

Private and Public Sector Collaboration in Guam's Tourism Industry:

Is Guam Prepared for the Future?

Fred R. Schumann

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ABSTRACT

Title of Dissertation: **PRIVATE AND PUBLIC SECTOR
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INDUSTRY: IS GUAM
PREPARED FOR THE
FUTURE?**

Fred Robert Schumann, Doctor of Philosophy, 2006

Dissertation Directed By: Professor Masakatsu Ogata, Graduate School
of Asia Pacific Studies

The topic of tourism development has been explored by a number of scholars and increasingly, over the past decade, more literature has become available on tourism development on small islands¹. For many of the small island territories or nations, they share a number of major issues in the area of tourism. These include vast distances from source markets, foreign investment and the resulting leakage of revenue, over-dependence on tourism (mono-structured economy), dependence on imports, and an overburdened infrastructure, just to name a few (Gössling 2003; Harrison, 2004; McElroy, 2006). Most island destinations rely on stakeholders from not only a single sector, but from both private and public sectors to tackle these issues (Buhalis, 1999).

As a tourism-dependent economy, Guam receives at least sixty percent of its governmental revenues from tourism. Japanese visitors had made up over 80 percent of Guam's visitor arrivals in earlier years, but numbers started to drop in

¹ For some of the major sources, see the following: De Albuquerque and McElroy, 1992; Bass and Dalal-Clayton, 1995; Briguglio, et al., 1996; Hampton, 2005; Shareef, 2003; Duval, 2004; Milne, 1997; Milne and Nowosielski, 1997; McElroy, 2003, 2006)

recent years due to a number of reasons, such as natural disasters, world events, as well as stiffer competition from similar resort destinations. Still, the market remains the largest source of visitors for Guam, with South Korea coming in a distant second in ranking making up approximately 12 percent of Guam's visitor arrivals. As background information to illustrate the importance of public and private sector collaboration efforts on Guam, this research examines some of the changes occurring in Japanese overseas travel. It also reviews how tourist industry stakeholders in a nearby destination like Guam can adopt strategies to meet the changing expectations of this important market.

The primary research of this thesis involves the analysis of qualitative data generated from in-depth interviewing in examining the issue of collaboration between the private and public sectors as a method for assisting Guam's tourism industry to prepare for the future. This is followed by multiple case research (Yin 1994) that investigates strategies used in destinations to enhance tourist experiences through attractions. The SWOT Analysis is also utilized as an example of a tool to assist stakeholders in understanding the environment of the present to prepare strategies for the future.

Key Words: Guam, private and public sector, tourism, pacific islands, Japan

PRIVATE AND PUBLIC SECTOR COLLABORATION IN GUAM'S
TOURISM INDUSTRY: IS GUAM PREPARED FOR THE FUTURE?

by

SCHUMANN, FRED ROBERT

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2006

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Professor Masakatsu Ogata

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Preface

Business gurus Hamel and Prahalad suggest that in order for businesses to remain competitive, leaders need to continuously reflect on this question—“Am I more of a maintenance engineer keeping today's business humming along, or an architect imagining tomorrow's businesses?”

Gary Hamel and C.K. Prahalad in *Competing for the Future* (1994)

“For a travel market’s sustainability as a preferred destination, leaders in the business of tourism must compete with destinations worldwide. They must continuously reflect upon this question--Are we attempting to sustain the past, relying on previous years’ visitor statistics and outdated visitor profiles, or are we creating a new future for tourism in our destination market?”

Fred R. Schumann (2005)

Dedication

This dissertation is dedicated to my partner and tour companion, Bernie P. Schumann, who encouraged me to pursue my doctoral studies in Japan while she unselfishly continued her public service on the island of Guam.

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At the risk of missing a number of important individuals in my Acknowledgements, I would like to extend my heartfelt appreciation for the special people who guided me through my research efforts. Despite their busy schedules, they had taken the time to share with me their ideas concerning my research.

In Japan, I would like to thank Professors Fukui, Mani and Eades, for their guidance from my initial year at APU. The foundation they laid in coursework for Ph.D. students helped paved the way for my cohorts and me from the Fall of 2003. For the time they shared with me in their office, I would like to thank Professors Asamizu and Hatada. Their knowledge of Japanese overseas travelers and how destinations overseas work with the Japanese market has been of great help in my research project. Two Kiwis (Mark Tepunga and Malcolm Cooper) in Beppu also deserve a word of thanks. To Mark Tepunga, the Internationalist and *Marathoner Extraordinaire* who spent as much time with me running on the back roads of Beppu as he did in his office as, I express my appreciation for the listening skills and sound advice on a number of matters. To Professor Cooper, whose leadership skills and ability to objectively listen to comments from students have been appreciated by many, I am grateful for the untiring efforts to successfully host the APTA Conference in Beppu. To Professor Ogata, who agreed to be my academic advisor from the time I applied to attend APU, the comments and research recommendations over the years are truly appreciated. The combination of Professor Ogata's academic training and experience of working overseas for JNTO has been a tremendous help in guiding me through my research, especially

with issues concerning Japanese overseas travel. Despite what many others commented about studying the weakening Japanese overseas travel market, the continued encouragement kept me on track. Professors Susumu Yamagami and J.S. Eades (again) deserve mention for their suggestions and encouragement in the final stages towards the completion of the dissertation.

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Table of Contents

Preface	v
Dedication	vi
Acknowledgements	vii
Table of Contents	ix
List of Tables	xii
List of Figures	xiii
List of Abbreviations	xiv
Chapter 1. Introduction	16
Aim of the Study	16
Research Questions	21
Significance of the Study	22
Limitations of Scope and Justification.....	25
Structure of the Thesis	26
Chapter 2. Background Information to the Study	29
Island Tourism	29
Guam as a Destination Market.....	31
Japanese Overseas Travel	42
Trends in Japanese Overseas Travel--Shift from the Early Years.....	47
The Link Between Trends in Society and Travel	53
Changing Demographics.....	57
Senior Citizens: The Silver Market.....	70
Demographics and Consumption.....	76
Weddings	79
Free Independent Travelers.....	82
The Japanese Workplace and Income Uncertainty	93
Globalization and the Myth of Efficiency.....	97
Chapter 3. Review of Literature	101
Public and Private Sector Collaboration in the Tourism Industry	102
The Concept of Sustainability.....	104
The Environmental Dimension	107
Ecotourism and Collaboration	109
Accidental or Unplanned Growth?	113
Collaborating for Conservation.....	115
Summary	116
The Cultural Dimension.....	118
Culture and Collaboration.....	118
Authenticity and Collaboration.....	125

Summary	132
The Political Dimension	133
A Need for Regulation?	136
Collaboration Amidst Change.....	139
Collaboration and Power.....	144
Leadership and Strategies	149
Summary	153
The Economic Dimension.....	154
Small Business Collaboration	155
Planning for the Long-Term	157
Destination Visioning	158
Destination Marketing	163
Summary	178
Conclusions.....	179
Authors Used in the Thesis	179
Major Gaps in Literature.....	180
Areas for Future Studies	181
Chapter 4. Methodology	183
Introduction.....	183
Secondary Research	183
Primary Research Methods	185
Justification for the Qualitative Methodology	188
Grounded Theory	190
Interview Questionnaire Design	194
Interview Techniques.....	195
Data Analysis	199
Case Study	200
SWOT Analysis	202
Research Challenges	205
Chapter 5. Data Analysis – Public and Private Sector Interview Results	208
Awareness of Travel Industry Trends.....	209
The Japan Market.....	215
Vision.....	221
Preparedness	227
Priorities.....	233
Environment & Sustainability.....	242
Public / Private Collaboration.....	248
Chapter 6. Strategies for Change? Comparative Case Studies of Asia Pacific Tourism.....	259
Ecological Attractions.....	261
Man-Made Attractions	268
Local Cultural Attractions.....	278
Summary	288
Chapter 7. Discussion and Implications	290
Major Findings.....	290
Public and Private Sector Collaboration	297

The Environmental Dimension	298
The Cultural Dimension.....	300
The Political Dimension	302
The Economic Dimension.....	304
Summary	307
Recommendations.....	308
1. Examine Trends to Prepare for the Future	309
2. Develop a Vision and Long-term Strategy	313
3. Improve the Integration of Small Businesses and Local Community	317
Limitations of the Study.....	321
Further Research	322
Concluding Remarks.....	325
Appendices	327
A. Chronology of Japanese Travel & Tourism.....	327
B. Questions For Tourism industry Stakeholders	331
C. Interviewees with Position Title and Affiliation	333
Glossary	334
Bibliography	341

List of Tables

Table 1. Guam Visitor Arrivals and Hotels Data.....	39
Table 2. Guam’s Major Economic and Financial Indicators	41
Table 3. Yen to U.S. Dollar Exchange Rates From 1965 to 2004.....	47
Table 4. Composition of Population (as of October 1, 2003).....	61
Table 5. Elderly Population (as of September 15, 2004) (in millions).....	62
Table 6. Increase of Elderly Households	64
Table 7. Forecasts of Japanese Population	66
Table 8. Changes in Japanese Population from 2000	66
Table 9. Japanese Male Travel Propensity (%)*	67
Table 10. Distribution of Japanese Overseas Trips (%) Males.....	68
Table 11. Japanese Female Travel Propensity (%)*	69
Table 12. Distribution of Japanese Overseas Trips (%) Females	69
Table 13. Amount and Composition of Savings and Liabilities by Age Group of Household Head (Workers' households) (2003)*	73
Table 14. Observed and Forecasted Japanese Overseas Trips, Total (Both Sexes) ..	77
Table 15. Projected Luxury Hotel Openings in Tokyo.....	82
Table 16. Price Level of Tokyo Compared with Other World Major Cities (FY2002).....	88
Table 17. A Comparison of the Four Research Traditions in Qualitative Research.	192
Table 18. Top Priority by Stakeholders to Improve Tourism industry.....	241
Table 19. Thoughts about Private and Public Collaboration	249

List of Figures

Figure 1. Proximity of Guam with Major Airline Routes.....	32
Figure 2. Map of Guam.....	33
Figure 3. Monthly Guam Visitor Arrivals, 2000-2003	38
Figure 4. Yen – U.S. Dollar Exchange Rate	47
Figure 5. Average Number of Children Born to Married Women by Age.....	58
Figure 6. Composition of Dependent Population, and the Population Dependency Ratio.....	59
Figure 7. Proportion of Elderly Population by Country (Aged 65 years and over)...	63
Figure 8. Japanese Outbound Travel: Past and Future	70
Figure 9. The Four Types of Cooperation Necessary for the Development of Successful Integrative Tourism.....	134
Figure 10. Example of SWOT Analysis for Guam Tourism	165
Figure 11. SWOT Analysis Matrix.....	204

List of Abbreviations

ABC	Asahi Broadcasting Corporation (Japan)
APU	Asia Pacific University
CNMI	Commonwealth of the Northern Marianas
DFS	Formerly Duty Free Shoppers
DMOs	Destination Management Organizations
DOE	Department of Education
DUI	Driving Under the Influence
FIFA	Fédération Internationale de Football Association (French)
FIT	Free Independent Travelers
FSM	Federated States of Micronesia
FY	Fiscal Year
GDP	Gross Domestic Product
GEDCA	Guam Economic Development and Commerce Authority
GHRA	Guam Hotel and Restaurant Association
GPA	Guam Power Authority
GVB	Guam Visitors Bureau
GWA	Guam Waterworks Authority
HTA	Hawaii Tourism Authority
IATA	International Air Transport Association
IMF	International Monetary Fund
JATA	Japan Association of Travel Agents
JICA	Japan International Cooperation Agency
JNTO	Japan National Tourist Organization

JTA	Japan Tourist Association
JTB	Japan Travel Bureau
MBS	Mainichi Broadcasting System (Japan)
MICE	Meetings-Incentives-Conventions-Exhibitions
MILT	The Ministry of Land, Infrastructure and Transport (Japan)
MPHPT	The Ministry of Public Management, Home Affairs, Posts and Telecommunications (Japan)
NEET	Not in Education, Employment or Training
NGO	Non-Governmental Organization
NHK	Nippon Hoso Kyokai (Japan Broadcasting Corporation)
NPS	National Park Service (U.S.)
NPSA	National Park of American Samoa
NTA	Nippon Travel Agency
OECD	Organization for Economic Development and Cooperation
PATA	Pacific Asia Travel Association
R&R	Rest and Relaxation
SARS	Severe Acute Respiratory Syndrome
SIT	Special Interest Tourism
SITE	Small Island Tourism Economy
STAR	Survey on Tourism Attitudes of Guam Residents
STB	Singapore Tourism Board
SWOT	Strengths-Weaknesses-Opportunities-Threats
TAG	Tourism Association of Guam
UNWTO	World Tourism Organization
WAPA	War in the Pacific National Historical Park (Guam)
WTTC	World Travel and Tourism Council

Chapter 1. Introduction

Aim of the Study

The topic of tourism development has been explored by a number of scholars and increasingly, over the past decade, more literature has become available on tourism development on small islands². For many of the small island territories or nations, they share a number of major issues in the area of tourism. These include vast distances from source markets, foreign investment and the resulting leakage of revenue, over-dependence on tourism (mono-structured economy), dependence on imports, and an overburdened infrastructure, just to name a few (Gössling 2003; Harrison, 2004; McElroy, 2006). Most island destinations rely on stakeholders from not only a single sector, but from both private and public sectors to tackle these issues (Buhalis, 1999).

Governments and the public sector are heavily engaged in the operations of tourism even in countries where privatization has been maximized. They are producers of services for both hosts and visitors in a community and therefore are directly involved in the tourism product. In addition, governments act as the Research and Development arm of tourism as many smaller businesses operating within the industry do not have the resources for this function. Researchers (Bramwell and Lane, 2000; Hall, 1994; Leiper, 1995), showing how the influential aspect of the growing industry is seldom overlooked, have also covered the relationship of politics and tourism. Leiper (1995) points out that tourism is at

² For some of the major sources, see the following: De Albuquerque and McElroy, 1992; Bass and Dalal-Clayton, 1995; Briguglio, et al., 1996; Hampton, 2005; Shareef, 2003; Duval, 2004; Milne, 1997; Milne and Nowosielski, 1997; McElroy, 2003, 2006).

times used as a tool in a struggle for power, for example as an employment and revenue generating solution to a community's economic problems.

Unfortunately, there is a paucity of available literature concerning tourism in Micronesia's small island destinations with populations fewer than a million and no other major industries as backup in times of tourism industry slumps. Small island destinations such as Guam with a population of just under 160,000 have a lot at stake as tourism in many cases is the number one industry that directly affects the island's economic well being. Guam's isolated geography in the Mid-Pacific and its ecosystem limit new industries, even under the best economic and financial conditions. In recent years, Guam experienced some severe hardships in the form of disasters, such as Typhoon *Chata'an* in July 2002 and Typhoon *Pongsana* in December 2002, which was recorded as the strongest typhoon to hit Guam in the past century. Even before these two major typhoons, Guam was just in the process of rebuilding and recovering after being devastated by Typhoon *Paka* in 1997 (Osman, 2004). In addition, regional and global economic and financial problems dating back to the Asian financial crises of 1997-98 plagued the island's recovery from the bursting of the Japanese bubble economy in the early 1990's. With the collapse of the bubble economy, gone were the days when Japanese investors were buying properties around the world and travelers were making large purchases on merchandise and entertainment on overseas trips, including in destinations like Guam. Just when signs of recovery were appearing with many of Guam's retailers hitting record sales in August 2001, the September 11 attacks and SARS came along and dropped tourist traffic as much as 60 percent (Salas, 2004).

Guam now faces a very challenging future and much hope rides on tourism to bring the economy out of a long-term slump. Guam residents, knowing through years of exposure to public service announcements that tourism is the island's number one industry, are relying on industry leaders in both the private and public sectors to work together to create a better quality of life for residents via tourism revenues. Much of these revenues are generated via spending on Guam and from tax sources including the four percent Gross Receipts Tax on goods and services, and the eleven percent Hotel Occupancy Tax calculated by room rate. The main source of these revenues is from a single market—Japan.

There are a number of other destinations, like the island territory of Guam, have relied on Japanese visitors and their tourism dollars to help drive the economy. Ever since Japanese overseas travel was liberalized after the Tokyo Olympiad in 1964, Japanese overseas travel had grown continuously to close to 18 million by 2001. With these numbers came the higher than average spending per Japanese visitor on items such as luxury goods, food and entertainment, optional tours, and other goods and services. However, with the bursting of Japan's Bubble Economy in the early 1990's, we have started to see changes in Japanese domestic and international spending, as well as in attitudes toward overseas travel. These changes are likely to continue, resulting from trends occurring in Japan, and will impact choices for overseas destinations, purchases and activities.

One of the most significant changes is in demographics, which has been due to the growing number of elderly citizens, marriages taking place in later years for females, and lower birth rates influenced by the later marriages combined with a variety of other factors (Doteuchi, 2004). This has also carried over to affect changes in Japan's workplace and the way in which families spend

their time together as a unit for leisure time activities. These changes have had a profound affect on destinations that have relied on Japanese tourism for survival and will continue to do so in the coming years. This is especially true for Guam with such a high reliance on Japanese visitor arrivals.

As a tourism-dependent economy, Guam receives at least sixty percent of its governmental revenues from tourism. Japanese visitors had made up over 80 percent of Guam's visitor arrivals in earlier years, but numbers started to drop in recent years due to a number of reasons as mentioned above, such as natural disasters, world events, as well as stiffer competition from similar resort destinations. Still, the market remains the largest source of visitors for Guam, with South Korea coming in a distant second in ranking making up approximately 12 percent of Guam's visitor arrivals. As background information to illustrate the importance of public and private sector collaboration efforts on Guam, this research examines some of the changes occurring in Japanese overseas travel. It also reviews how tourist industry stakeholders in a nearby destination like Guam can adopt strategies to meet the changing expectations of this important market.

Tourism is a very competitive industry (Buhalis, 2000) and destinations are no longer in a seller's market. Destinations need to differentiate their products and develop partnerships between the public and private sector locally in order to coordinate delivery. Even destinations that specialize in attracting certain types of visitors and levels of income have to upgrade their basic infrastructures and add new attractions. It is essential that destination administrations, including Guam's, understand their market segments and that they plan their development strategy accordingly. It is also very critical that developments are quality driven and that the consumer experiences are used as evaluation criteria. Guam faces losing repeat

visitors as they seek alternatives if Guam's marketing and research efforts do not work toward continuing to identify key market trends and improving its product.³

The strategic guidance given to and management of, the tourism sector by the administration of Guam or any destination is a key foundation to that destination's ability to be successful. The relationship between private and public sector must be healthy with industry leaders communicating regularly and striving to meet goals established by all. In other words, both private and public sector industry leaders must have the same vision for the industry for these goals to be realized. Planners and stakeholders need to work together to develop a shared vision, common ground on future development and nature of a place, as well as the role that tourism might play in the vision.

This thesis presents the theoretical underpinning of the research in terms of the role of stakeholder involvement in tourism management. It also includes an examination of the relationship between Japan's changing society and Japanese overseas travel, and the role that Guam's tourism industry stakeholders can play in managing the future of tourism considering this relationship. This thesis analyzes qualitative data generated from in-depth interviewing in examining the issue of collaboration between the private and public sectors as a method for assisting Guam's tourism to industry prepare for the future. This is followed by multiple case research (Yin 1994) that investigates strategies used in destinations to enhance tourist experiences through attractions. The SWOT Analysis is also utilized as an example of a tool to assist stakeholders in understanding the

³ In December 2004, repeat visitors made up 48 percent of visitors from Japan. This figure varies from month to month but is generally 35 percent to 50 percent. Source: GVB Monthly Visitor Statistics December 2004.

environment of the present to prepare strategies for the future. These methodologies are described in detail in Chapter 4 and are merely introduced here.

Research Questions

In light of the situation described in the previous section concerning Guam's current reliance on tourism to run the economy and the heavy dependence on the arrivals of visitors from Japan, this brings us to question what is actually occurring on the island of Guam. This thesis will address questions that will ultimately reveal the shared level of awareness of trends among Guam's tourism industry stakeholders and what is being done in a collaborative effort between sectors to prepare for the future of Guam's tourism industry.

The key questions in this research are as follows;

- What steps are being taken to improve Guam's visitor product?
- Do industry leaders receive and share information about Guam's fragile tourist economy, which relies predominantly on one source market as well as being vulnerable to a variety of external factors?
- Do they communicate across sectors to address immediate and long-term issues?
- Are industry leaders aware of trends that directly affect Guam's tourism industry from major markets like Japan?
- Do Guam's industry leaders understand what they can and cannot control when it comes to increasing visitor arrivals and what is currently being done in this regard?

Significance of the Study

Planning for the future is an important process in tourism sustainability (Bramwell and Lane, 2000). However, not all destinations carry out the planning process properly or carry out a long-term view with intermediate measures to monitor progress. Tourism is not always the result of a national decision-making process. Decisions affecting tourism policy, the nature of government involvement in tourism, the structure of tourist organizations, and the nature of tourism development emerge from a political process that of course includes key players in the private sector. As Hall states, “this process involves the values of actors (individuals, interest groups and public and private organizations) in a struggle for power” (Hall 1994: 3). He also adds that there is an apparent lack of interest in studies of the political and administrative dimensions of tourism by government and industry, as well as in the community conflicts that occur in relation to tourism development. However, it is important to recognize that such research may be of an extremely practical nature (Hall 1994: 5).

For a destination like Guam that depends on visitor arrivals from its major market of Japan, it is necessary for industry leaders to see past the political maneuvering as part of the power struggle described above, and examine what changes are occurring on Japan’s domestic scene. Because of Guam’s geographic location, tropical climate, pristine beaches and political status as a U.S. territory, Japanese visitors will continue to be a major source of revenue for Guam’s tourism industry. How these visitors view Guam as a destination will impact the sustainability of Guam’s tourism industry.

Urry’s study (1990) using “the tourist gaze” metaphor for tourists has had a significant impact in tourism studies. His work conceptualizes the nature of how

tourists view and consume experiences at destinations throughout the world. Urry's analysis draws mostly on the experience and particular historical and cultural patterns of British tourism, although he does refer briefly to New Zealand examples to support elements of his analysis. However, does this conceptual framework equally apply to places and people in other parts of the world?

A number of criticisms have been made about Urry's work in this regard (e.g., Perkins and Thorns, 2001; Leiper, 1992; Hamilton-Smith, 1991). With changing preferences of tourists, it appears that the gaze metaphor may be too static or too simplistic. Shono, Fisher and McIntosh (2006) challenge the stereotypical image of Japanese tourists as gazers, and they analyze the changing nature of the Japanese outbound tourism market. In "The Changing Japanese Gaze" (2006), they also argue that Japanese tourists are becoming more independent as a result of changes in Japanese culture and want experiences that go far beyond a mere "gaze." Regardless of whether or not the gaze is no longer applicable, the "otherness" of what Japanese tourists encounter is still high. Therefore, Shono, et al. (2006) claim that what is needed is a greater understanding of the changing trends occurring around culture and society in Japan to fully understand the transformation of the gaze from a Japanese point of view. Societal changes in Japan have coincided with tourists who are less passive but who are still bound up in cultural obligations. Shono, et al. (2006) state in their work that in understanding the similarities and differences of the metaphor of the gazer for Japanese and Western tourists, a greater understanding of the transformation of Japanese outbound tourism is achieved. A more detailed review of the changing Japanese gaze as a reflection of changes in Japanese society and