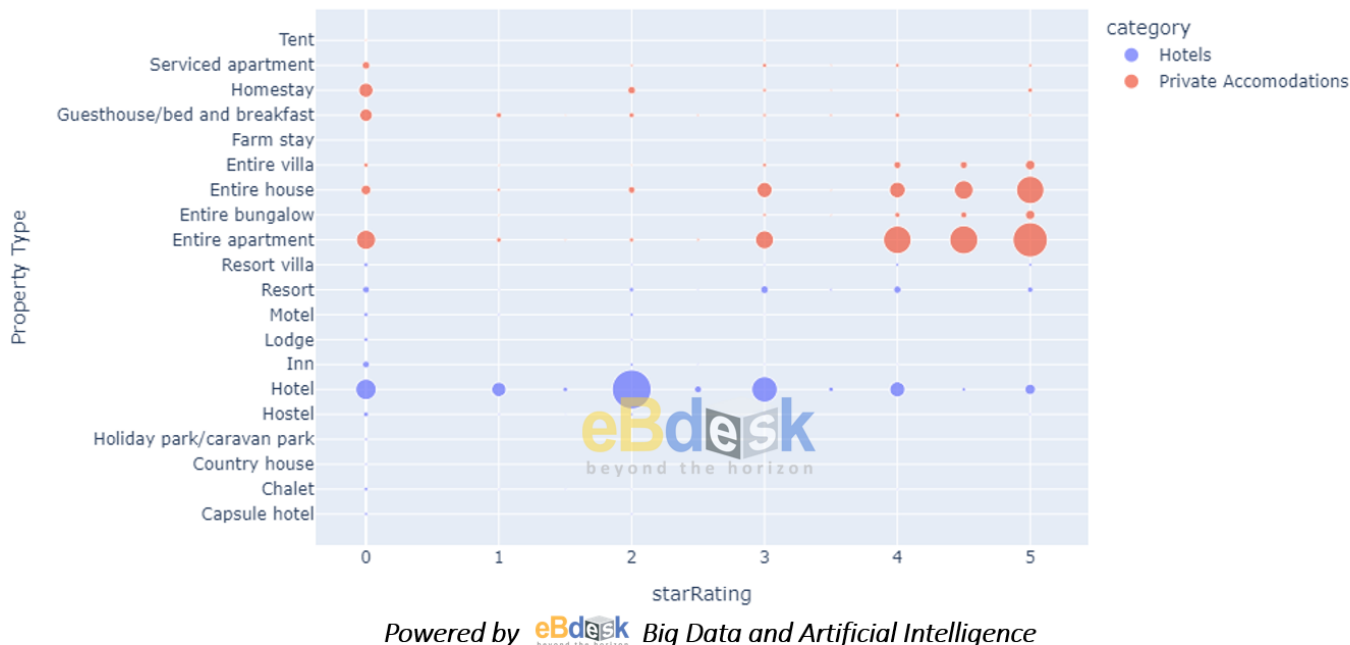
CONFORMITY
DEPENDENCE

In terms of the rating and property types between the Hotel and Private Accommodation categories, two-star rating hotels have the most number of listings on the site.

However, the demand for private listings is slightly different as there is more demand for four and five-star ratings. This shows that private customers depend on previous customers' experiences while hotel customers focus more on the price.
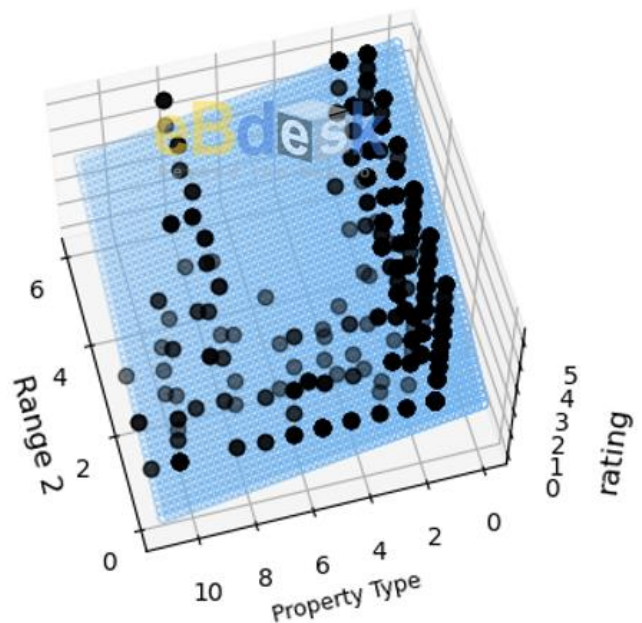
INSIGNIFICANT
DEPENDENCE

Significance level: 0.05
X-squared = 320.6878444253008, df = 144 , p-value < 1.7763568394002505e-15
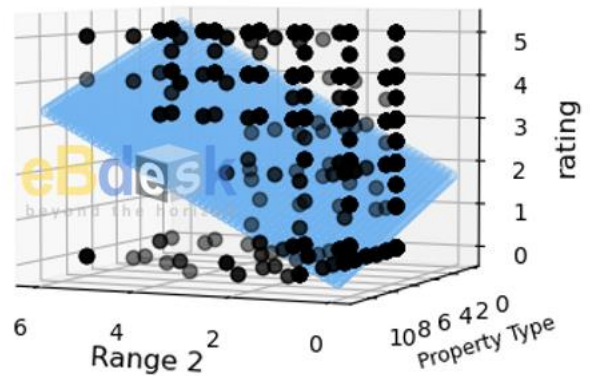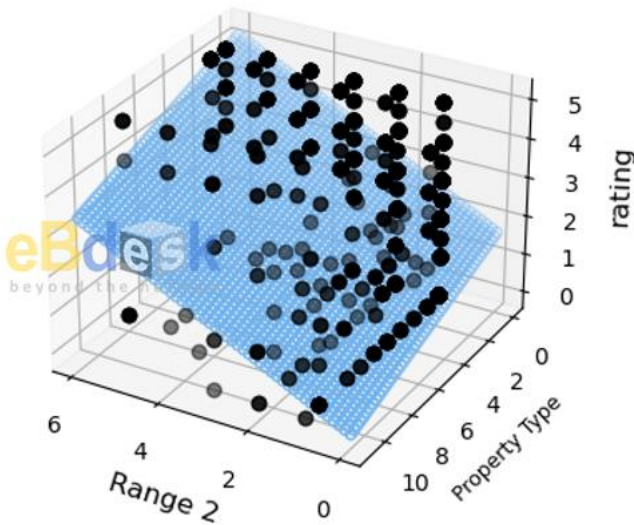
When comparing the price range, property type and ratings, the analytics show no correlation as the p-value is higher than the significance level of 0.05. Hence, this shows that the hotel prices are not dependent on the property type or ratings.

STANDALONE
FACTOR

Significance level: 0.05
X-squared = 130.8984361597494, df = 126 , p-value < 0.3644685343934754
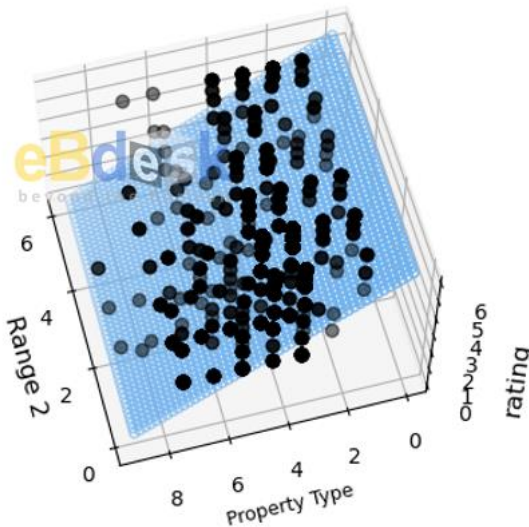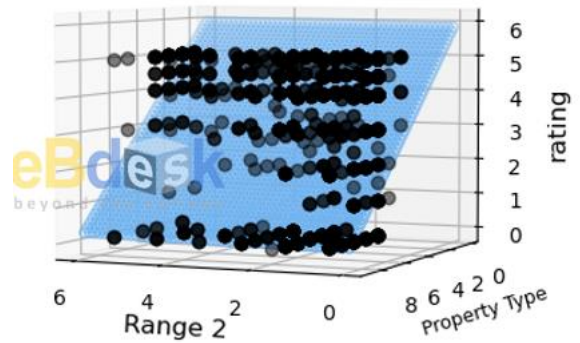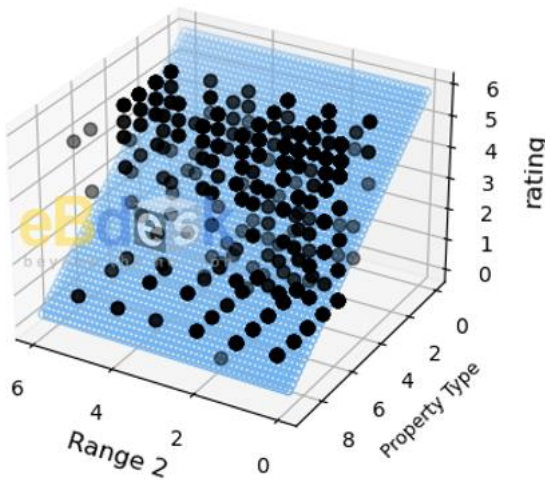
Similarly, the price of private accommodation listings is not attributed by the property type or ratings seeing that the p-value is higher than the significant level of 0.05. Thus, the prices of private and hotel listings are not fixed by the ratings and property types.
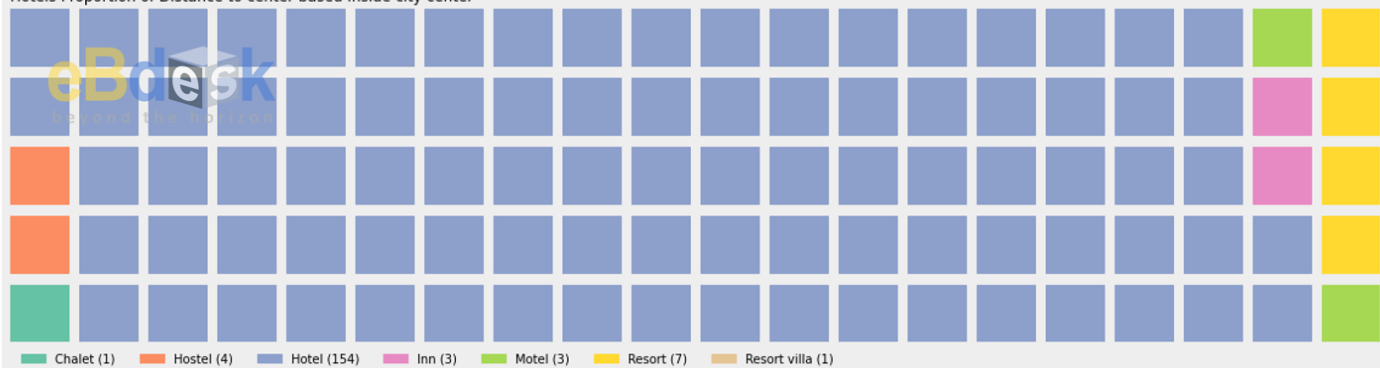
PROXIMITY
ADHERENCE

In terms of the proximity of the property between the city centre, most hotel listings are situated inside city centres since hotels as compared to resorts, motels and villas.
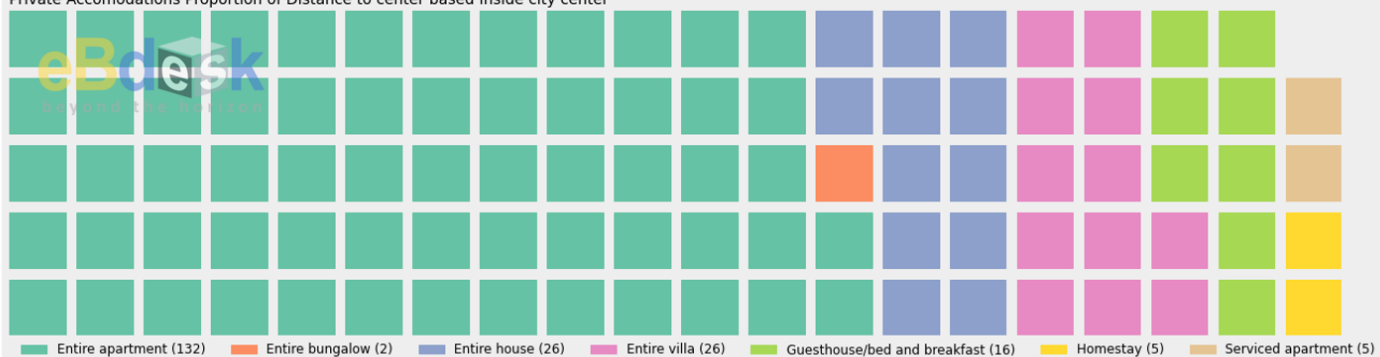
Meanwhile, there is significantly more variety in terms of the property types of private accommodations within the city centres.

With the new staycation trend, customers tend to choose accommodation based in city centres as it is easy for them to travel to popular sightseeing or main attraction places.

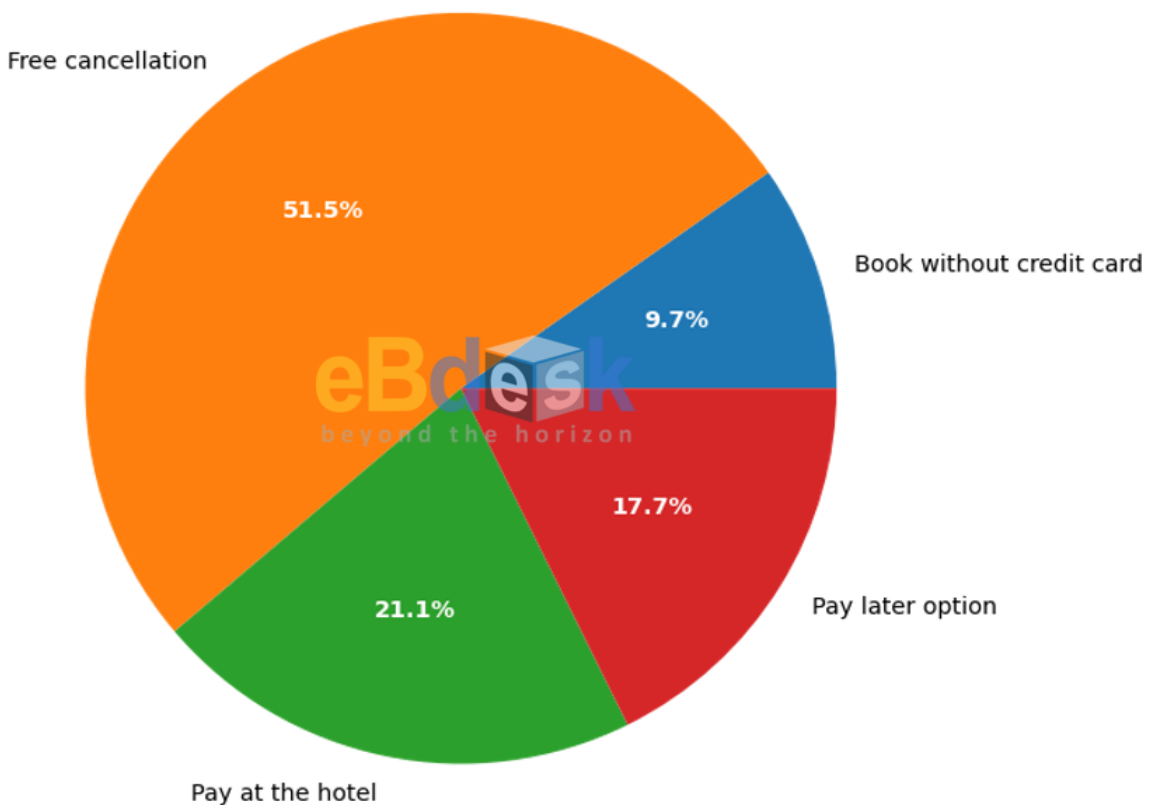Hotels Proportion of Distance to center based Inside city center

Legend: Chalet (1), Hostel (4), Hotel (154), Inn (3), Motel (3), Resort (7), Resort villa (1)

Private Accomodations Proportion of Distance to center based Inside city center

Legend: Entire apartment (132), Entire bungalow (2), Entire house (26), Entire villa (26), Guesthouse/bed and breakfast (16), Homestay (5), Serviced apartment (5)

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FLEXIBLE BASIS

Payment Type

Free cancellation

Book without credit card

51.5%

9.7%

17.7%

Pay later option

21.1%

Pay at the hotel

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Based on the two categories, it is clear that free cancellation is the most favoured payment option, proving that most customers prefer listings that allow cancellation according to their schedule.

The free cancellation option has dominated other pay later options such as paying at the hotel or without credit cards.

This shows that customers generally don't mind paying beforehand but prefer the flexibility of cancelling bookings in case of emergencies.

SIMILAR FOCAL POINT
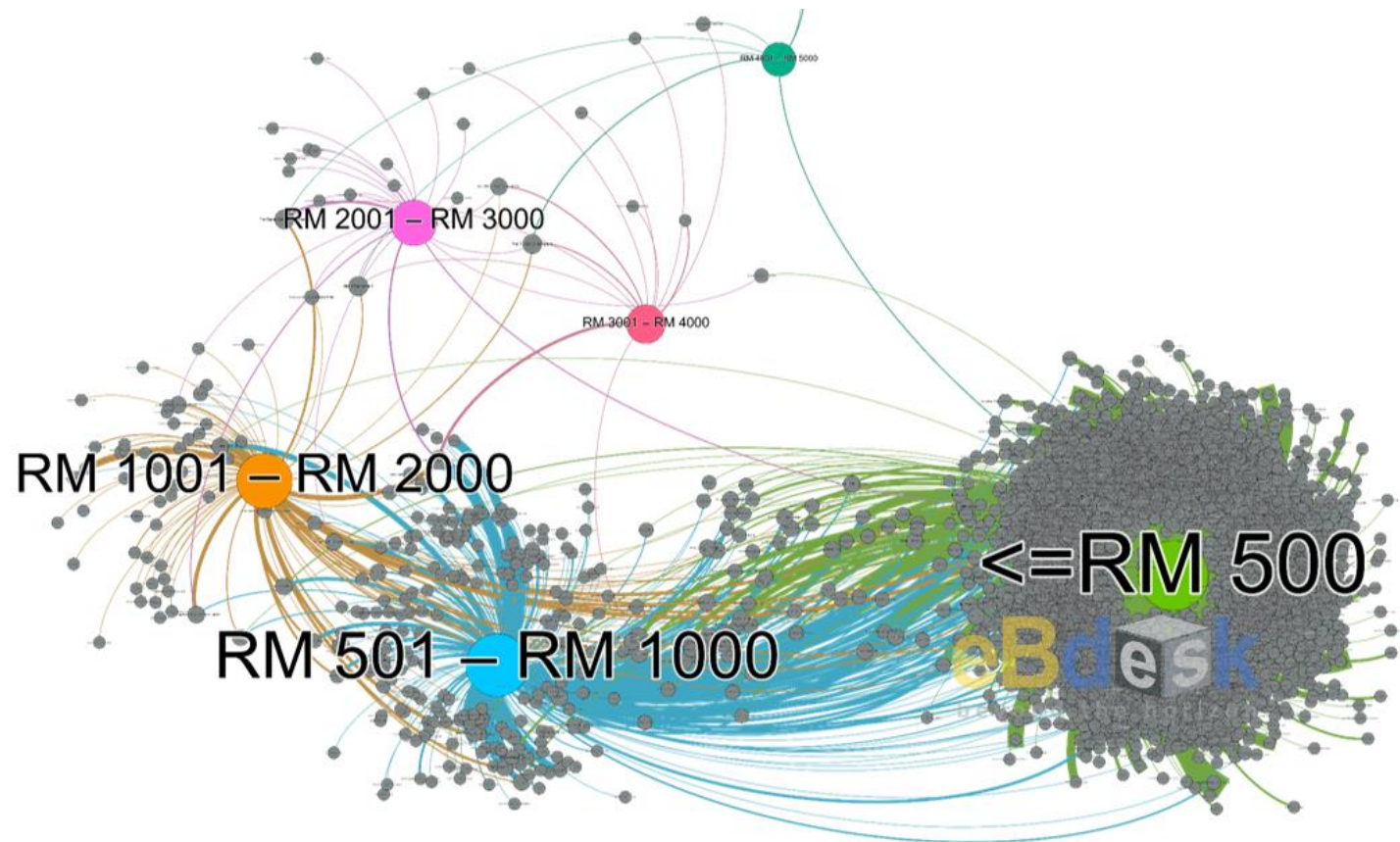
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Looking at the network of all the hotel listings posted on the prominent travel booking site, it is visible that most listings from both categories are priced below RM500 seeing that the green cluster is significantly more concentrated.

Hence, this shows that both categories have the same demand of affordable listings.

Moreover, the analytics showed that the price between RM500 to RM1000 is also a popular choice in the prominent site.

INCONSEQUENTIAL

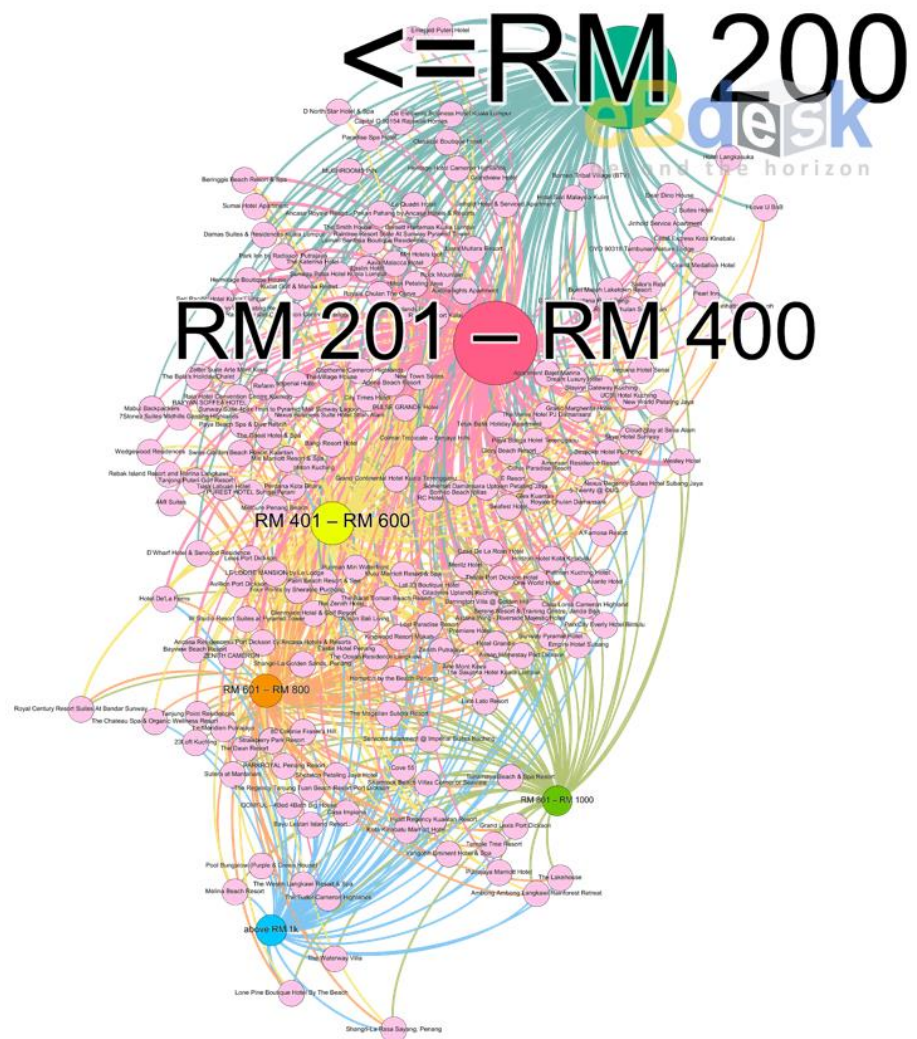Powered by eBdesk Big Data and Artificial Intelligence
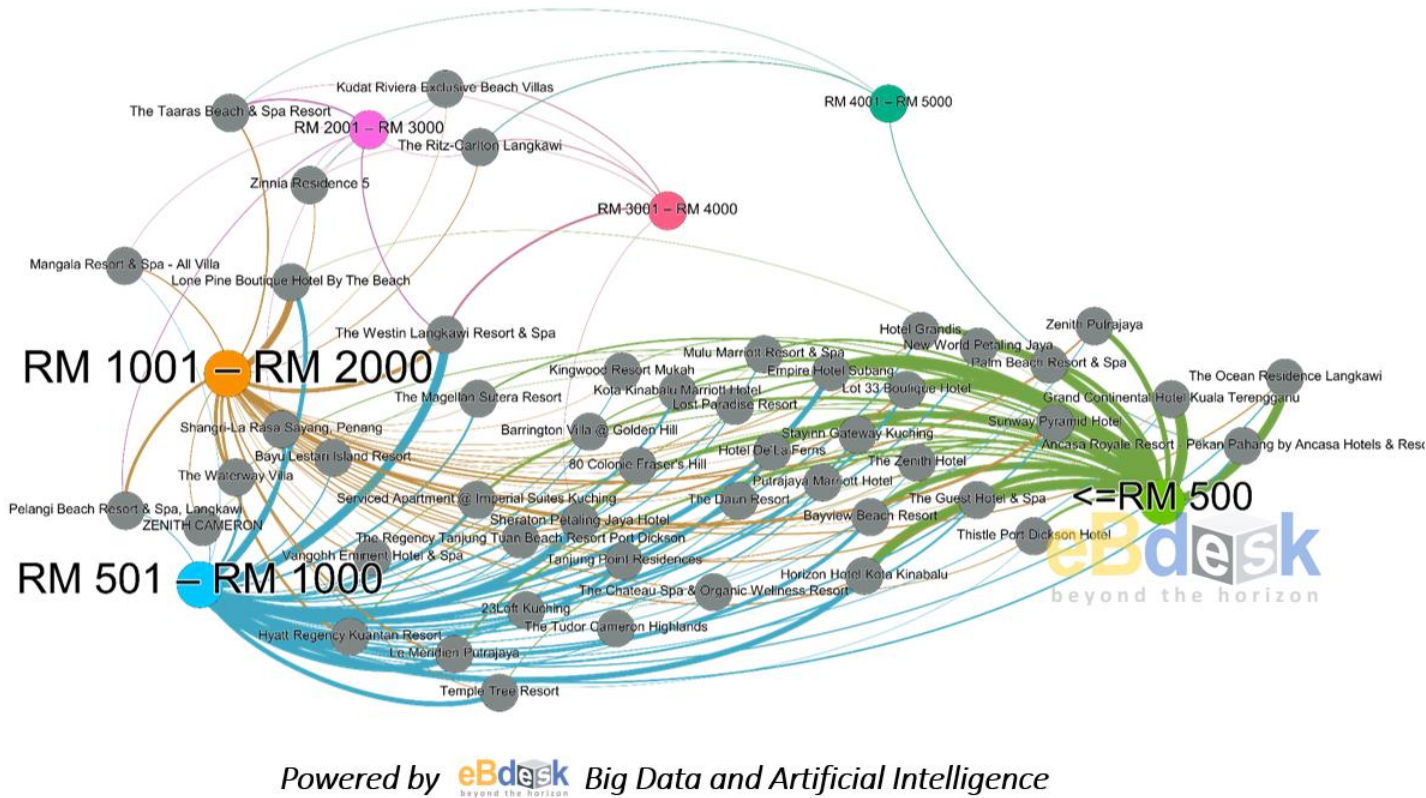
Although most hotel listings on the site are dominated by two-star hotels, some four-star hotels can be seen priced below RM500, such as Empire Hotel, Thistle Hotel, New World Hotel, and Sunway Pyramid Hotel.

Hence, this proves that hotel ratings have no correlation with the price of the listings.

Nonetheless, most Resort listings is reflected under RM501-RM1000 cluster as the majority of Resorts are located at private and exclusive properties or are nearby popular tourist or nature attractions.

PRIME CHOICE

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From the less than RM500 cluster, it is visible that most listings are priced below RM200. Hence this shows that listings including hotels are affordable from the prominent travel booking site.

Aside from that, this also shows that there is steep competition in both hotel and private listings in providing cheaper options as this is the current demand in the tourism landscape.

MAIN
CONTENDERS

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Based on the sellers network of based on property types, majority of the sellers are private accommodation listers where homestays near Port Dickson and Kuala Terengganu can be seen.

Meanwhile, the hotel cluster is significantly lesser than the entire house and apartments. However, budget hotel franchise OYO Hotel can be seen among the network indicating the popularity of cheaper hotel options.

KEY TAKES

- Based on the analytics gathered from a prominent travel booking website in Malaysia, the tourism industry has slightly shifted as there are now more private accommodations and homestays.
- However, the rise in short-term or vacation rentals is more tied towards the increasing vacant properties and the digitalization among property owners rather than the price of private accommodation.
- This is because in terms of prices of listings between both hotel and private listings, the website carries more cheaper hotels although the majority of listings are below RM500.
- Meanwhile, the analytics also show that the private accommodation business is most prevalent in Pahang, while KL still leads in the number of hotels.
- On a side note, the demand for hotels is more focused on affordability while private accommodation customers prioritize over high ratings.
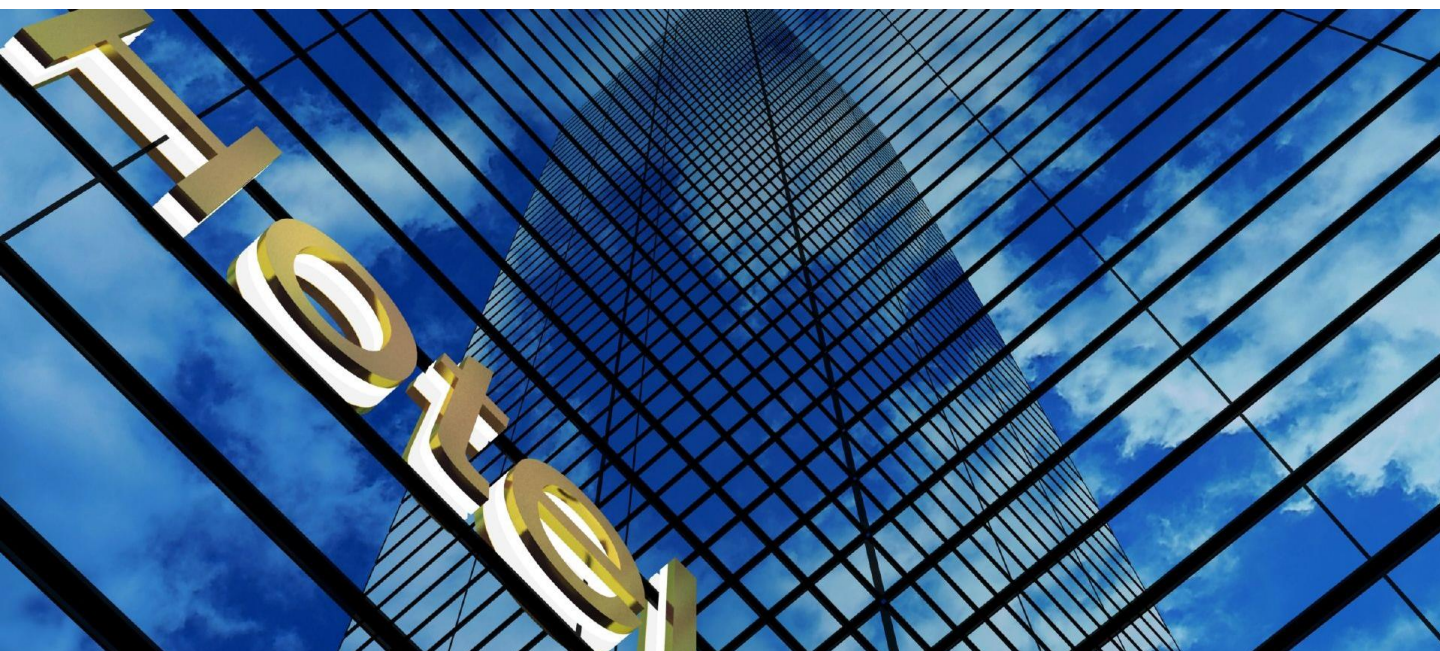
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