

MACAU TOURISM DEVELOPMENT IN COOPERATION WITH ITS
NEIGHBORS

by

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ABSTRACT

Macau Tourism Development in Cooperation with Its Neighbors

by

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This study assesses the importance of cooperative tourism development in the Hong Kong, Macau and Zhuhai region. In particular, it analyzes the necessity and strategies for Macau to develop its casino gaming-centered tourism in collaboration with its two neighbor cities. Data were collected via face-to-face and email interviews with open-ended questions. Educators, executives, and government officials in the tourism industries in Hong Kong, Macau and Zhuhai were invited to participate in the interviews via a convenience sampling process. The results indicate that developing tourism in a closely cooperative manner is highly desirable for the three destinations. Especially, Macau's collaborations with Zhuhai and Hong Kong are critical to its tourism industry. To become a world-class gaming destination, Macau needs to develop a complementary relationship with Hong Kong and Zhuhai by focusing its casino gaming-centered tourism. Macau also needs to work closely with its neighbors in the areas of cooperative marketing, labor collaboration, infrastructure development, and security system etc. Furthermore, if the region could gain the support from the

Central Government, the cooperation between the destinations will come out more smoothly.

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CHAPTER 1

INTRODUCTION

Macau is the only Chinese jurisdiction where legalized casino gaming is allowed. The tourism industry, especially gaming in Macau is growing at an astonishing speed. In 2005, visitor arrivals to Macau jumped 12 percent to 18.7 million because of the territory's ever expanding casino development and its cultural and historical attractions ("The Associated Press", 2006). According to Concepcion (2006), the Macau Gaming Inspection and Coordination Bureau reported that Macau's casino revenue in 2005 amounted to about US\$5.84 billion, up 11.3% from 2004. Asia-Pacific Markets has forecasted that Macau's casino revenue will grow up to about US\$7.22 billion in 2006. With about 1,000 table games, the revenue per table in Macau is nearly ten times of that in Las Vegas (Velotta, 2005). Taxes gained from Macau's gambling profit generate about 70% of government revenue (Central Intelligent Agency [CIA], 2006).

In 2002, Stanley Ho's gaming monopoly in Macau ended when the Macau government granted additional gaming licenses to two U.S. gaming companies, Wynn Resort, Inc and Las Vegas Sands Corp. (Gu 2004; Wong 2002; Yu, 2002). Totally, the three companies have committed over US\$2.2 billion in investments to the territory. This will significantly boost the GDP growth in Macau (CIA, 2006). Macau's first U.S.-operated casino, the Sands Macau, opened in 2004 with great success. The

600-room Wynn Macau will open in the fall of 2006 and the US\$1 billion MGM Grand Macau will follow in 2007 (Johnson, 2006). Las Vegas Sands Corp. is heavily focused on developing the Cotai Strip, which after being built will have 60,000 rooms, 6 million square feet of meeting and convention space, 6 million square feet of retail space and 2.5 million square feet of casino space (Las Vegas Sands, 2005). The Strip will be anchored by the Venetian Macau, set to open in 2007. Furthermore, Las Vegas Sands Corp. is planning to develop a non-gaming resort on Hengqin Island, which is only one mile away from Macau, with massive leisure and convention facilities.

Problem Statement and Purpose of the Study

In its booming casino development, Macau is facing an immediate problem – labor shortage. It is estimated that the planned development will require at least 18,000 additional employees between 2006 and 2009 (Macauresort.com, 2006). However, in 2004, Macau's unemployment rate was only 4.8% (Anonymous, 2005) with a population of 450,000 (Gu, 2004). A problem with the remaining unemployed populations is that they either lack the required skills or are unemployable (Anonymous, 2005). Therefore, Macau will not be able to fill all the positions with local people.

At the same time, Macau's limited space will also challenge the development (Gu, 2004) in both short-term and long-term perspectives. Macau comprises two islands and a peninsula, totaling less than 11 square miles (Johnson, 2006). With 450,000 residents, Macau has very limited available space for further tourism development (Gu, 2004). Limited space will affect Macau's ability to host visitors. In

2004, Macau hosted 16.7 million visitors, which is about 37 times Macau's population –much higher than other tourism destinations in the region: in 2003, the number of visitors to Guangdong province was only 1.1 times its population and Hong Kong had the ratio at 2.3 times (Mak, & Siu, 2004). Furthermore, it is highly questionable whether Macau's infrastructure can catch up with the development of the casino hotels and the increasing number of visitors (Concepcion, 2006).

Macau is also facing challenges from emerging gaming destinations in Asia. For example, Singapore is trying to increase its tourism competitiveness by launching two gaming licenses, one of which will be decided in June 2006 (Roy, 2005). The project is expected to become the most expensive integrated resort in the world (Las Vegas Sands Corp., 2006). Las Vegas investors are also considering eventually developing casinos in Penghu –an island of Taiwan (Gu, 2004). Thailand is also seriously considering legalizing casino gaming (Gu, 2004; Roy, 2005) and Japan continues to be tempted in this respect as well. Others gaming destinations like Cambodia and Malaysia, already have gaming establishments and will likely work on upgrading the facilities they have now (Roy, 2005).

Most importantly, the Hong Kong Macau Zhuhai [HMZ] Bridge is planned to be built to connect Hong Kong, Macau and Zhuahi [HMZ] (Chan, 2003). As a result, the travel time between these three destinations will be dramatically reduced from 3 hours to around 40 minutes (Las Vegas Sands Corp., 2005). The HMZ Bridge can either heat up the three-way rivalry between HMZ, or bring them closer in cooperation.

With all the problems and challenges, Macau now is facing a critical strategic issue: How to cooperate with Hong Kong and Zhuhai to develop the tourism industry

in the region and meet the challenges posted by other rival destinations in Asia? Macau needs to formulate the right development strategy to handle its short-term and long-term problems to ensure its successful and healthy tourism development. Such a strategy should greatly benefit the HMZ regional tourism development as well.

Little research on cooperative tourism development has been done for the HMZ region. Attempts were made to analyze the necessity of Macau's cooperation with Hong Kong and Zhuhai, and also identify ways for Macau to cooperate with Hong Kong and Zhuhai through open-ended interviews with the educators, government officials, and executives in the tourism industry of HMZ. The face-to-face interview is the primary data collection approach and the email interview is the alternative approach to collect data from the interviewees. The results of this research will enrich the tourism cooperative development theory by providing an in-depth case analysis of a gaming destination that may soon outshine Las Vegas. It will also carry very important strategy and policy implications for tourism authorities and decision makers in the region.

Delimitation, Limitations and Possible Bias in this Research

This scope of this study is limited to the regional tourism development among three neighboring destinations in Southern China, HMZ. There are several limitations of this study. First, no interviews were conducted with Zhuhai professionals. This study was only able to identify two Zhuhai contacts (Zhuhai Tourism Board officials). Although they initially agreed to be interviewed, they eventually failed to participate even though requests were made to them again and again. The author made an onsite

visit and also called them many times but was unsuccessful in getting them involved. It is very difficult to have Chinese officials make comments in public because of cultural and political differences. Unfortunately, the unsuccessful interview with Zhuhai tourism professionals is the biggest limitation of this thesis.

The second limitation is the unequal distribution of educators, executives, and government officials in the sample. Only one government was finally interviewed. Also the sample does not include managers from Stanley Ho's gaming properties, which are very important part of Macau's tourism industry. Stanley Ho's companies are all private companies, so they usually do not like to release any confidential information; therefore, this research was not able involve the managers from these companies. In addition, a Macau Government Tourist Office [MGTO] official refused the interview because of concerns surround the release of government information. This concern is very common in Macau, again because of different cultural norms.

Thirdly, the participants' ranges of knowledge concerning the tourism industry were different; some were unable to answer questions in the areas they were not familiar with. Furthermore, when the respondents were asked questions concerning politics, such as the actions of governments, some of them were resistant to give deeper insights.

Finally, the author's personal bias may exist in the research. The author conducted an extensive amount of research before conducting the interviews, so it is possible that the author's subjectivity may have played some role in collecting, interpreting the qualitative data. As Zikmund (2003) said about research involving interviews, "Analysis and interpretation of data are highly subjective, and it is difficult

to determine the ‘truth’” (p. 130). The author has nevertheless tried her best to minimize the subjectivity. Providing original answers by each interviewee to interview questions (see Appendix D) is an example of such effort.

Definitions of Terms

The following terms have been used in different contexts throughout this study and therefore need to be first of all defined:

Special Administrative Region [SAR]: A unit of People’s Republic of China [PRC].

The PRC at present has two special administrative regions –Hong Kong and Macau, and each has a Chief Executive as head of the region and head of government (Wikipedia, 2006c).

Tourism: The temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs (Matheison, & Wall, 1982, p. 26).

SWOT Analysis: Strengths, weaknesses, opportunities, and threats [SWOT] is a subset of the broader situation analysis, is used to assess the fit between an organization’s strategy and its internal capabilities (i.e., its strengths and weaknesses) and external possibilities (i.e., its opportunities and threats) (Fleisher, & Bensoussan, 2003, p. 92).

Cooperated Marketing: An idea of the coming together of two or more individuals, groups, firms, or organizations to build a relationship based on a mutual benefit to the parties. Such cooperation is at the level of product development, sales promotion, pricing arrangements, and place (or distribution) mechanisms-the usual 4Ps (product,

price, place, and promotion) of marketing mixed channels (Dieke, & Karamustafa, p. 469; Smith, Carrol, & Ashford, 1995; Varadarajan, 1986).

Closer Economic Partnership Arrangement [CEPA]: Refers to two agreements:

Mainland and Hong Kong Closer Economic Partnership Arrangement; Mainland and Macau Closer Economic Partnership Arrangement. They are China's free trade agreements with Hong Kong and Macau. They grants easier access to China market for Hong Kong or Macau-made products, and Hong Kong and Macau-based service companies (Hong Kong Trade Development Council [HKTDC], 2006).

Relative Frequency: is formed by dividing the frequency in each class by the total number of observations (Berenson, Levine, & Krehbiel, 2004).

CHAPTER 2

LITERATURE REVIEW

As United Nations Economic and Social Commission for Asia and the Pacific [UNESCAP] (n.d.) stated, cooperation is “joint action and collaboration in order to achieve a shared advantage”. Swanstrom (2002) defined cooperation as “a series of actions take place between political or economic entities, aiming to increase mutual benefit for all included actors” (p. 12). Regional cooperation incorporates a diverse set of actions, such as establishment of United Nation, Asian-Pacific Economic cooperation [APEC], which facilitate political and economical cooperation among the nations. Overall, regional cooperation can be political, economical or military in nature, this thesis concentrates on the economic aspect of regional cooperation in the tourism industry.

Tourism Regional Cooperation

Several literatures on tourism regional cooperation had been reviewed. The history, objectives, benefits, foundation, barriers and modality of tourism regional cooperation will be explained in the following section according to various scholars' researches in this area.

History

Regional cooperation and integration are not new concepts. The history of regional cooperation can be tracked back to “the 17th century’s European integration and cooperation such as Staatenbunde, Eindgenossenschafen, Commonwealth, and the advanced Chinese political and economic cooperation” (Morris, 1983; Swanstrom, 2002, p. 12; Walter, 1999. p.4-5). According to Greer (2002)’s research, tourism cooperation has been increasingly embraced as a service delivery mechanism in the last two decades (Prior, 1996; Darwin, 1999). The tourism industry has become tremendously more complex and multifaceted, due to changes continually brought by technological and economic advancement. As a result, the importance of cooperation in tourism development has gradually been identified.

Strategic tourism initiatives are typically implemented through cooperation between non-governmental organizations, the private sector, and voluntary or community groups (Greer, 2002; Goymen, 2000). “To date, partnerships in tourism have largely been located at the local and regional levels with much research being focused on the extent of community participation vis-à-vis administrative authorities” (Bramwell & Sharman, 1999; Godfrey, 1998; Greer, 2002, p. 355; Joppe, 1996; Tosun, 2000).

Objectives

According to Megwi (2003), tourism regional cooperation has the following objectives: firstly, and also the most important, to improve the competitive advantage of the tourism industry in the region through collective efforts, and the tourism resources from the individual destinations. Therefore the region will promote itself as

an integrated destination by capitalizing on the common strengths of each party and emphasizing on the individual destinations' uniqueness. Secondly, the cooperation aims to ensure equitable, balanced and complimentary development of the tourism industry. Thirdly, with the strategy of cooperation, the region will try to improve the service standards and quality in the tourism industry of the region; meanwhile, improve the quality of human resource and skill set of labor through job creation and proper training at all the levels; in addition, improve the infrastructure development in the region with collective efforts from the individual destinations; Last, through cooperation, the region will facilitate the regional tourism within the region by easing or removing travel and visa restrictions, and harmonizing the immigration procedures.

Benefits

Theoretically, cooperation is positioned to bring together local, regional, and national interests within a regional development perspective and optimize the usage of resources within the region (Araujo & Bramwell, 2002; Gunn 1994; Inskip 1994; Tosun & Jenkins 1996). Cooperation involves the balance of interests and benefits. Cooperation requires the sacrifice of independence and individuality on the part of the participants; in return, participants are likely to see an evident advantage in participating in the cooperation. The advantages will be represented by future benefits, which tourism regional cooperation will potentially bring to the region and also the individual destinations.

Overall, more concrete and diversified tourism regional cooperation could be an effective solution in helping a region gain competitive advantage (Araujo & Bramwell, 2002; Huxham 1996; Kotler, Haider & Rein 1993). This collective advantage will

create a combined identity with a more powerful voice (UNESCAP, n.d., p.152) in negotiating with other competitive regions, international agencies, and airlines etc., even other countries.

According to Araujo, & Bramwell (2002), tourism regional cooperation will lead to the pooling of tourism attractions, knowledge, expertise, capitals and other resources. At the same time, it will facilitate greater coordination between relevant policies; hence, it can increase the acceptance of the resulting policies, increasing effective implementation of the policies within the individual jurisdictions (Pretty, 1995). It “might also help to secure the goals of redistributing development and related benefits in more equitable ways among more and less developed [destinations of the region]” (Araujo & Bramwell, 2002, p. 1141).

Another benefit brought by tourism regional cooperation is the broadening of the tourism market through the integration of individual destination’s market share. During cooperation, member destinations can bring together their tourism products and jointly promote them as an integrated region for mutual benefit (Megwi, 2003).

Cooperation will also benefit the labor market in the region. Cooperative collaboration of labor within the region reduces the waste of repeated labor training and education. It can also help solve labor shortage problems of certain destinations through the importation of labor from another cooperative destination.

To facilitate cooperation, infrastructure and transportation systems can be built between the destinations with systematic cooperative planning for the region. Cooperation also assists “overcoming problems of discontinuity in approaches and procedures for achieving pollution control, heritage conservation, and environmental

conservation” (UNESCAP, n.d., p.152). Besides, the regional tourism development will open opportunities for investment and assist destinations in the issue of joint security, which is becoming an ever more important issue among tourism destinations (Megwi, 2003),.

Foundation

There are three components composing the foundation of regional cooperation –shared potential, similar problems and potential regional framework (UNESCAP, n.d.). The foundation, in some degree, determines the possibility of cooperation within the region.

Shared Potential

According to UNESCAP (n.d.), shared tourism potential could stimulate regional cooperation by adding consistency in approaches to environmental conservation, cultural conservation and data collection. Additionally, the creation of consistency can assist in region’s planning and development; coordination of destination development and identification; operation of specialized tourism magnets to avoid repetition; human resource and management skill relocation.

Similar Problems

When divisions of a region share similar problems, such as increases in visitor volumes, improving access to destinations and transportation among the destinations, outside competitors, etc., it can create the momentum needed to enact cooperation methods within the region. In these cases, not only should the region have similar problems, but also each area have its own strengths and weaknesses that can be

leveraged by the cooperation, and as a result, improve the overall competitiveness of the entire region.

Potential Regional Frame Work

It is a major difficulty to assemble the various policy elements and planning in tourism from the destinations and forge them into a cohesive regional strategy. As UNESCAP (n.d.) stated, “This problem is exacerbated by the uneven pattern of tourism resource potential, the uneven pattern of tourism development, the uneven commitment to tourism development, and the uneven level of existing tourism development” (n.d., p. 148). To achieve this foundation, the region needs to devise a balanced strategy and promote its integrated regional image. It also needs to ensure that a strategy between complementary tourism destinations (with each meeting the requirements of its target market segmentation) is in place.

Barriers

Despite the potential benefits, there are often many barriers to implementing successful cooperative strategies. “Balance” is always a very important term in cooperation, however, balance is very difficult to achieve. The balance of power, the balance of effort, and the balance of benefits serve as just a few examples.

According to Dieke and Karamustafa (2000)’s research, one of the biggest barriers is that cooperation requires a “long-term commitment, reflecting the need for the parties to set aside personal, individual’s self-interests” (p. 471). Cooperation can simply be difficult, because each destination may have its own plan for the sake of its own interests and benefits, which might be conflict with the interest of other destinations of the region. They may also refuse to work with each other because lack

of self-confidence, or trust in the other parties (Araujo & Bramwell, 2002; Hall & Jenkins 1995). Overall, most of the time, they like to focus on maximizing their own benefits first, and only then will think about cooperation.

The unequal development level of destinations is another barrier for cooperation. It creates different intergroup attitudes among the members (Thompson, 1997). More developed destination may not consider cooperating with the undeveloped destination because, in their point of view, cooperation only helps the undeveloped destination catch up, instead of benefiting the whole region.

Dieke and Karamustafa (2000) also discovered that during periods of cooperation, partners like to have a voice in the tourism planning of the entire region, which may lead to a slower and more complicated decision-making process. Sometimes, for some proposals, they may never even achieve an agreement because the competing ideas among the members create the difficulties of balancing each party's wishes.

Modality

According to UNESCAP (n.d.), tourism regional cooperation may take any of the following forms:

Sharing Information and Data

Often, individual destinations use different systems to collect various tourist data. When destinations are brought together, their systems remain separate, so an overall impression of a discontinued and fragmented tourism market is conveyed in the region. One cooperation model is to share the tourism information and data within the region to achieve consistency and coordination. With shared data from other

destinations, an individual destination will be able to broaden their market database and create a consolidated database, which may be necessary for promoting the region's tourism products to the target market or for showing the viability of the region to potential investors (UNESCAP, n.d.).

Cooperative Studies

Before deciding upon a cooperative strategy for the region, the region needs to study both the differences and similarities in the availability of tourism resources for each destination. They also need to identify tourism regional development opportunities, and their needs for assistance (UNESCAP, n.d.). The region also can try to analyze the strengths and weaknesses of the tourism industry in each destination to discover further how to develop complementary tourism products by focusing on the tourist destinations' unique individual qualities.

Government Policies

Government policies can be the drive for regional cooperation – or the barrier, if they do not support the coordinated tourism development in the region. It is very important that individual destinations “coordinate their policies in the tourism industry and undertake to establish a framework of cooperation in the sector that will ensure equitable distribution of benefits” (Megwi, 2003, p. 4).

High-level Meetings, Conferences and Regional Organization & Agencies

According to UNESCAP, normally, government departments and chief executives of the principal private sector operations are responsible for the tourism planning of the region. On a regular base, they should have meetings or conference for interpreting and implementing policy. In some cases, the region will create an

organization or agency to coordinate the establishment and implement of cooperation policies within the region through balancing all the involved parties. It is also the responsibility of the regional agencies or organization to use services and facilities of academic and research organizations in the region as well as the conventional outputs of conference, workshops, seminars, and training programs to achieve dissemination (UNESCAP, n.d). Sometimes, rather than create additional new agencies, existing agencies such as a tourism board, tourism commission, or tourism office, can play a more responsible role in the regional cooperation. Separate agencies in each destination should not take independent action, but rather, should communicate with each other and work for coordinated tourism development in the region.

Human Resource Development

Imbalanced labor distribution is a problem regions always face. Coordinated human resource development may maximize the value of the region's labor resource. The region can facilitate the re-allocation of the labor resource according to each destination's demand. As UNESCAP (n.d.) found out, the region should try to sustain an appropriate level of diversity for training and education programs in various aspects of hospitality, travel and tourism. All levels of the industry should be looked at, from the entry level to the management level to the professional. As a result, the region will be able to help prepare local communities in their ability to participate effectively in tourism enterprise and also retain a trained workforce in the region.

Marketing

According to Megwi (2003), cooperative marketing requires members to develop a collective and coordinated approach to the promotion and marketing of

quality tourism products in the region instead of just promoting individual destinations. Destinations in the region should “undertake and develop a regional strategy for tourism promotion whereby individual efforts are reinforced by regional action” (p. 4).

Cases of Regional Cooperation

There are several literatures have done the case studies of tourism regional cooperation, such as the region of Caribbean and the region of Northern Ireland and the Republic of Ireland. There were successes but also failures, which are both inspiring for further research.

Caribbean

Henthorne and Miller (2003)’s research found out that Cuba’s free tourism market will potentially, especially in a short term, take away market share from other Caribbean destinations. Cuba and its Caribbean competitors’ attitudes and decisions of the cooperated strategic tourism planning, development, and marketing in the region will determine whether they are going to “grow” the Caribbean regional tourism pie or simply start cutting smaller slices from the existing pie.

For many years, the Caribbean region has discussed marketing itself as an integrated region through combining the forces and resources of the region to compete against Europe, Hawaii, and Australia etc. It aims to attract the tourists to come to the region first, and then let them decide which destination to visit. The idea is to allow tourists the option of visiting several destinations at one time. However, to date, this strategy has only taken the form of discussion and declarations without much hard action. The most promising initiatives is the Association of Caribbean States, whose

objectives includes strengthening the regional cooperation and integration process, as well as promoting the healthy development of the Greater Caribbean (Henthorne & Miller, 2003).

Northern Ireland and the Republic of Ireland

According to Greer(2002)'s research, in recent years cross-border cooperation between Northern Ireland and the Republic of Ireland has been established to maximize the tourist potential of the entire region as a whole and reduce the duplication of tourism products and services. The tourism authority of Northern Ireland and the Northern Ireland Tourist Board [NITB] have worked together to create a cooperative marketing plan for the region, promoting the entire island of Ireland as an integrated tourism destination.

The close cooperation between the tourism boards of Northern Ireland and the Republic Ireland has not always existed. At first, before the two governments took strong and proactive roles in directing the partnership, the relationship was primarily an artificial one. During early marketing processes, suspicion and distrust was intensified because of the potential competition. It was interesting that the two destinations worked well in promoting the region in the international market, but, in the home market, the competition between Northern Ireland and the Republic Ireland was initially intense.

It was not until the advent of the 'Good Friday' peace agreement that true cooperation became a reality. Once the peace-process became an overriding factor, the two governments were enticed to put pressure on the competing tourism boards to work together. This was, and continues to be, seen as a wider government strategy that

supports the peace process between the two governments, and benefits the island as a whole.

In essence, it was not until the governments put strong pressure on the boards that they truly worked together for the benefit of both sides. This shows that political will and clear government policy can give direction and assistance in overall cooperation to competing tourism jurisdictions.

Literatures on HMZ Tourism Development

HMZ Tourism Industry

Macau's official name is the Macau Special Administrative Region of the People's Republic of China. Consisting of a peninsula, and the islands of Taipa and Coloane, it is located in South China— 70 kilometers southwest of Hong Kong and 145 kilometers from Guangzhou (Wikipedia, 2006a). Macau was formerly a Portuguese territory and it has been the SAR of the PRC since December 20th 1999, when the 442-year Portuguese claim was ended (Anonymous, 2002).

At present, Macau's major tourism attractions are historical colonial relics, gaming and cuisine (Mak & Siu, 2005). In 2004, Macau had 16.7 million visitor arrivals. Mainland China has become Macau's No. 1 market, which accounts for 57.2% of total arrivals. Hong Kong is the second biggest market, which accounts for 30.3% of the arrivals. 7.7% of the arrivals were from Taiwan, the third largest market of Macau's tourism industry. Day-trippers made up 50.1 % of all visitors to Macau (Anonymous, 2005; MGTO, 2005b). The average length of stay was about 1.1 nights (MGTO, 2005b).

“In early 2002, in an attempt to end the gaming monopoly held by Stanley Ho and to modernize its gaming and tourism industry, the SAR Government of Macau issued three gaming licenses (Gu, 2004, p. 90). One was awarded to the Sociedade de Jogos de Macau [SJM], owned by Stanley Ho. SJM awarded a sub-concession to a partnership between Ho’s daughter Pansy Ho and Las Vegas-based MGM Mirage. The other two winners were Wynn Resort owned by Steve Wynn and Las Vegas Sands, Corp (Anonymous, 2002; Gu, 2004).

Macau’s first U.S.-operated casino, the Sands Macau, opened in 2004 with great success. The 600-room Wynn Macau will open in the fall of 2006 and the US\$1 billion MGM Grand Macau will follow in 2007 (Johnson, 2006). Las Vegas Sands Corp. has also focused heavily on developing the Cotai Strip, which after being built will have 60,000 rooms, 6 million square feet of meeting and convention space, 6 million square feet of retail space and 2.5 million square feet of casino space, and will be anchored by the Venetian Macau, set to open in 2007(Las Vegas Sands Corp. , 2005). International hotel chains, such as Starwood, Four Seasons, Marriot, and InterContinental, have agreed to manage the non-gaming operations of hotels on the Cotai Strip, and Las Vegas Sands Corp. will operate the casino portions of the properties (Stutz, 2005). Furthermore, Las Vegas Sands Corp. is planning to develop a non-gaming resort on Hengqin Island, which is only one mile away from Macau, with massive leisure and convention facilities. Hengqin Island belongs to Zhuhai.

With all the development going on in Macau, the MGTO and investors are planning to develop Macau into a tourism, gaming, MICE (Meeting, Incentives, Conferences, Exhibitions) and leisure hub (MGTO, 2005a).

Hong Kong's official name is the Hong Kong Special Administrative Region of People's Republic of China. It is located on the southeastern coast of China and was a former British colony and now administered by the PRC under the same 'one country two systems' policy as Macau (Wikipedia, 2006b). The tourism industry is one of the major economic pillars of Hong Kong. The total tourism expenditure associated with inbound tourism exceeded HK \$100 billion [US\$12.9 billion] in 2004 (Hong Kong Tourism Commission, 2005, p. 1). Batson (2005) described Hong Kong as "the dragon's head city of the greater Pearl River Delta Region [PRD] and the prime international gateway to southern China" (p. 1).

According to the Hong Kong Tourism Board's [HKTB] (2005) statistics for 2004, Hong Kong had 21.81 million visitors, among which 12.25 million (56.1% market share) were from Mainland China, the biggest market for Hong Kong's tourism. Mainland China is followed by Taiwan (9.5%), Japan (5.2%), the U.S. (4.8%) and South Korea (2.5%). The short-haul market share was 85.0%, while the long-haul market share was 15.0%. The average length of stay of overnight visitors was 3.7 nights and 62.6% of all visitors stayed one night or longer.

Hong Kong's major tourism attractions are shopping, cuisine, sightseeing, entertainment and MICE (Meeting, Incentive, Convention and Exhibition). According to HKTB (2005), in 2004 among the overnight visitors, 55.9% of the expenditure went to shopping, 13.3% was spent on meals outside of hotels, 1.0% was spent on tours and 2.7% was spent on entertainment.

Zhuhai is a Mainland China city, located on the west bank of the Pearl River at its entry to the South China Sea. "It lies adjacent to Shenzhen and Hong Kong across

the river to the east, and adjoins Macau overland to the south. As one of the earliest special economic zones in China, Zhuhai enjoys local legislative power granted by the National People's Congress" (HKTDC, 2004, p. 1).

"Tourism is one of Zhuhai's niche industries and a driver of the city's service sector" (HKTDC, 2004, p. 2). According to Zhuhai Tourism Bureau, Zhuhai's future development direction is to focus on developing Zhuhai to a leisure, resort, convention and exhibition destination. Zhuhai places a strong emphasis on the development of the convention industry. With the Las Vegas Sands Corp.'s development projects on Hengqin Island, the relation between Macau and Zhuhai will be closer.

Tourism Cooperation in the Region

The PRD includes Guangzhou, Shengzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, Jiangmen and Zhaoqing, and the SARs of Hong Kong and Macau (Wikipedia, 2006d.). In the history, the individual destinations in the region were completing for some typical similar industries. Recently, the Central Government realized the negative impact of competition on the region and the potential benefits the cooperation will bring, so began to press for regional cooperation (Batson, 2005).

According to Edmonds (2002), the economic cooperation between Macau and Zhuhai in the past was very difficult. From the start, Zhuhai considered Macau as more of a competitor and tried to go its own way, and in many ways, even became more closely connected to Hong Kong's economy than to Macau's. During the 1980s and the early 1990s, there was not much contact between Macau and Zhuhai, and as a result, there existed an unique situation, under which there were "two administrative business/hotel clusters, two airports, and two sea ports right next to each other while

key inter-linking infrastructure such as railways [or motorways] remained on the drawing boards” (p. 4). During that period, because of the competition between the two destinations, there were a series of articles in the local press talking about whether Zhuhai would swallow Macau or vice versa. By the 1990s, the relationship between Macau and Zhuhai began to change because Macau’s interest in cooperation grew. Meanwhile, Zhuhai’s preferential treatment from the central government was gradually degraded, and therefore it started realizing the value of cooperating with Hong Kong and Macau.

The history of HMZ tourism cooperation can be tracked back to 1988, when the mechanism for cooperation in tourism among Guangdong (the province to which Zhuhai belongs), Hong Kong and Macau was first launched (HKTDC, 2005). According to the Hong Kong SAR Information Centre (n.d.a), in 1993, HKTB and the Macau and Guangdong tourism authorities jointly established the PRD Tourism Marketing Organization, which was renamed as Guangdong, Hong Kong & Macau Tourism Marketing Organization in 2003. The main responsibility of this organization is to “generate tourism traffic and exchange amongst the PRD region” (p. 56). Over the years, the HKTB, MGTO and Guangdong Province Tourism Administrations have launched several joint promotion initiatives for the region, including participating in international travel shows in Australia, Germany, Japan and Hong Kong; developing a series of itineraries of the region; inviting North America and Europe travel trade partners to visit the three areas; and providing hyperlinks of the websites of the respective tourism organizations to promote the attractions of the destinations (Hong Kong SAR Information Centre, n.d.a)

The Closer Economic Partnership Arrangement [CEPA] between Mainland China and Hong Kong was signed on June 29th 2003; Mainland China and Macau CEPA was signed on October 18th, 2003. The aim of these agreements is to strengthen the trade and investment cooperation between Mainland China and Hong Kong & Macau, promote joint development and integration through trade, investment facilitation and also tourism. According to HKTDC (2004) “cooperation with Hong Kong and Macau will be carried out within the framework of the CEPA” (p. 2). To facilitate CEPA implementation, Zhuhai installed an automated entry-exit visitor checking system and a one-stop electronic passenger vehicle checking and clearance system at Gongbei checkpoint to Macau. These two new systems improved customer clearance efficiency significantly from 40 seconds to 3 seconds per visitor, and from 1 minute to 15 seconds per vehicle. Meanwhile, Macau SAR residents who have the electronic Macau SAR permanent resident identity card (with computer chips included) are allowed to enter Hong Kong SAR just with this identity card and a special declaration form (Macau SAR Government Information Bureau, 2004).

The concept of Pan-Pearl River Delta [Pan-PRD] regional cooperation was proposed by the Guangdong Government in August 2003 (Hong Kong SAR Information Centre, n.d.b). The Pan-PRD includes Guangdong, Guangxi, Fujian, Jiangxi, Hunan, Hainan, Sichuan, Guizhou, Yunan and the SARs of Hong Kong and Macau. It is also called “9+2”. Pan-PRD Regional Cooperation Framework Agreement was signed on June 3rd, 2004. According to HKTDC (2005), the nine Mainland China provinces, Hong Kong and Macau share the customer base and industry information. They also jointly organized promotion activities and agreed to

bring about efforts to build an international tourist belt in Pan-PRD and turn it to a “barrier-free” tourism zone in China.

According to Macau SAR Government Information Bureau (2002), cooperation projects between Macau and Zhuhai were confirmed through mutual visits by officials, possibly including Macau-Zhuhai Cross-Border Infrastructure, expansion of expressway and highway into Macau, extension of the Beijing-Zhuhai Expressway to Macau, and development of Hengqin Island’s infrastructure facilities. “National People’s Congress had proposed the creation of a special tourist zone on Hengqin to be developed as the first joint project between the Macau SAR and Zhuhai” (Edmonds, 2002, p. 6). The Macau SAR and Zhuhai governments have agreed that the economic development zone of Hengqin Island is the centre of the cooperation between Macau and Zhuhai (Macau SAR Government Information Bureau, 2002). Las Vegas Sands Corp. has stated that their development projects in both Macau and Hengqin Island will bring the two destinations closer in terms of cooperation. “The golf courses, tennis courts and marine-based activities are not only integral to the Hengqin Island development, but they serve as significant amenities to the Cotai Strip,” CEO and Chairman of Las Vegas Sands Corp. Sheldon Adelson said, “by providing unparalleled resort, recreation, and convention amenities, Macao and Zhuhai can reap the rewards of the same strategy that has made Las Vegas the world’s top travel and tourism destination.” (Stutz, 2005, p. 2).

Government officials in Macau seem very positive with the regional cooperation. Chief Executive Edmond Ho said that Macau would “promote co-operation in tourism with other members of Pan-Pearl River Delta Region” (Macau

SAR Government Information Bureau, 2005, p. 1). Director of MGTO, Eng. Joao Manuel Costa Antunes said that “MGTO will continue to develop Macau as tourism and gaming, as well as an international MICE (Meeting, Incentives, Conferences, Exhibitions) destination, and work closely with Guangdong province and Hong Kong to promote the regional tourism of Pearl Delta Region” (MGTO, 2004, p. 1). At the same time, academic scholars argued that in reality, Macau was still relative slow and passive in the regional tourism cooperation process compared to Hong Kong and other destinations in PRD, because Macau had not signed any official tourism cooperation agreement with any Pan-PRD region city (Mak, & Siu, 2004).

CHAPTER 3

RESEARCH METHODOLOGY

Little research has been done on cooperative tourism development in the HMZ region. Especially, the issues regarding why and how Macau should cooperate with its two neighbors to develop its tourism have never been thoroughly examined. Given that, this thesis attempts to conduct an exploratory research study, using an open-ended interview method, to identify the needs and ways for cooperative tourism development in the region of HMZ. The focus of the research is how Macau should join hands with its two neighbors in developing its tourism industry. To research the full spectrum of issues, attempts were made to interview government officials, educators and executives in the hospitality industry in HMZ. While face-to-face interview was the primary interview approach, email interview was used as a secondary method.

Objectives of the Exploratory Research

According to Zikmund (2003), “exploratory research provides greater understanding of a concept or crystallizes a problem, rather than providing precise measurement or quantification” (p. 111)”. As Zikmund defined, an exploratory research study aims to reach three goals –diagnosing a situation, screen alternatives, and discover new ideas. Based on goals of the exploratory research method defined by

Zikmund, the interview questions (see Appendix C) of this study were designed to reach the following objectives:

Objective 1: Gather tourism professionals' perceptions of HMZ tourism industries' strengths, weaknesses, opportunities and threats.

Objective 2: Gather tourism professionals' opinions regarding whether the three destinations should cooperate in tourism development, as well as how HMZ can cooperate to develop the tourism in the region.

Objective 3: Gather tourism professionals' ideas about the barriers of cooperation and how to overcome the barriers.

Objective 4: Identify feasible strategies for healthy tourism development of Macau in cooperation with its neighboring destinations.

Sampling

Recruitment of Participants

Nonprobability sample method –convenience sampling was used during the recruitment of participants. “Convenience sampling refers to sampling by obtaining units or people who are most conveniently available” (Zikmund, 2003, p. 380). With help from UNLV professors, classmates and friends, attempts were made to identify interviewees including government officials, educators, and executives in HMZ. In addition, through the Internet, efforts were made to search for professors in tourism and hotel departments of universities in Hong Kong, Macau and Zhuhai. An invitation letter for interview was sent to each of the identified potential interviewees.

Table 1

Convenience Sample for Face-to-face and Email Interview

Name	Location	Position	Organization
Respondent	Macau	Asian Development	Venetian Macau Limited
Leon Lee	Macau	Corporate director of Human Resources	Venetian Macau Limited
Steve Webster	Macau	Vice President of Consumer Marketing	Venetian Macau Limited
Walter Power	Macau	Vice President of Operation	Venetian Macau Limited
Wolfram Diener	Macau	Vice President of Convention and Exhibition	Venetian Macau Limited
Clarence Wong	Macau	Manager-Organization Training & Development	Wynn Macau
Grant Bowie	Macau	President and General Manager	Wynn Macau
Matt Maddox	Macau	Senior Vice President of Business Development	Wynn Las Vegas
Ricardo C.S. Siu	Macau	Assistant Professor	University of Macau
Zech Coleman	Macau	Senior Reporter/Macau Editor	The Standard
Bob McKercher	Hong Kong	Professor	Hong Kong

			Polytechnic University
Mayee Tang	Hong Kong	Manager, Corporate Communications	Hong Kong Tourism Board
Stephen Beech	Hong Kong	Senior Lecture	City University of Hong Kong

A total of thirty-eight professionals in the HMZ tourism industry were contacted. Sixteen of them agreed to be interviewed (42% of people contacted). Only thirteen people were successfully interviewed (34% of people contacted). Among the thirty-eight professionals in the region who were contacted, fifteen professionals were from Hong Kong and three of them were finally interviewed (20%); twenty-one professional were from Macau and ten of them actually participated in the interview (48%). Two tourism professionals from Zhuhai were contacted but both declined the interview eventually (0%).

Participants

Table 1 lists the participants who successfully finished the interviews. It shows the name, location, position and affiliated organization of each of the twelve interviewees and it also shows the location, department and affiliated organization of one interviewee upon the request not showing detailed personal information.

Data Collection

Standardized Open-ended Interview

Standardized open-ended interviews were adopted for this research. According to McNamara (n.d.), a standardized open-ended interview is defined as “the same open-ended questions are asked to all interviewees (an open-ended question is where respondents are free to choose how to answer the question, i.e., they don’t select ‘yes’ or ‘no’ or provide a numeric rating, etc.)” (Types of interview section).

In this research, questions were worded in a completely open-ended format. The open-ended interview has both strength and weakness. In an open-ended interview, respondents answer the same questions (except for the Vice President of Convention and Exhibition of the Venetian Macau Ltd.), thus increasing the comparability of the responses. Further, the open-ended interview facilitates the organization and analysis of the data gathered. However, because of the fixed questions, there is less flexibility in relating the interview to particular individuals and circumstances; standardized wording of questions may constrain and limit naturalness and relevance of questions and answers (“Research Methods”, n.d.).

Designed Interview Questions

Eight interview questions were designed to achieve the objectives of this exploratory research (see Appendix C). Among the questions, six are basic questions (Question 1 to Question 6). All interviewees were asked the same basic questions except for the Vice President of Convention and Exhibition of the Venetian Macau Limited. Question 8 is specifically designed for him, because he is the person who knows the strategic relationship between convention facilities in Macau and Hengqin

Island of Zhuhai. In order to reach the goal of getting the most detailed information in this area, which other interviewees were not able to talk about, only Question 8 was sent to this respondent. Question 7 was designed for Macau interviewees only.

Question 1 aimed to collect information on the strengths, weaknesses, opportunities and threats of the HMZ to provide the foundation of a SWOT analysis for each of the three destinations. Question 2 and 3 asked whether the three destinations should cooperate with each other and how to cooperate. Question 4 and 5 asked about the barriers of the cooperation and how to overcome the barriers. Question 6 asked about what market segments Macau should target, and how the three destinations complement to or compete with each other in terms of market segmentation. Question 7 was designed to explore solutions to labor shortage constraint for the Macau tourism industry in collaboration with its neighbors.

Alternative Approaches for Interview

Face-to-face interview and email interview were both used in this research. The face-to-face interview was the primary method in this research, because this interview method allows better mutual communication –if the respondent’s answer was brief or unclear, the interviewer was able to ask for clearer or more comprehensive explanation. Email interviews were used when there was a conflict of schedules that made face-to-face interview impossible, or when the interviewee strongly preferred this approach. Among the thirteen interviews, ten were conducted through the face-to-face interview approach. The time period of the face-to-face interviews ranged from thirty minutes to two hours and all of them were recorded. Three interviews were conducted through the email interview approach.

Research Site

Among the ten face-to-face interviews, two interviews were conducted in Hong Kong, seven interviews were conducted in Macau and one interview was conducted in Las Vegas (the interviewee worked in Macau for many years). There was no interview conducted in Zhuhai.

Method for Qualitative Data Analysis

The data analysis process in this research followed the framework developed by Miles and Huberman (1994), who pointed out that the major phases of the data analysis includes data reduction, data display, and conclusion drawing and verification.

The first of the three elements of qualitative data analysis is data reduction, which refers to the process of selecting, focusing, simplifying, abstracting and transforming the data (Frechtling, Sharp, & Westat, 1997; Miles, & Huberman, 1994). The second element or level in Mile and Huberman's (1994) model is data display. "Data display goes a step beyond data reduction to provide an organized, compressed assembly of information that permits conclusion drawing" (Frechtling, Sharp, & Westat, 1997, Analyzing qualitative data section; Miles, & Huberman, 1994). The third element of qualitative analysis is conclusion drawing and verification. "Conclusion drawing involves stepping back to consider what the analyzed data mean and to assess their implications for the questions at hand" (Frechtling et al., 1997, Analyzing qualitative data section).

In the data analysis of this research, the original interviews were initially recorded and later transcribed. The respondents were then randomly coded with alphabetic order from “A” to “M” to protect their privacy. After that, following the framework developed by Miles and Huberman (1994), information was selected and simplified for each individual question and the data was displayed in Appendix D. The original eight interview questions were divided to nineteen sub-questions for the convenience of data analysis (see Appendix D). Frechtling et al. (1997) also suggested that “apart from exploring the specific content of the respondents’ views, it is also a good idea to take note of the relative frequency, with which different issues are raised, as well as the intensity with which they are expressed” (Frechtling et al., 1997, Analyzing qualitative data section). Therefore, some questions’ data in Appendix D was abstracted and transformed into several categories and a relative frequency was analyzed for the categories for the respective questions. The data will be displayed in the following chapter. From the data collected and analyzed through the research, a conclusion was drawn from the research and a recommendation was made at the end.

SWOT Analysis

In regional tourism cooperation, it is very important to increase the whole region’s competitiveness through the synergy from each individual destination’s uniqueness and strengths. Meanwhile, sometimes the weaknesses of one destination can be complemented by the other destination’s strengths. However, if destinations have similar strengths and weaknesses, a complementary relationship will be less likely to exist. To answer the questions regarding why and how HMZ should cooperate in

tourism development and especially how Macau can join hands with its neighbors to develop its gaming-oriented tourism, a SWOT analysis for each destination was conducted. SWOT stands for strengths, weaknesses, opportunities and threats (Fleisher and Bensoussan, 2003). Gu (2004) believes that SWOT analysis is an important tool for the tourism planning process; he stated, “when developing an area into a tourism destination, the unique conditions of the area must be fully considered. Those conditions should include the strengths, weaknesses, opportunities and threats (SWOT) associated with the tourism development in the area” (p. 90). According to Fleisher and Bensoussan (2003), SWOT analysis provides “impetus to analyze a situation and it can also offer an enhanced way of thinking through the range of viable tactics or strategies” for responding to the competitive environmental dynamics. Furthermore, it also can “serve as an effective means for assessing the organization’s core capabilities, competences and resources” (p. 97). In this research, SWOT analysis assists finding the necessity and potential for cooperation between the three destinations according to their own characteristics.

CHAPTER 4

FINDINGS AND ANALYSIS

This chapter exhibits the findings from interviews and analyzes why and how the three destinations should cooperate with an emphasis on strategies for Macau to develop its gaming-centered tourism in collaboration with its two neighbors. Interview findings about the three destinations will be first presented. An analysis on why and how co-operations should be pursued among the three destinations will then be conducted based on the interview results. Finally, the necessity and strategies for Macau to develop its gaming tourism in collaboration with the two neighbors will be discussed.

Interview Findings

Appendix D presents the original qualitative findings from the open-ended interviews after being selected and simplified. The abstracted and transformed results with relative frequencies of answers to each category of questions are presented in tables of this chapter. The relative frequency in each table is formed by dividing the frequency in each class by the total number of observations (Berenson, Levine, & Krehbiel, 2004).

Findings about Macau

Strengths

When asked “what are the strengths of Macau’s tourism industry”, twelve people answered this question. As Table 2 shows, eight respondents (67%) mentioned the unique blend of western and eastern culture as Macau tourism’s strength. Six respondents (50%) indicated that being a famous legalized gaming destination is also one of the strengths –Macau is the only legalized gaming destination in China and is famous for its gaming industry. According to the responses, the Macau government’s effort to develop its tourism industry is also beneficial to the development. The interviewees gave the following examples: the Macau government focuses more on tourism development than Hong Kong and Zhuhai; the leadership has created a clear direction and has therefore ensured Macau’s transformation from a gaming and tourism destination – to a tourism, gaming, MICE and leisure hub aided by foreign investment. Four respondents (33%) mentioned western development expansion into Macau as Macau’s strength. According to those respondents, the investors are developing gaming properties, which will align non-gaming elements, such as entertainment, hotels, retail, food and convention etc. They will also provide products with an international-standard.

Another strength mentioned in the interview is Macau’s geographic location, which is close to Mainland China and Hong Kong. Macau “has 100 million people within a three-hour drive and more than 1 billion people within a three-hour flight” (Simpson, 2005, ¶ 2); simply, Macau has tremendous growth potential. Respondent C

explained, “growth of number of visitors to Macau is tremendous, by year 2020, there will be 35-36 million visitors, almost the same as Las Vegas’s”.

Table 2

What are the strengths of Macau’s tourism industry?

Strengths	Relative Frequency %
1. Unique blend of eastern and western culture	67
2. Famous legalized gaming destination	50
3. Macau government's efforts	33
4. Expansion from western investors--building new casinos	33
5. Geographic location	25
6. Local people are nice	17
7. Tremendous growth potential of visitors to Macau	17
8. High gaming revenue	8
9. Easy access to Macau	8
10. Relatively young workforce	8
11. Extremely strong capacity hosting large number of visitors	8
12. Cuisine	8
13. Day market for Hong Kong people and Mainland Chinese	8

Weaknesses

Infrastructure is the top weakness according to the answers of the eleven interviewees who answer the question about the weaknesses of Macau's tourism industry (see Table 3). Respondent F summarized:

The border crossing is too small, the ferry terminal is too old, the immigration system is antiquated, and the mass transportation system is a mess. The government needs to stay on track with the infrastructure development in order for rapid paced investment to continue. Because otherwise you will get a bottleneck, you just can't move the people through the town efficiently and it will get crowded, noisy and the experience of guests will not be good. And then they won't choose to come to Macau again.

Respondent E added, Macau has very few international flights, and lacks drinkable water. With all the development, Macau also needs to build more hospitals to match the increasing number of visitors, and the fire departments need to have working facilities that can handle the massive hotels.

Three people (27%) mentioned labor shortage, which is not only the shortage in numbers, but also the shortage in skill sets (respondent F). The labor quality of Macau is relatively low, and may eventually restrict the international competitiveness of this city (Respondent A). Macau also lacks a clear and positive tourism identity (27%). Respondent B stated, "Gaming, vice, sex and heritage are not logical companions. The image the government is trying to create is quite different from the image the visitors have". According to the interviews, land shortage is another challenge facing Macau.

Macau has a land space less than 11 square miles (Johnson, 2006), which restricts its further development (Gu, 2004).

Table 3

What are the weaknesses of Macau's tourism industry?

Weaknesses	Relative Frequency %
1. Infrastructure	82
2. Labor shortage	27
3. Lack of a clear and positive tourism identity	27
4. Lack of non-gaming attractions--limited appeal	18
5. Shortage of land	18
6. Local people's English skill is relatively low	18
7. Average length of visitor's stay is only 1.2 nights	9
8. High gaming tax rate restricts hotels' ability to rebate the Customers	9
9. Relies very heavily on Mainland China and Hong Kong market	9
10. Relies very heavily on gaming industry	9
11. Macau can not be attractive to long-haul travelers	9
12. Still suffering from some influence from monopolistic control	9
13. Immigration and visa system	9

The solutions for the labor shortage issue of Macau.

In terms of the solutions to labor shortage challenge in Macau, six respondents answered interview Question 7 (see Table 4). Half of them emphasized that employers will make sure that Macau citizens get the best-salary job –the dealer position, and provide them with proper training. The Macau government is very committed to protecting the local labor force; therefore, they have instituted the policy that only Macau residents can be involved in gaming-related jobs.

Table 4

Regarding Macau's human resource constraints, what measures should the Macau tourism industry take to solve the problem?

Solve Labor Shortage Problem	Relative Frequency %
1. Local focus policy	50
2. Import employees from Mainland China for non-gaming positions	50
3. Provide proper training	50
4. Build efficiency into the building and make it not too much depend on people	17
5. Create organization culture to become people's preference to work for	17
6. Import Hong Kong people to work in Macau	17
7. More imported labor can not really help at the end	17

For those jobs that local people do not like to take, such as waiters, three respondents (50%) indicated that employers might import employees from Mainland China, but “it depends on government’s policy –whether they want to loose the barriers” (respondent A). Respondent A also indicated that labor cooperation with Guangdong would be very difficult, because the labor quality in Guangdong Province is relative low, and the hoteliers preferred to recruit mainland Chinese employees from Dalian, Qindao, Wulumuqi etc.

Respondent E also said that they were telling schools, including Mainland China schools, what kind of human resources the company needed, and would provide schools with scholarships and ask the school to educate the students; afterwards, the company would hire those students. In addition, employers are also asking the Macau government to open the border 24 hours a day, 7 days a week to Zhuhai, so their employees from Zhuhai can live in Zhuhai and come to work in Macau. They are also asking for two special lanes at the border for the employees, so the employees just need to swipe their card and go through the border. Employers are also looking to provide shuttle buses for the employees to travel between Macau and Zhuhai.

Respondent F also pointed out that Hong Kong citizens generally integrate into Macau very well. He said “through the Macau labor agent, we imported construction workers directly from Hong Kong”.

In contrary, respondent D did not think that importing labor would really help in the end. The reason is that he believed that the employers would have disfunctional organizations so he indicated employers need to be very carefully when they put different cultures together.

Training is also important because of the local-focus policy according to three respondents (50%). Employers try to look for employees with the right attitude and provide them with the proper training (respondent A). In addition, respondent F mentioned that they were trying to build up a good organizational culture to make the company the employees' preference. Additionally, respondent D also indicated that they would build efficiency into the buildings by implementing all global technology and solutions to make smarter buildings which do not depend too much on people.

Opportunities

Table 5

What are the opportunities Macau's tourism industry is facing?

Opportunity	Relative Frequency %
1. Becoming a preeminent gaming, entertainment, shopping and convention destination	100
2. Introduction of foreign capital, including foreign skills and foreign capital	38
3. Enhancing the quality and standard of the life for Macau residents	13
4. The potential of visitor arrivals increasing to 20 million in 2007	13
5. HMZ Bridge facilitates travel in the region	13

Eight people answered the question "what are the opportunities Macau's tourism industry is facing", and all of them agreed that the primary opportunity facing

Macau is the large amount of current and proposed development. This development is helping Macau become a preeminent gaming, entertainment, shopping and convention destination (see Table 5).

Threats

In terms of threats to Macau's tourism industry, seven people answered this question (see Table 6). Appendix D shows that the respondents seem to have different answers, but actually, all the answers can be summarized in that market size and a too-fast growth will become Macau's biggest threat. Respondents raised concerns concerning the gap between infrastructure and development in Macau. Respondent K stated, "American companies are trying to move as fast as they can but the government moves much more slowly". As a result, as the respondents indicated, the growth of tourist arrival numbers becomes the threat to Macau, because Macau's infrastructure will not be able to host so many people. There will also be negative impacts on Macau's historical sites as well.

Macau is a very small city with limited land and may have already reached its full capacity (respondent B). Respondent D said Macau needed to be very carefully to base the industry on the customer value model, rather than try to base on profit volume model. In essence, they should not try to be a mass market destination because there would be too many people flowing into Macau, that would therefore put pressure on Macau's infrastructure, as well as the relationship between tourists and the residents. Therefore, the size of market actually will become the biggest threat to Macau.

Respondent B also pointed out another threat, which industry and government officials will acknowledge privately but deny publicly – "the gaming revenue from Mainland China involves laundering dirty money gained illegally by corrupt officials.

At some stage, the China government will have to crack down on corruption, and then the flow of money and tourists to Macau will stop” and also he indicated that “the local banks are holding an incredibly large amount of debt, if flow of gaming money stops, there will be a financial crisis”.

Table 6

What are the threats Macau's tourism industry is facing?

Threats	Relative Frequency %
1. Market size and too fast growth	100
2. Gaming industry from Mainland China involves laundering dirty money gained illegally by corrupted officials	14
3. Debt level	14
4. Needs to extend the length of visitors' stay (average 1.2 nights)	14
5. Labor shortage	14
6. As Macau develops its convention industry it will have pressure from other convention destinations	14
7. Pollution, especially water quality	14
8. Political – i.e. political fall-out between Beijing and U.S., or Beijing and Macau (but possibility is low)	14
9. Nature and health disasters such as SARS and bird flu	14
10. Macau's competitors will be Las Vegas, and other casinos in the region of Australia, who has much lower gaming tax rate.	14
11. Its destination image of gaming, sex and vice	14

Furthermore, respondent K explained that Macau’s gaming industry is facing the competition from Las Vegas and Australia, which have much lower gaming tax rates than Macau. “With the higher gaming tax rate, it is much more difficult for Macau hotels to rebate (‘comp’) the customers as much as the jurisdictions with lower tax rate. For players who are pretty sensitive and only come for commission rate, it will be difficult for us”.

Macau’s Market Segmentation

In tourism regional cooperation theories, an important modality is to focus on the individual destination’s own market segmentation and stay complementary to each other. When asked about how the respondents would segment Macau’s tourism market (see table 7), seven people answered this question and three people (43%) agreed

Table 7

How would you segment Macau’s tourism market?

Macau's Market Segmentation	Relative Frequency %
1. Macau needs to target high-value market instead of mass market	43
2. For gaming target mass market; for tourism, should target up-scale and high-value market	14
3. Target mass market but use different marketing strategies for different segment	14
4. Gaming market.	14
5. Now gaming market and in the future, both gaming and leisure market	14

Macau needs to target the high-value market instead of the mass market. Respondent D said “Macau needs to be very careful to base on customer value model, but not on the profit volume model to be a mass market destination, or too many people will come to Macau, and it will put pressure on the infrastructure”. Respondent E also indicated that Macau should focus on more high-value customers, and then let Zhuhai host the lower-value customers. It will be better for Macau because Macau is a small city.

Findings about Hong Kong

Strengths

This research also conducted a SWOT analysis for Hong Kong’s tourism industry (interview results see Appendix D, Sub-Question 5-8). According to the four respondents, Hong Kong’s biggest strengths are its excellent infrastructure, geographic location, dramatic city scene, shopping, cuisine, and the impression given to tourists upon its diversity and sophistication. Hong Kong has a well-developed tourism industry. According to respondent G, as the natural hub for travel to and around Asia, half of the world’s population lives within five hours’ flight time from Hong Kong. As respondent I stated, Hong Kong has an extremely efficient public transportation system, which makes it very easy for tourists to get around. Furthermore, its new international airport has almost 2,000 passenger flights by 50 international airlines each week. Hong Kong also has an international-standard convention centre located on its scenic waterfront (respondent G).

Weaknesses

In terms of Hong Kong’s weaknesses, three people answered this question (interview results see Appendix D, Sub-Question 6). Agreements were reached in the

areas of the efficiency of Hong Kong Convention Center's design, undiversified and expensive accommodation and its weakness at developing the natural tourism resource. As respondents A and respondent I stated, from a building design perspective, Hong Kong Convention Center is not multifunctional and also the layout is not good –too small and not well utilized. Respondent I also indicated that Hotels in Hong Kong are extremely expensive, and there are few accommodation alternatives because most hotels are rated at a four or five star level, with fewer three star level hotels; so it does not meet the tourists' different budget levels. Furthermore, unbeknownst to many, Hong Kong has very good natural resources, such as its largely undisturbed countryside and coastlines, but Hong Kong has not developed nor promoted these nature tourism resources (respondent A, & respondent I).

Opportunities

Two people answered Question “what are the opportunities Hong Kong's tourism industry is facing” (interview results see Appendix D, Sub-Question 7). Both respondents mentioned that Hong Kong has the opportunity to cooperate with PRD region cities, such as Macau, Zhuhai and other Guangdong areas to develop a multi-destination.

Threats

Five people talked about the threats of Hong Kong's tourism industry (interview results see Appendix D, Sub-Question 8). The answers surrounded Macau's development as the threats to the tourism in Hong Kong. “If the HMZ Bridge is built, Macau and Hong Kong will become direct competitors for Mainland visitors”

(respondent I). In terms of Taiwan market, Hong Kong's preeminent position is threatened very strongly by Macau. Respondent B stated:

Both Hong Kong and Macau exist primarily as an access point into China and secondarily as a short break stop. Visas are easier to acquire for Macau and transport costs are cheaper. The development of Zhuhai and the new Macau airport are also increasing accessibility to China. Importantly, the business market from Taiwan is largely male, and it finds Macau's sex and gaming industry much more appealing than Hong Kong.

“One of the consequences of the expansion of casinos in Macau is that the quality has risen to an international standard and, as such, Macau is no longer dependent on Hong Kong” (respondent B) and “if Macau does it correctly, Macau definitely will take over Hong Kong's market share” (respondent F). Two respondents (40%) believe that there will be serious competition between Hong Kong and Macau in the convention industry. Furthermore, according to respondent I, because Macau's airport has much lower operation cost, it might take over some economic airlines' business from Hong Kong's international airport whose operation cost is very high, and as a result, visitors taking those airlines may not have to go to Hong Kong anymore.

Findings about Zhuhai

This section is the weakest part of this research because there was no professional from Zhuhai willing to conduct interviews. Some information about Zhuhai tourism industry was collected from the interviewees from Hong Kong and Macau, however, most of them were not very familiar with Zhuhai, so the data might not be as representative as other data.

Strengths

Three respondents answered the question “what are the strengths of Zhuhai’s tourism industry” (interview results see Appendix D, Sub-Question 9). According to the answers from those respondents, Zhuhai’s tourism industry has the following strengths: Zhuhai has easy access for Mainland China market because there is no visa requirement; as a special economic zone, Zhuhai offers a glimpses of China’s yesterday and today; there is more land for tourism development and its operation costs are much lower than Hong Kong and Macau’s; moreover, Zhuhai has already had some international-standard golf courses, which creates a good foundation for the development of leisure tourism.

Weaknesses

Regarding the weaknesses of Zhuhai’s tourism, four people expressed their thoughts (interview results see Appendix D, Sub-Question 10). The respondents indicated that Zhuhai does not have a well-developed tourism industry and it has little tourism appeal (respondent B); even though they have many natural resources, they do not know how to package them properly (respondent A); at one side is its lack of tourism facilities, at the other side, a number of large infrastructure facilities including the airport and racetrack are largely un-used (respondent B); the city is dirty and not user-friendly, and it has lower service standards (respondent H); it also takes too long to cross the border from Hong Kong and Macau, which creates inconvenience for travel to Zhuhai. At last, it does not have the sophisticated tourism education systems like Hong Kong and Macau (respondent I).

Opportunities

Only one person answered the question regarding the opportunities the Zhuhai tourism industry is facing (interview results see Appendix D, Sub-Question 11). Concerning the opportunity of Zhuhai's tourism industry, respondent I stated, after the HMZ Bridge is built, Zhuhai will be more accessible by reducing the travel time between HMZ; therefore, Zhuhai potentially has the opportunity to develop regional cooperation with Hong Kong and Macau. Golf and Spa can be the niche market for Zhuhai's tourism in the future and it can develop its leisure tourism. The reason is that Hong Kong and Macau do not have much land to develop leisure tourism facilities, in contrary, Zhuhai has land with much lower price.

Threats

Two respondents explained that the main threat the Zhuhai tourism industry currently faces would be the development of the convention industry in Macau. It would create competition to Zhuhai's existing convention industry and take over some market share (interview results see Appendix D, Sub-Question 12).

Whether to Cooperate and How to Cooperate in the HMZ Region?

Whether to Cooperate?

Interview Question 2 to Question 5 (see Appendix 2) are about the possibility of cooperation between HMZ's tourism industries, how to cooperate, what are the barriers and how to overcome the barriers. Data from Appendix D were analyzed by relative frequency and the result will be showed in the following section.

Table 8

Should HMZ cooperate closely with each other to develop tourism?

Should Cooperate?	Relative Frequency %
1. Yes	83
2. Macau and Zhuhai certainly should cooperate (but did not indicate Hong Kong should)	8
3. In theory, one can answer <i>yes</i> , but in practice, it is <i>not</i> going to happen.	8

When asked whether HMZ should cooperate closely with each other to develop tourism (see Table 8), out of twelve respondents, ten people (83%) clearly stated “yes”. Only one person –respondent G, said Macau and Zhuhai certainly should cooperate but that person did not say whether Macau and Hong Kong should cooperate. Another person said “in theory, one can answer yes, but in practice, it is not going to happen” (respondent B). He explained:

In theory, one can see a great deal of complementarities in developing the PRD as a contiguous cross border tourism destination. The creation of the branded PRD may expand the cumulative market for the region, especially among long-haul visitors, and also provide people with a viable alternative of spending their entire vacation there rather than having a China vacation that includes Hong Kong, Shanghai and Beijing. In practice it will not work, for each of these destinations is fiercely competitive with each other. Each fully working towards its own best interests first, the best interests of the central government

second and then the best interests of the region third. There is no plan that will overcome this reality. The end result is that there will probably be a lot of duplication and overbuilding of facilities, infrastructure and services.

How to Cooperate?

Among the nine respondents to question “How can they cooperate with each other”, four people (44%) thought the primary area, in which the three destinations can cooperate is to market themselves as an integrated region (see table 9). Some respondents think cooperation will be more likely to happen at the operator-level, which means the resorts and hotels package the region in a whole, or in part, according to the market opportunity. Already, cooperation is being developed. For example, respondent F (from one of the major Macau resort hotels) used the following to illustrate a sales package already being developed, “five nights in PRD - two nights in Hong Kong’s Peninsula, three nights in our hotel (a top Macau Resort Destination)”. The reason an integration package works so well is that Macau currently is too small for a five-night stay, so Macau resorts are already developing sales package partnerships with hotels in Hong Kong to drive in more traffic.

On the governmental level, according to respondent G, HKTB, Guangdong and Macau tourism authorities have already established the PRD Tourism Marketing Organization in 1993, and since then, have been working closely with each other to enhance integration of their jurisdictions’ tourism products.

Concerning integration of infrastructure, three respondents (33%) suggested infrastructure improvements like the HMZ Bridge and upcoming highway systems, will help connect the destinations and increase the region's accessibility.

Table 9

How can they cooperate with each other?

How to cooperate?	Relative Frequency %
1. Market as an integrated region--resorts and hotels will package the region as a whole or in part	44
2. Build up infrastructure to connect the destinations to increase the region's accessibility	33
3. Cooperate to ensure the tourists stay longer in the region	33
4. Import workers from Hong Kong	22
5. Complementary to each other, each destination should have their own characteristics	11
6. Central government's support	11
7. Cooperation between Hong Kong International Airport and Macau Airport for Long-haul and low-cost regional flights respectively	11
8. Work together to face the threat of natural disaster such as SARS and bird flu	11
9. Hengqin Island as the point of cooperation between Macau and Zhuhai	11
10. Macau buys electricity and water from Zhuhai	11
11. Simplify visa system	11

There were also three other professionals (33%) who mentioned cooperation to keep tourists staying longer in the region. According to respondent H, regional cooperation is beneficial because tourism products can not be moved from one destination to another, and tourists tend not to stay in only one individual destination. Therefore, if they help spur visitors to stay longer in the region, it increases the benefit visitors bring to the whole region (respondent H). For example, respondent G mentioned that HKTB has developed a series of Pearl River Delta itineraries that feature Hong Kong as a “must-see” core destination. The purpose is to extend stays in Hong Kong by offering excursions to heritage and culture attractions in the Pearl River Delta. The HKTB plans to continue working closely with the tourism bureaus in the PRD to explore other scenic locations and develop multi-destination itineraries that feature Hong Kong.

Confronting Macau’s labor shortage problem, two respondents (22%) indicated that Macau can import higher-level employees from Hong Kong because Hong Kong labor’s education level is much higher than Macau’s. Meanwhile higher educated Hong Kong people are facing the challenge of finding employment in Hong Kong. Hong Kong has a workforce with a wealth of experience, extensive international exposure, strong sales networks and a high degree to professionalism in the tourism industry, so importing some higher-level employees might benefit both sides (respondent I).

As respondent B mentioned, the airport is a special area Hong Kong and Macau can cooperate. Hong Kong International Airport and Macau International Airport are complementary to each other. The Hong Kong International Airport has some of the

highest landing fees in the world, and this has largely excluded low-cost carriers from having businesses in Hong Kong. However, the operation fee for Macau International Airport is much lower; so many low-cost carriers are establishing their businesses there. Therefore, market forces are entrenching Hong Kong's position as the long-haul, large carrier airport and Macau as the low-cost regional airport. There have already been ferries transporting between the two airports.

In the cooperation between Macau and Zhuhai, Hengqin will play a very important and also unique role. Respondent C explained, the headquarters of "9+2" will be located on Hengqin Island. Developers are investing in Hengqin Island because there is much more land for further development and there is not enough hotel rooms and convention space in Macau. Hengqin Island adds value to Cotai and can help encourage customers to stay longer.

Barriers to Cooperation

Table 10 shows the results for question about the possible barriers for cooperation. Nine people answered this question and four of them (44%) mentioned that the intentions of each government to maximize the benefits of cooperation only for themselves will constraint the cooperation.

44% of respondents also indicated that Hong Kong's superior attitude as another barrier for cooperation. It is often said in the interviews that Hong Kong looks at Macau as a "sleepy little brother". If Hong Kong's attitude of big brother and little brother does not change, it is very difficult to develop equal relationships in cooperative efforts. "Macau now has first-class ownership. Macau needs Hong Kong and Macau understands how much it needs Hong Kong, but Hong Kong at this point

does not really understand what value Macau will bring to Hong Kong” said respondent D. The barriers for cooperation between Macau and Zhuhai (mentioned in the interviews) are that Macau is afraid to further stretch its border’s operations to 24 hours a day, 7 days a week; because Macau is afraid that their customers will stay in Zhuhai at night, as Zhuhai’s accommodations are much cheaper. There is only one respondent (11%) who believes that there should not be barriers to cooperation and instead, there should only be opportunities for the cooperation.

Table 10

<i>What do you think will be the barriers for the tourism cooperation between HMZ?</i>	
Barriers	Relative Frequency %
1. Each government wants the cooperation to benefit themselves	44
2. Hong Kong's superior attitude	44
3. Those competing elements, such as MICE industry	22
4. Each destination do their own way	11
5. Destinations are pursuing different path	11
6 Macau is afraid to open the border to Zhuhai	11
7. There shouldn't be barriers, instead, should be opportunity	11

How to Overcome the Barriers

Responding to the question about “How can the three destinations overcome the barriers”, two out of four respondents (50%) think intervention from the central government could provide the strong support needed to overcome the barriers for regional cooperation resulting in less duplication. Also 50% of respondents think the change of Hong Kong’s superior attitude would be very important as well. Respondent E stated, “Hong Kong needs to work with Macau, instead of looking at Macau as an un-developed brother. We need to work together”. Respondent F said “it will take some time, once Macau has more to offer, Hong Kong will see the benefit of cooperation, especially when people choose to go to Macau first, but it’s a short-term situation, actually the governments have already started cooperation”.

Table 11

How do the three destinations overcome the barriers?

Overcome barriers	Relative Frequency %
1. Intervention from central government	50
2. Change of Hong Kong's attitude	50
3. Macau should not worry about opening border to Zhuhai	25
4. Government agreements between the destinations	25

Furthermore, the Macau government should not worry about opening the border to Zhuhai. As respondent E said, if the customers want to save 10 or 20 dollars to stay in Zhuhai, Macau should not worry about that, because Macau is a small city and it

needs to focus on higher-value customers. After the border opens more, it will facilitate the travel between Zhuhai and Macau, in addition, employees from Zhuhai will be able to work in Macau's non-gaming area on different shifts and go back home after work.

Macau's complementary and competitive relationship with Hong Kong and Zhuhai

Interview Question 6 asked "In your opinion, how are HMZ complementary to or competitive with each other in terms of Market segmentation". This question was designed to explore the possible strategies Macau could take to cooperate with the neighbor cities to develop healthier tourism. Six people answered this question. The answers (interview results see Appendix D) could be summarized to two categories – the relationship between Macau and Hong Kong, and relationship between Macau and Zhuhai.

Relationships between Macau and Hong Kong.

All respondent B, C and F mentioned that in the convention market, there will be serious competition between Hong Kong and Macau. "Hong Kong and Macau will become competitors in the MICE market" (respondent B). "Hong Kong's convention industry may not sustain because of the competition from Macau" (respondent C).

Relationship between Macau and Zhuhai.

Hengqin Island will be the center of cooperation between Macau and Zhuhai. Macau and Hengqin Island will be more complementary to each other rather than competitive with each other according to the interviewees. Respondent C said that Macau would be targeting more gaming customers and Hengqin Island would be more targeting leisure customers by offering golf courses, tennis centers, recreational centers,

marinas and water sports. Meanwhile, both Cotai Strip and Hengqin Island will have massive convention spaces as well. According to respondent M, the market positioning of the convention and exhibition centers on Cotai Strip and Hengqin Island will be different. Trade shows on the Cotai Strip will usually have a rather high international content and the Cotai Strip will function as a regional platform. Cotai facilities will cater to buyers from the whole Asia Pacific region and they will have consumer good trade shows for the higher end of the markets. The reason for this strategy is that Macau is located in the geographic center of East-Asia and also has a very small domestic supply and demand for most products (exceptions are gaming machinery and leisure, hotel supply). In terms of international corporate meeting business, Cotai will position itself for corporations from Hong Kong and other Asian countries. However, the convention and exhibition center on Hengqin Island will not so much cater as a regional platform but rather serve the domestic market of Mainland China. This is due to the fact that some export-orientated mainland Chinese manufacturers will rather exhibit a trade show in mainland China instead of in the SARs or abroad. Therefore, Hengqin Island will have much more export-focused trade shows with mainly Chinese exhibitors and foreign buyers. The trade shows on Hengqin and Cotai might even be concurrent in order to use synergy effects on the buyers' side. For conference and corporate meeting, Hengqin will target Chinese associations and corporations. Therefore, overall the convention and exhibition centers on Cotai and Hengqin will supplement each other instead of competing with each other.

According to the interviews, respondents expressed that Macau should target high-value customers and give low-end customers to Zhuhai, whose has lower

operation costs as well as lower service standards. This strategy will benefit both destinations. There was no respondent who specifically mentioned the direct relationship between Hong Kong and Zhuhai

Analysis of the Interview Findings

In this section, analysis on why co-operations should be pursued among the three destinations will be conducted based on the interview results. And then, the necessity and strategies for Macau to develop its tourism industry through cooperation will be discussed.

Why HMZ Should Cooperation to Develop Their Tourism?

According to the literature on regional tourism development, there are three components composing the foundation of regional cooperation – similar problems, shared potential and potential regional framework (UNESCAP, n.d.). The foundation, in some degree, determines the possibility and necessity of cooperation within the region.

HMZ are sharing the similar problems, such as keeping the visitors to stay longer, as well as facing the competitions from other tourism destinations, such as Singapore, Taiwan, Japan, Malaysia etc. Meanwhile, HMZ also have shared growth potential because of their close geographic location. The close geographical ties will become even closer when the HMZ Bridge is built. Instead of competing with each other as an individual destination, each of the HMZ destinations should cooperate with each other to develop and promote the region as a whole, and increase the attractiveness and competitiveness through the synergy of the uniqueness of each

destination. In addition, HMZ have already formed some foundations that may provide framework for regional tourism co-operations. Those foundations include the official agreement – CEPA, “9+2”, Guangdong, Hong Kong & Macau Tourism Marketing Organization, the meetings between government officials from HMZ for regional cooperation issues, the cooperation at the operational level, such as joint marketing packages created by Macau and Hong Kong hoteliers, as well as Las Vegas Sands Corp.’s complementary tourism projects on the Cotai Strip and on Zhuhai’s Hengqin Island. These foundations will accelerate the pace of cooperation.

All of the elements discussed above create the opportunity and also necessity for HMZ to further cooperate and develop tourism jointly. Though Macau’s development makes its competition with Hong Kong and Zhuhai unavoidable, overall, the three destinations should cooperate instead of compete with each other. They should work together to make the ‘pie’ of their tourism market bigger, increasing the sizes of their pieces jointly, rather than fighting for the existing market pie without enlarging it.

The Necessity for Macau to Seek Collaborations from Its Neighbors

Macau is undergoing unprecedented tourism development. However, it is also challenged by its too-fast-growing market size, under-developed infrastructure, labor shortage, and land shortage problem. Whether Macau should target mass markets to unlimitedly attract visitors, is under debate. This debate persists, because too many visitors would put pressure on Macau’s infrastructure, as well as the relationship between visitors and local residents.

Macau should cooperate with Hong Kong and Zhuhai because the solution to its labor shortage has to rely on the neighbors. Hong Kong has several world-class universities that produce highly educated professionals. However, many university graduates are facing difficulty in finding jobs because of the severe competition in the labor market in Hong Kong. Macau only has one university and one tourism institution, which does not have many tourism-major students. Foreign managers might not be able to fill all the positions created by the development, even though they continue to hire managers from Singapore and Malaysia; however, Hong Kong's professionals are much better adapted to Macau because of their similar cultures. So, to effectively solve labor shortage problems (especially in the professional realm) Macau should import university-educated professionals from Hong Kong. It will also be cost-effective if the casino companies import labor from Zhuhai for non-gaming entry-level positions, because Macau and Zhuhai are so close to each other that employees can live in Zhuhai and work in Macau, and also Zhuhai's labor costs is much lower than that of Hong Kong and Macau.

Furthermore, from market segmentation perspective, Macau should cooperate with Hong Kong and Zhuhai. Macau should target the high value market and lets Zhuhai host the lower-value market, because at the current stage, Zhuhai lacks the foundation to provide high-end tourism products and services. The Macau–Zhuhai cooperation is also positive when viewed from the product development perspective. This perspective states that destinations should “focus on their competitive advantages through product differentiation” (Henthorne, & Miller, 2003, p. 92). In essence, Zhuhai has the potential to be developed into a leading leisure destination to

complement Macau's gaming industry. Strengthening Zhuhai's leisure feature of tourism would complement for Macau's gaming tourism development, creating a "leisure in Zhuhai and gaming in Macau" tourism product mix. This will also help make up for Macau's major weakness, lack of land, and help further spur non-gaming tourism product developments in Zhuhai. The cooperation between Macau and Hengqin Island will come out more efficiently, because it is under the strategic planning of Las Vegas Sands Corp. as well as the support from the governments.

Hong Kong is more attractive to long-haul market than Macau. So in the long-haul market, Macau should let Hong Kong become a primary destination and keep Macau and Zhuhai as peripheral, day trip destinations for this market. Therefore, Macau could take advantage of Hong Kong's strengths in this market segment. In addition, because Hong Kong has well developed shopping facilities, it is questionable whether it is necessary and healthy for Macau to build more shopping centers.

Although Hong Kong's convention centers are not well-designed, it is still recommendable that when Macau develops its convention industry, it consider the existing facilities in Hong Kong and develop more complementary relationship with Hong Kong. They should work together to increase the destinations competitiveness towards other competing convention destination such as Singapore, at the same time, minimized the competitions between these two destinations by making best use of the existing facilities and develop necessary facilities based on market demand. Therefore, there will not be duplication between the two, and these two destinations will not compete for the same market.

Areas for Cooperation

Change of Attitude

Although the governments frequently talk about cooperation, the reality is that each of them wants to primarily maximize benefits for their own destination.

Meanwhile, Hong Kong, as the big brother in the region, has the superior attitude towards other neighboring destinations. In cooperation, the biggest challenge will be the balance of power and benefit. The individual destinations should see that the benefits of cooperation not only reach themselves, but also allow for a healthy tourism healthy development of the region as a whole.

Cooperative Marketing

Promotion.

To increase the attractiveness of the entire region, the three destinations should promote themselves as an integrated regional tourism destination: Macau with its gaming, culture; Hong Kong with its urban tourism; Zhuhai with its leisure tourism and relatively low market accommodation price. The promotion can be conducted at both government level and also on the operator level.

In addition, they could further establish a regional tourism information database about the destinations' tourism attractions and available accommodation and share the information they have (Chinatoday.com, 2004). The official websites of tourism boards, bureaus and commissions could have hyperlinks to the tourism websites of its neighboring destinations.

Segmentation.

The complementary roles between Macau and Zhuhai's Hengqin Island will be very constructive to the cooperation between Macau and Zhuhai. Macau will be able to focus primarily on targeting gaming customers and Hengqin Island will be able to focus more heavily on targeting leisure customers. In the cooperation between Macau and Zhuhai on the city-wide scale, Macau should target high-value customers instead of the mass market and give the low-value customers to Zhuhai. As one interviewee pointed out, too many people traveling to Macau will put pressure on Macau's infrastructure and on the relationship between visitors and local residents. Additionally, Zhuhai's relatively low-end tourism facilities will benefit from this strategy and help ease market pressures on Macau.

Macau could also let Hong Kong become a primary destination for long-haul market, and make itself a peripheral, day trip destination for this market. Macau can try to attract Hong Kong's long-haul visitors to make a side trip to Macau. The reason is that Macau has very limited attractiveness to the Long-haul market, and according to HKTB (2005), Hong Kong is much more popular than Macau with this market segment (15% of Hong Kong's visitors are long-haul visitors). So Macau should take advantage of Hong Kong strength in the long-haul market. And also Hong Kong has already had very well developed shopping facilities; Macau should let Hong Kong stay as the shopping destination, instead of developing more shopping centers to compete with Hong Kong. Furthermore, in the convention industry, Macau should join Hong Kong's hands to develop necessary additional convention space to complement Hong

Kong convention facilities' weakness but not just develop massive convention space to beat Hong Kong's convention industry.

Collaboration on Labor Shortage

When Macau introduced foreign capital, it also introduced foreign high-level management skills; however, Macau's development will create a lot of middle-level management positions which cannot be filled by the local population. Macau can import better educated labor forces from Hong Kong, as well as college graduates with good potential for management positions. Hong Kong and Macau have very similar cultures, and therefore it will be much easier for Hong Kong people to integrate into Macau. Macau can also import workforces from Zhuhai for those entry-level non-gaming positions. The great advantage of this strategy is that Zhuhai's labor force cost is much lower than Macau's and Hong Kong's, meanwhile, Macau does not have to worry about housing Zhuhai labors in Macau, because they can stay in Zhuhai and work in Macau. Zhuhai also has both very strong Chinese and Cantonese cultural aspects, similar to Macau.

Cooperative Infrastructure Development

It is essential that the necessary infrastructure, transport facilities, and cross-border facilities are in place to connect HMZ. The HMZ Bridge is a great means to increase the accessibility within the three destinations. The governments should also reduce the obstacles for local and foreign visitors travel between the three destinations thus reducing the time spent waiting at the border. As one of the interviewees recommended, the governments could consider making Hengqin Island as a special zone, which does not require visa from people traveling between Macau and Hengqin,

therefore, it will physically enlarge the size of Macau. In addition, Hong Kong International Airport, Macau International Airport and Zhuhai Airport also should work together to develop more efficient air transportation system in the region.

Security of the Region

Macau should also cooperate with Hong Kong and Zhuhai to implement mutual security measures to prevent terrorism activities and disasters caused by natural forces. The region should establish a Crisis Response System and develop a coordinated plan to handle external shocks (South Pacific Tourism Organization, 2003) such as SARS and bird flu.

Central Government Support

In China, one reality is that the Central Government's direction plays a big role. With the support of the Central Government, cooperation between the destinations will come out more smoothly. So if the Chinese Central Government also puts pressure on the HMZ governments to work together for the benefit of the entire region, rather than allow them to remain competitive with each other, the cooperation will expand more successfully. For individual destinations, the destination government officials should meet on a regular basis to talk about the current issue of cooperation and direction for future development. Further, they should establish an organization to monitor the implementation of strategy and provide feedback to the key shareholders (South Pacific Tourism Organization, 2003).

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

With its fast development in casino gaming, Macau's tourism industry is facing tremendous opportunities. At the same time, it is also confronted with many serious challenges such as labor shortages, lack of land, under-developed infrastructure, and competition from other gaming destinations. After the HMZ Bridge is built, it is expected that internal accessibility of the region will greatly improve, thus giving a boost to the regional cooperation between the three destinations. Nevertheless, closer geographical tie may also increase competition within the region. Whether or not Macau can cooperate with the other two destinations to increase the competitiveness of itself and the whole region will be important for the health growth of the regional tourism industry and also the prosperity of the individual destinations.

Based on a review of literature in cooperative regional tourism development and face-to-face and email interviews with government officials, educators, and executives in the region, this study analyzed the needs and ways of coordinated tourism development among the HMZ destinations, and in particular, proposed strategies for Macau to join hand with its neighbors to develop its gaming-dominated tourism.

Conclusions

The findings from the interviews indicate that the three destinations should coordinate their tourism development with each destination boosting its unique tourism features so as to complement with others and to avoid or minimize competitions. Especially, Macau should cooperate with its neighboring cities Hong Kong and Zhuhai to develop its casino gaming oriented tourism industry. Through the SWOT analysis for the three destinations, there are many complementary characteristics between HMZ destinations and these complementary characteristics created both possibilities and necessities for regional cooperation.

Macau is the only legalized gaming destination in China and the government is working hard to develop the tourism industry there. After the introduction of foreign investment, Macau's tourism industry is aiming to transfer itself from a gaming, culture and historical destination to a tourism, gaming, MICE and entertainment hub. Macau will have tremendous visitor arrival growth over the next several years and its development and market opportunity is enviable by other destinations.

However, Macau is facing serious challenges which have the potential to constrain its development. Under-developed infrastructure is its biggest weakness and the infrastructure development is falling behind of the fast development of the casino hotels in a short term. Macau is a tiny destination, with limited amount of land that allows further development. Macau, by itself, is also not able to provide enough labor to fill the positions created by its development.

Its potential tourism market size actually becomes the biggest threat to Macau's tourism industry. The fast growth of visitor numbers will put big pressure on both

Macau's infrastructure and the relationship between visitors and local people.

Therefore, it is recommended that Macau focus its efforts on the high-value customer, instead of on mass market. Macau needs to work with the other two destinations to complement Macau's labor and land weaknesses and also increase the connectivity of the three destinations.

It is not debatable that Macau's development will soon become a threat to Hong Kong's tourism industry. Shopping, accommodation, cuisine, tour, entertainment and conventions are the major elements of Hong Kong's tourism industry (HKTB, 2005). Hong Kong will consequently be put under big pressure after Macau develops more sophisticated accommodation, shopping, entertainment and convention facilities. These elements will restrain the cooperation between Hong Kong and Macau.

Nevertheless, compared to Macau, Hong Kong has its uniqueness and strengths. It has a mature tourism industry with a large amount of diversity and sophistication. Its unique and dramatic city scene can not be duplicated by any place else. Hong Kong also has much higher educated workforce competitive to the international market. These are what Hong Kong can offer in cooperative relationship. For Hong Kong itself, it is also inevitable that it will need to cooperate with other destinations because its competitive strengths continue to decline as Macau's become stronger. Hong Kong's high accommodation price and its inefficient convention facilities will put Hong Kong in a passive position compared to Macau.

Although Zhuhai is a less developed tourism destination, it has its uniqueness, which will be very beneficial to the whole region. Zhuhai enjoys the position of easy access for the Mainland Chinese market and it has sufficient land for leisure tourism

development with much lower operation and labor costs. Neither Macau nor Hong Kong has the ability to offer land needed to develop big leisure tourism facilities such as golf courses and expansive resorts. Macau's land shortage problem can be directly complemented by Zhuhai, which adjoins Macau overland. Put together, Macau's gaming products and Zhuhai's leisure tourism products can unquestionably enhance the destinations' attractiveness.

After the HMZ Bridge is built, the three destinations will be more accessible and the travel between them will be more convenient than ever before. It creates the opportunity and also necessity for Macau to cooperate with Hong Kong and Zhuhai to develop healthier tourism. Though Macau development makes competitive efforts nearly unavoidable, overall, the three destinations should cooperate instead of competing with each other. They should work together to make the 'pie' of the market bigger, increasing the sizes of their pieces jointly, rather than cutting into each other's existing share.

In order to develop more cooperative relationship, the three destinations should change the attitude towards cooperation. They should develop more complementary roles in the market place instead of competing with each other. They also should promote themselves as an integrated tourism destination, and target complementary market segments to minimize the competition. Macau also could import workforces from both Hong Kong and Zhuhai to reduce its labor shortage challenge. Meanwhile, it is essential that the necessary infrastructure, transport facilities, and cross-border facilities are in place to connect HMZ. Furthermore, Macau could cooperate with Hong Kong and Zhuhai to implement mutual security measures to prevent terrorism

activities and disasters caused by natural forces in this region. At last, if the region could gain the attention and support from the Central Government, cooperation between the destinations will come out more smoothly.

Recommendations for Further Research

Macau is being entitled as “Asia Las Vegas”. However, whether Macau should copy the Las Vegas Model is still under debate. Further research can be conducted to compare Macau and Las Vegas, and analyze their similarities and differences in terms of their geographic locations, neighboring competitors, land sizes, populations, tourism structures, tourism capacities, market potentials, culture and history etc, to study whether Macau should copy Las Vegas Model or should develop its own model, which will be feasible for the healthy tourism development of this unique city of China.

Study also can be conducted to test whether Macau needs to develop its own massive convention, shopping and entertainment facilities by evaluating its neighboring destinations’ existing capacities for convention, shopping and entertainment activities. Considering the limitations of this research, further research also could be conducted with a larger number of tourism professionals and more equal distribution of educators, executives and government officials in all three destinations.

APPENDIX A

HUMAN SUBJECT APPROVAL



Social/Behavioral IRB – Full Board Review Approval Notice



NOTICE TO ALL RESEARCHERS:

Please be aware that a protocol violation (e.g., failure to submit a modification for any change) of an IRB approved protocol may result in mandatory remedial education, additional audits, re-consenting subjects, researcher probation suspension of any research protocol at issue, suspension of additional existing research protocols, invalidation of all research conducted under the research protocol at issue, and further appropriate consequences as determined by the IRB and the Institutional Officer.

DATE: April 26, 2006
TO: Dr. Zheng Gu, Hotel Management
FROM: Office for the Protection of Research Subjects
RE: Notification of IRB Action *CG*
Protocol Title: **Macau Tourism Development in Cooperation With Its Neighbors**
Protocol #: 0603-1928

This memorandum is notification that the project referenced above has been reviewed by the UNLV Social/Behavioral Institutional Review Board (IRB) as indicated in Federal regulatory statutes 45CFR46. The protocol has been reviewed and approved.

The protocol is approved for a period of one year from the date of IRB approval. The expiration date of this protocol is April 13, 2007. Work on the project may begin as soon as you receive written notification from the Office for the Protection of Research Subjects (OPRS).

PLEASE NOTE:

Attached to this approval notice is the official **Informed Consent/Assent (IC/IA) Form** for this study. The IC/IA contains an official approval stamp. Only copies of this official IC/IA form may be used when obtaining consent. Please keep the original for your records.

Should there be *any* change to the protocol, it will be necessary to submit a **Modification Form** through OPRS. No changes may be made to the existing protocol until modifications have been approved by the IRB.

Should the use of human subjects described in this protocol continue beyond April 13, 2007, it would be necessary to submit a **Continuing Review Request Form** 60 days before the expiration date.

If you have questions or require any assistance, please contact the Office for the Protection of Research Subjects at OPRSHumanSubjects@unlv.edu or call 895-2794.

Office for the Protection of Research Subjects
4595 Maryland Parkway • Box 451037 • Las Vegas, Nevada 89154-1037
(702) 895-2794 • FAX: (702) 895-0605

APPENDIX B

INFORMED CONSENT LETTER

You are invited to participate in the research study, which aims to examine “Macau Tourism Development in Cooperation with Its Neighbors”

You are being asked to participate in the study because you are one of the professionals in the tourism industry in the region of Hong Kong, Macau and Zhuhai and your thoughts about the tourism development in this region will be very valuable to this research.

If you volunteer to participate in this study, you will be asked to do the following: you will participate in a 30-minute interview by answering the questions about the tourism development in the Region.

There may not be direct benefits to you as a participant in this study, but your thoughts about the possibility of tourism cooperation in this region will be very valuable to the research, which will not only be valuable to tourism industry in the region, but also enrich the theory on tourism regional cooperation. There are risks involved in all research studies. This study may include minimal risk, such as feeling uncomfortable when you answer the questions. There will not be financial cost to you to participate in this study. The study will take about 30 minutes of your time. You will not be compensated for your time. The University of Nevada Las Vegas may not

provide compensation or free medical care for an unanticipated injury sustained as a result of participating in this research study.

Your participation in this study is voluntary. You may refuse to participate in this study or in any part of this study. You may withdraw at any time without prejudice to your relations with the university. You are also encouraged to ask questions about this study at the beginning or any time during the research.

Please allow me to record the interview for further data analysis. All information gathered in this study will be kept completely confidential. No reference will be made in written or oral materials that could link you to the information you provide. All records will be stored in a locked facility at UNLV for at least 3 years after completion of the study. After the storage time, the information gathered will be destroyed.

If you have any questions or concern about this study, you may contact:

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For questions regarding the rights of research subjects, any complaints or comments regarding the manner in which the study is being conducted you may contact the **UNLV Office for the Protection Research Subjects at 702-895-2794.**

Thank you again for your participation in this research.

APPENDIX C

INTERVIEW QUESTIONS

1. In your opinion, what are Hong Kong, Macau and Zhuhai tourism industries' "strengths, weaknesses, opportunities and threats"? (SWOT analysis)
2. Should Hong Kong, Macau and Zhuhai cooperate closely with each other to develop tourism? Why?
3. How can they cooperate with each other?
4. What do you think will be the barriers for the tourism cooperation between Hong Kong, Macau and Zhuhai?
5. How can the three destinations overcome the barriers?
6. How would you segment Macau's tourism market? In your opinion, how are Hong Kong and Zhuhai complementary to or competitive with Macau in terms of market segmentation?
7. Regarding Macau's human resource constraint, what measures should the Macau tourism industry take to solve the problem?
8. Do Cotai Strip and Hengqin Island Resort's convention and meeting facilities target different market segments? Will Hengqin compete with Cotai Strip in convention business? How can Las Vegas Sands Corp. make the two convention destinations complementary to rather than competitive with each other? (extra question for VP of convention and Exhibition in the Venetian Macau Ltd.)

APPENDIX D

ORGANIZED INTERVIEW DATA

Sub-Question 1: What are the strengths of Macau's tourism industry?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• Rich culture background.• Local people are nice.• Macau government is more focus on tourism development.
B	<ul style="list-style-type: none">• High gaming revenue.• The world heritage status is an advantage, but how much advantage is debatable (Long-haul market is interested in world heritage area, but the short haul is not).
C	<ul style="list-style-type: none">• Growth of number of visitor to Macau is tremendous, by year 2020, there will be 35-36 million visitors, almost the same as Las Vegas's.• The strip properties in Macau will be built at the same time, not like Vegas'.
D	<ul style="list-style-type: none">• Geographic Location.• Unique culture.• Easy access.• Relatively young workforce.• Macau leadership's direction is to help transformation.• Its gaming industry.
E	<ul style="list-style-type: none">• Location: close to China, close to Hong Kong.
F	<ul style="list-style-type: none">• Location: 150 million people within a three-hour drive.• Unique blend of eastern and western culture.• The only legal gaming destination in the region.• Effort from government officials: After 1999, government has clear direction and brought in foreign investment.

- Will be able to provide high-standard resort, entertainment and gaming products.
- G
- In Macau, visitor can experience a colorful mix of cultures and races—Chinese, Portuguese, Dutch, Moorish, Spanish and British.
- H
- Macau is famous for its gaming industry.
 - Mixed eastern and western culture.
 - July 15th 2005, Some 24 historic monuments and eight public squares, together forming the ‘Historic Centre of Macao’, has been inscribed onto the World Cultural Heritage List of United Nations Educational, Scientific and Cultural Organization.
 - Macau has extremely strong capacity hosting visitors. In 2003, the visitor arrival number is 11.9 million, which is 44.85 times Macau’s population.
- I
- Expansion from the western investors—building new casinos.
 - Tourism demand is going up.
 - Macau tourist scheme has specialized agents in Macau, which look after mainland travelers and personalized their experience, so it encourages the tourists to come to Macau.
 - Cuisine.
 - Preserved Portuguese culture.
- J
- Legalized gaming destination.
 - Local people are very nice.
 - Unique culture.
 - Day market for Hong Kong people and Mainland Chinese.
- K
- The only place you can gamble in China.
 - Macau has large American gaming companies developing gaming properties, which have aligned non-gaming elements to them, such as entertainment, hotel, retail, food, not simply gaming.
- L
- It is a gaming brand in Asia.
-

Sub-Question 2: What are the weaknesses of Macau's tourism industry?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• Infrastructure.• Quality of labor is relative lower.• English language ability of local people is relatively lower, which lowers the international competitiveness.
B	<ul style="list-style-type: none">• Limited appeal, except for gaming industry, but many gaming opportunities are available in or close to some communities' home countries, such as Korea, Japan and Southeast Asia.• Average length of visitor's stay is only 1.2 nights.• Has very confused destination image: gaming, vice and heritage are not logical companions. The image the government is trying to create is quite different from the image the visitor has.• Sex tourism is another problem because sex trade is now wide open and on the streets.
C	<ul style="list-style-type: none">• Transportation system.
D	<ul style="list-style-type: none">• Skill set of labor.• Lacking of a clear and positive tourism identity.• Still suffering from some influence form monopolistic control.
E	<ul style="list-style-type: none">• Infrastructure.• Labor shortage.
F	<ul style="list-style-type: none">• Infrastructure: border crossing is too small, ferry terminal is too old, the immigration system is antiquated, and the mass transportation is a mass.
H	<ul style="list-style-type: none">• Infrastructure. Government is talking about light rail to connect the casino resorts and the local tourism areas. The Macau government however has to do more.• Macau lacks of non-gaming tourism attractions.• Macau is short of land, which restricts the further development
I	<ul style="list-style-type: none">• Relies very heavily on gaming industry.• Short of land.• Market very heavily relies on Mainland and Hong Kong.• Local people lack of English skill.

- J
- Transportation system is not sophisticated. Very few international flights, no railway system.
 - Infrastructure.
- K
- Infrastructure.
 - Immigration and visa system.
 - High tax rate restricts the hotels' ability to rebate the customers.
- L
- Transportation system.
 - Macau can not be attractive to long-haul travelers.
-

Sub-Question 3: What are the opportunities Macau's tourism industry is facing?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• No where better than Macau now to invest money.
B	<ul style="list-style-type: none">• Large amount of money is being invested in Macau.• Macau is making massive expansion of its convention facilities. These tied with casinos, are going to make Macau the preeminent convention destination.
D	<ul style="list-style-type: none">• The ability to transform itself to a unique Euro-Asian gaming entertainment destination for north Asia.• Has the opportunity to significantly enhance the quality and standard of life for residential population.• Introduction of foreign capital, which means foreign skill, foreign investment, therefore will significantly enhance the destination's appeal, not only to China, but also globally.
F	<ul style="list-style-type: none">• Macau is positioning itself as the entertainment destination of south Asia, including the MICE business. With the development of Cotai, Macau will become a very strong competitive competitor in the convention market compared to Singapore and Hong Kong. It can diversify the economy away from a day-trip tourist to a meeting and convention business.
H	<ul style="list-style-type: none">• The potential of visitor arrival increasing to 20 million in 2007
I	<ul style="list-style-type: none">• Hong Kong-Macau-Zhuhai Bridge makes travel between the three destinations more convenient, may also encourage the international travelers to travel in the region• New hotels and casinos in Macau will attract more tourists; some tourists even just want to see them.
J	<ul style="list-style-type: none">• Macau will have new hotel rooms, much more diversified entertainment, world-class shopping centers etc. Hotel operators want to outdo each other to cover the niche market, as a result, Macau will be able to provide products and services it never had before.• Growing opportunity of the city itself. This is a very marketable place—Asia of Las Vegas, destination capital

K

- Macau will become the entertainment centre of Asia within 5 years.
 - Macau hasn't developed as fast as it should. Now with the market opening up, Macau has the opportunity of bringing a lot of capital and a lot of diversity what gaming needs.
-

Sub-Question 4: What are the threats Macau's tourism industry is facing?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• Nature disaster such as SARS and bird flu, but the recovery will be pretty fast, meanwhile you never know.
B	<ul style="list-style-type: none">• The biggest threat facing Macau, and one that industry and government officials will acknowledge privately but deny publicly is that much of the gaming tourism industry from Mainland China involves laundering dirty money gained illegally by corrupt officials. At some stage, the China government is going to have to crack down on corruption. When it inevitably cracks down, the flow of money and tourists to Macau will stop.• What also voiced privately by the industry is the debt level. As long as the flow of visitors continue, there is no problem, but the local banks are holding an incredibly large amount of debt, if flow of gaming money stops, there will be a financial crisis• Labor shortage.• Pollution, especially water quality is an issue.• In practical terms, Macau has probably reached its full carrying capacity.• Needs to extend the length of stay of visitors.• Change its destination image from vice. Macau is extremely positive with male market due to gaming and sex.
D	<ul style="list-style-type: none">• Macau tries to copy the destination then the competing destination will use direct measures against Macau. As Macau wants to diversify the tourism products by meeting, convention, however Hong Kong, Guangzhou, Shanghai, Beijing and 50 other cities who have built the convention centers, will not sit quietly and let Macau take the businesses away.• Macau is the greatest competitors to Macau. Destinations that are successful are those know destination's unique qualities. Destinations that fail, are those copy others. Macau needs to be very carefully to base on customer value model, but not profit volume model to be a mass market destination, or too many people will come to Macau, and it will put pressure on the infrastructure.
E	<ul style="list-style-type: none">• Infrastructure is a threat: transportation system, hospital rooms,

fire department facilities etc.

- F
- Political, some type of fall-out between Beijing and U.S or Beijing and Macau, they cut off the tourism access to Macau, but the possibility is very low.
- H
- Historical sites' tourism capacity is limited, it can not host too many visitors, or it will have negative influence on the sites.
 - Expert estimated that by 2007, the tourist arrival to Macau will increase to 20 million. Macau is facing the challenge of meeting the various requirements for the accommodation, tourism facilities and infrastructure.
- K
- American companies are trying to move as fast as they can but the government moves much more slowly. The gap between the infrastructure and development will determine whether Macau will success or not in a short time, but in a long time, it will catch up.
 - Macau's competitors will be Las Vegas and other casinos in the region of Australia. With high tax rate, it is more difficult for the Macau hotels to rebate the customer as much as the jurisdictions with lower tax rates. For players who are pretty sensitive and only come for commission rate, it will be difficult for us.
-

Sub-Question 5: What are the strengths of Hong Kong's tourism industry?

Respondent	Verbatim Response
B	<ul style="list-style-type: none">• Hong Kong has world-class quality infrastructure.• Hong Kong still has an unmatched competitive strength for the long-haul market from North America, Europe and Australia.• The regional market of Korea, Japan, and Southeast Asia also shows a very strong preference for Hong Kong due to its sophisticated urban tourism experience.
G	<ul style="list-style-type: none">• Strategic location, which makes it the natural hub for traveling to and around Asia. Half of the world's population live within five hours' flying time from Hong Kong.• Airport: there are almost 2,000 scheduled passenger flights by 50 international airlines each week.• Hong Kong, as a travel destination, gives visitors a deep impression upon its diversity and sophistication, which promises a unique and unforgettable experience for the travelers.• Hong Kong has its well-established tourism infrastructure and multi-dimensional attractions.
H	<ul style="list-style-type: none">• Hong Kong is famous for shopping and cuisine.• It has international standard convention centre.• After the Disneyland opened in 2005, the tourism may develop to another stage—the visitor number was anticipated to increase.
I	<ul style="list-style-type: none">• Hong Kong has well-established tourism industry.• Excellent infrastructure.• Public transportation: it is very easy for tourists to get around. Tourist can get to anywhere very quickly. The Octopus System is brilliant, which helps people go to everywhere. Hong Kong also has the cheapest taxi among the biggest cities in the world.• Airport is very convenient and has a lot of direct flights. It has very frequent flights to a lot of Asian cities. So it is easier for visitors to organize their trips in Asia.• Geographic location in the world: three- hour-flight range has a big tourism market potential.• Visa free for most of the people in the world. If you do need one, you can get at the airport or border crossing, so for foreigners, it is convenient.

- Dramatic city scene, which is unique in the world.
 - Individual Visitor Scheme (I.V.S) brings more mainland Chinese visitors.
 - Convention facilities: it has very good conference facilities. Hong Kong just built a new conference and exhibition centre near the airport.
 - People are more educated and most of the professionals have good English skill. Although the street level of English is declining, compared to most of the cities in Asia, Hong Kong is a much easier place to get around in terms of the language perspective.
 - Hong Kong has big events, which attract tourists, such as horse race, golf open, and it has very good art festival.
 - World-class cuisine. Hong Kong has big variety of food and fantastic dining places.
 - Good tourism education system providing both professional education and vocational training.
 - It's a very safe city: it is one of the safest cities in the world. In most of places, tourists can be confident to walk around, go to night club and have a drink.
 - Hong Kong has a lot of night life activities, so tourists have plenty of things to do.
 - Hong Kong has the Quality Tourism Service Scheme, which aims to ensure the tourist's travel quality.
 - Hong Kong's country side and coastline are very attractive.
 - Asian headquarters—many international businesses have their Asian headquarter here, not only because its excellent legal and financial system here, but also because it is easy to get around— it's an exciting city to live in.
-

Sub-Question 6: What are the weaknesses of Hong Kong's tourism industry?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• Hong Kong has very good nature resource, such as their beach and natural sceneries; however, Hong Kong does not promote it. Hong Kong needs to explore more about the resources they have already had.
F	<ul style="list-style-type: none">• Hong Kong convention center's layout is not good—it is too small, not well utilized.• Hotels in Hong Kong are too expensive.
I	<ul style="list-style-type: none">• Limited available land for development.• Hong Kong government is very good at making rules, which either black or white. And also the government is weak at strategic planning.• Focus on mass market. Tourism board and commission do not diversify the tourism products. The range of attractions is relative small. So what we are getting are one-time visitors. They start facing this problem and adding more tourism attractions, but in my idea, it is still weak. Disneyland, Ocean Park they are both capital-intensive project, but they ignore other products, which do not require spending so much money.• At the country part and coastline of Hong Kong, there are a lot of opportunities of hiking, sailing, but government policy is not encouraging those kinds of activities, so they are not developed to tourism products.• Hong Kong's tourism relies too much on shopping and dining, and also heavily relies on tourists from Mainland.• The long-haul market has not completely recovered from SARS.• There are very few alternatives of accommodations here. The urban hotels, most of them are four, five stars, some three stars, but a lot of Mainland Chinese usually do not have that budget. There is no bed and breakfast. So the market segment is smaller because of that.• Conference centers, from building design perspective, are not multifunctional.

Question 7: What are the opportunities Hong Kong's tourism industry is facing?

Respondent	Verbatim Response
G	<ul style="list-style-type: none">• Opportunity to cooperation with cities in PRD region.• Hong Kong is perfectly located to capitalize on the growing long-haul trend towards multi-destination travel, and the increased interest in Asia and China (in 2004, 86%, 80% and 77% of visitors from the Americas, Europe, Africa and the Middle East, as well as Australia, New Zealand and South Pacific combined Hong Kong with other destinations respectively).
I	<ul style="list-style-type: none">• Hong Kong has huge potential to cooperate with Macau, Zhuhai and other Guangdong area to develop the multi-destination.• The new HMZ Bridge will substantially reduce the travel time to Hong Kong from Macau and Zhuhai.• The Mainland government wants to see PRD's development, make it thrive, and make the area more politically stable. Centre government wants to show the world that one country two systems policy works well.• Centre government reduced the restriction on Mainland Chinese to travel to Hong Kong and Macau by launching the Individual Visitor Scheme.• CEPA is an encouragement between Mainland China, and Hong Kong, Macau. This arrangement opens China up to the Hong Kong and Macau business.

Sub-Question 8: What are the threats Hong Kong's tourism industry is facing?

Respondent	Verbatim Response
B	<ul style="list-style-type: none">• In terms of Taiwan market, Hong Kong's preeminent position is threatened very strongly by Macau.• I think Hong Kong is on the age of having problems with the Mainland China market because of the Zero Commission Strategy. The proliferation of zero commission tours and also deep discounting during SARS, as well as the economic downturn has meant that the China market have been treated very poorly and have also come to expect that Hong Kong is a much lower priced destination than it is.• One of the consequences of the expansion of casinos in Macau is that the quality has risen to an international standard, and as such, Macau is no longer dependent on Hong Kong.
C	<ul style="list-style-type: none">• Macau's convention and retail industry will surpass Hong Kong's.
F	<ul style="list-style-type: none">• If Macau does it correctly, Macau definitely will take over Hong Kong's market share.
I	<ul style="list-style-type: none">• Hong Kong begins to loose the "gate way to China" image. Will be caught up by modern cities such as Shanghai• Declining living environment, such as poor air quality. Foreigners will less enjoy the stay here.• Although Hong Kong has its Disneyland, but they are talking about building a Disneyland in Shanghai.• If the HMZ Bridge is built, Macau and Hong Kong will become direct competitors for Mainland visitors.• Hong Kong government does not really understand the sustainability although they talk about that a lot.• Street market in Hong Kong has been closed down, because of the hygiene standard of food. But street market is one of characters of Hong Kong and Hong Kong's character is changing for that.• Macau airport has international flights now. Because the operation cost is much lower than Hong Kong international airport, economic airlines have already started flights from Bangkok to Macau, so visitors do not have to go to Hong Kong.

- Hong Kong is losing its colonial history.
- Shopping in Macau, especially Zhuhai is much cheaper than in Hong Kong.
- SARS and bird flu will be another threat to Hong Kong's tourism industry.
- Challenge from Singapore.

K

- There will be definitely competition between Hong Kong and Macau in convention industry.
-

Sub-Question 9: What are the strengths of Zhuhai's tourism industry?

Respondent	Verbatim Response
B	<ul style="list-style-type: none">• Facing Mainland China market, Zhuhai is a domestic destination with easy access and no visa requirement. That gives it a competitive advantage, especially for the low-end market.
G	<ul style="list-style-type: none">• Zhuhai offers a glimpse of China's yesterday and today.
I	<ul style="list-style-type: none">• There are some good international-standard golf courses in Zhuhai.• It has more land for tourism development.• Much lower operation cost.

Sub-Question 10: What are the weaknesses of Zhuhai's tourism industry?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• Zhuhai has natural resources but they do not know how to package them nicely.
B	<ul style="list-style-type: none">• Zhuhai has an unknown entity with little appeal. I feel it has little to offer to the tourists. It may hold some appeal to the domestic China market and to the business traveler, but it offers nothing to the pleasure tourist.• Lack of facility is its major weakness.• It has a number of large scale infrastructure facilities, including an airport and racetrack, but they are largely un-used.
H	<ul style="list-style-type: none">• Zhuhai is not as developed as Macau. People stay there may feel it is not that modernized, but dirty and not that user friendly.
I	<ul style="list-style-type: none">• Relatively low service standards.• It takes too long to go cross the border to go to Zhuhai from Hong Kong and Macau.• There are only several education centers for service-level training, but I don't think like Hong Kong and Macau, Zhuhai has university for professional training in the tourism industry.

Sub-Question 11: What are the opportunities Zhuhai's tourism industry is facing?

Respondent	Verbatim Response
I	<ul style="list-style-type: none">• After the HMZ Bridge built, Zhuhai will be more accessible by reducing the travel time from Macau and Hong Kong.• After the bridge built, Zhuhai will have opportunity to develop regional tourism with Hong Kong and Macau.• The potential to attract golfers to Zhuhai is big.• Golf and spa can be niche market in the future: the business tourism will be the area of competition, but not leisure tourism, because Hong Kong and Macau do not have much land to development leisure facilities such as golf course and spa.

Sub-Question 12: What are the threats Zhuhai's tourism industry is facing?

Respondent	Verbatim Response
F	<ul style="list-style-type: none">• If Macau is doing the right way, it will take over the market share of Zhuhai's convention industry.
I	<ul style="list-style-type: none">• MICE (meeting, incentive, convention and exhibition) will have the most competition between Macau and Zhuhai.

Sub-Question 13: Should HMZ cooperate closely with each other to develop tourism?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• Yes
B	<ul style="list-style-type: none">• In theory, one can answer <i>yes</i>, but in practice, it is <i>not</i> going to happen.• In theory, one can see a great deal of complementarity in developing the PRD as a contiguous cross border tourism destination. The creation of the branded PRD may expand the cumulative market for the region, especially among long-haul visitors, and also provide people with a viable alternative of spending their entire vacation there rather than having a China vacation that includes Hong Kong, Shanghai and Beijing.• In practice it will not work, for each of these destinations is fiercely competitive with each other. Each fully working towards its own best interests first, the best interests of the central government second and then the best interests of the region third. There is no plan will overcome this reality. The end result is that there will probably be a lot of duplication and overbuilding of facilities, infrastructure and services.
C	<ul style="list-style-type: none">• Yes
D	<ul style="list-style-type: none">• Yes
E	<ul style="list-style-type: none">• Yes
F	<ul style="list-style-type: none">• Yes
G	<ul style="list-style-type: none">• Yes• Nowadays, the success of our tourism depends greatly on collaboration. Mega-ism is fast becoming the global business trend.
H	<ul style="list-style-type: none">• Yes
I	<ul style="list-style-type: none">• Yes
J	<ul style="list-style-type: none">• Yes
K	<ul style="list-style-type: none">• Yes

L

- Certainly *Macau* and *Zhuhai* should work together.
-

Sub-Question 14: How can they cooperate with each other?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• Instead competing with each other, we should be complementary to each other: each destination should have their own characteristics.• What we can do is at the operator level. We promote Macau, we also tell visitors they can visit Hong Kong, but it also takes a lot of negotiations and cooperation.• Cooperation also needs the central government's coordination.
B	<ul style="list-style-type: none">• Given that the destinations are each pursuing a different path, there is likely little need for formalized cooperation. Instead, it will likely happen at an informal level.• My guess is that cooperation will occur more organically and at an operator level. The various tourism marketing bodies meet regularly, but each is still independent. The tourism industry is much more likely to cooperate out of mutual need. Tour operators, resorts and hotels will package the PRD in whole or in part because of the market opportunities.• Likewise, market forces may impose a certain level of observed cooperation. A classic example is airlines and transport policy. They are complementary in the roles that the airports play. The Hong Kong International Airport has some of the highest landing fees in the world. This has largely excluded regional low-cost carriers from setting up business in Hong Kong. By contrast, the fees for Macau International Airport are much lower. Many low-cost carriers are establishing themselves there. There are now direct ferries between Hong Kong and Macao airport to permit residents of either special administrative region to access each other's airport. Market forces are entrenching Hong Kong's position as the long haul, large, legacy carrier airport and Macau as the low-cost, regional airport.• They also share some mutual concerns such as the threat of bird flu and discuss matters like this regularly.
C	<ul style="list-style-type: none">• Hengqing Island is point of cooperation between Macau and Zhuhai. It is complementary to Macau.• Macau also buys electricity and water from Zhuhai.
E	<ul style="list-style-type: none">• Macau has technology and top manager from Hong Kong.

- F
- Infrastructure. Build up high way, bridge system to connect different destinations and make the region more accessible.
 - The region should market itself as an integrated destination. Our sales package is 5 nights in PRD—2 nights in Hong Kong Peninsula, 3 nights in our property. Macau right now for 5-night stay is still too small, so when our property opens, we look for some sales package with partnership with some hotels in Hong Kong to drive more traffic.
 - Solve labor shortage: Hong Kong people integrate into Macau very well, for construction jobs, our company directly brought Hong Kong people to work in Macau through labor agent.
- G
- HKTB has been working closely with the Guangdong and Macau tourism authorities since the establishment of the PRD Tourism Marketing Organization in 1993.
 - In September 2004, HKTB invited the leaders of tourism bureaus from the Pan-Pearl River Delta [PPRD] region to meet the members of American Society of Travel Agents [ASTA] in order to explore opportunities of developing tourism business between the U.S. and this region during the 74th ASTA World Travel Congress.
 - To encourage pre- and post-China visits, HKTB has developed a series of PRD itineraries that feature Hong Kong as a “must-see” core destination. The purpose is to extend stays in Hong Kong by offering excursions to heritage and culture attractions in the PRD. The HKTB will continue to work closely with the tourism bureaus in the PRD to explore other scenic locations and develop multi-destination itineraries that feature Hong Kong.
- H
- Tourism products can not be moved from one destination to another, so visitor number, potential visitor number, and their consuming ability is very important for the destination’s tourism industry. Therefore, regional cooperation should focus on increasing the visitor flow to the region by providing more traveling choices, which comprise of the tourism products from each individual destination.
- I
- People do not stay too long in Hong Kong, so if the destination can cooperate to keep the visitors in the region, it will increase the benefit the visitors bring to the region.
 - Simplify visa system. It takes too long to go through the border, maybe the destinations can work on this issue.
 - Create integrated transportation system in the region.
 - Develop complementary products, but in MICE industry, there
-

will be definite competition.

- It will unlikely to develop the regional tourism unless the HMZ Bridge has railway system, because only 14 % of Hong Kong people have car. But putting a railway is very expensive, so it will depend on the traffic volume. So to attract local tourists, they may run the buses.

L

- Macau and Zhuhai lack transportation. So the cooperation will be good. Most benefit is for the two smaller places
-

Sub-Question 15: What do you think will be the barriers for the tourism cooperation between HMZ?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• We are on the primary stage of working together, each destination is concerned about their own benefit first.• Balance all the benefits among the destinations: Hong Kong is more aggressive, they like to see the economic benefit, the same as Zhuhai. Macau is more neutral.• Labor cooperation will be very difficult. The labor quality in Guangdong province is relatively low. Our company goes to Dalian, Qindao, and Wulumuqi to recruit employees.• The cooperated marketing will be difficult too, because each destination operates by its own way.
B	<ul style="list-style-type: none">• The great challenge that faces any cross-border tourism proposal is power balance and equity.• The rapid development of the convention facilities in Macau is setting Macau and Hong Kong on a direct, confrontational competitive path. They will become competitors in the MICE market.• Destinations are each pursuing a different path
D	<ul style="list-style-type: none">• At the moment, there is still tension between Hong Kong and Macau—the big brother and little brother relationship.
E	<ul style="list-style-type: none">• Prejudice from Hong Kong towards Macau• The Macau government is afraid to open the border to Zhuhai 24 hours a day, 7 days a week, they are afraid that the customers will spend the night in Zhuhai.
F	<ul style="list-style-type: none">• Hong Kong's superior attitude.
G	<ul style="list-style-type: none">• There should be opportunities, instead of barriers.
I	<ul style="list-style-type: none">• Those competing elements, such as MICE industry.• Each government wants the cooperation to be beneficial to itself.
K	<ul style="list-style-type: none">• The government of Macau wants to make Macau successful and the government of Hong Kong wants to make Hong Kong

successful, but there is limited source there, so there is some kind of conflict of benefit there.

- L
- Because each one wants to be the base, so it will be very difficult for cooperation. I think it will be very challenging.
-

Sub-Question 16: How do the three destinations overcome the barriers?

Respondent	Verbatim Response
B	<ul style="list-style-type: none">• It will be only through direct intervention from central government so that duplication will not occur.
E	<ul style="list-style-type: none">• Hong Kong needs to work with Macau, instead of looking at Macau as an un-developed brother. We need to work together.• Macau government should not worry about opening the border to Zhuhai 24 hours a day, 7 days a week. They are afraid that the customers will spend the night in Zhuhai. This is a short-term thinking, because if the customers want to save 10 or 20 dollars to stay in Zhuhai, Macau should not worry about that.
F	<ul style="list-style-type: none">• It will take some time, once Macau has more to offer, Hong Kong will see the benefit of cooperation—when people choose to go to Macau first. But it is a short term; the governments have already started cooperation.
I	<ul style="list-style-type: none">• Have some kind of government agreements between the destinations.• Have support from centre government.

Sub-Question 17: How would you segment Macau's tourism market?

Respondent	Verbatim Response
D	<ul style="list-style-type: none">• Macau needs to target high-value visitors instead of targeting mass market.
E	<ul style="list-style-type: none">• Macau should more focus on high-value customer
F	<ul style="list-style-type: none">• Right now, Macau does not segment the market; it offers a substandard product and assumes everyone will take it.• Our company will be targeting the merging middle class and the wealthy class in China.• In the future people will come to Macau primarily and take a side trip to Hong Kong
H	<ul style="list-style-type: none">• Macau should have segmentation on up-scale and high-value market. For casino industry, of course it is targeting mass market, but for tourism industry, it should be different.
I	<ul style="list-style-type: none">• Gaming
J	<ul style="list-style-type: none">• We are targeting mass market, but use different marketing strategies for different market segments.
K	<ul style="list-style-type: none">• Nowadays the people come to Macau are frequent gambler, and in the future they will stay the same, but also Macau will have more leisure visitors, who not just come to gamble. When the market diversified, the market segmentation will come out naturally.

Sub-Question 18: In your opinion, how is HMZ complementary to or competitive with each other in terms of market segmentation?

Respondent	Verbatim Response
B	<ul style="list-style-type: none"> • The three destinations are complementary for the long-haul market only. Hong Kong as the hub destination and Macau and Guangdong as peripheral, day-trip destinations. • Hong Kong and Macau will become competitors in the MICE market.
C	<ul style="list-style-type: none"> • Macau will be more targeting gaming customers and Hengqin Island will be more targeting leisure customers. • On convention side, Macau is more for oversea and international buyers. • Hong Kong's convention industry may not sustain because of the competition from Macau.
E	<ul style="list-style-type: none"> • Macau should more focus on the high-value customers, and let Zhuhai host the low-end customers. It is better for Macau because Macau is a small city.
F	<ul style="list-style-type: none"> • If Macau does it correctly, its convention industry will take the market share of Hong Kong and Zhuhai.
I	<ul style="list-style-type: none"> • Casino in Macau, golf and health in Zhuhai
M	<ul style="list-style-type: none"> • Trade shows in Venetian Macau Convention and Exhibition Centre will have export and import-related events as well. Moreover we will have trade shows, which cater buyers from the whole region of Asia-Pacific. We will have consumer goods trade shows for the higher end of the markets. • In Macau, we will also target international conference and corporate meeting businesses from corporations from Hong Kong and other Asian countries. • The convention and exhibition centre on Hengqin Island will serve the domestic market from Mainland China. It will have much more export-focused trade shows with mainly Chinese exhibitors and foreign buyers. • Hengqin will target Mainland China market for conference, cooperate meeting and incentive travel businesses.

Sub-Question 19: Regarding Macau's human resource constraints, what measures should the Macau tourism industry take to solve the problem?

Respondent	Verbatim Response
A	<ul style="list-style-type: none">• Labor cooperation with Guangdong will be very difficult. The labor quality in Guangdong province is relatively low. Our company goes to Dalian, Qindao, and Wulumuqi to recruit employees.• Because Macau has the policy that dealers must be local, so the only way to overcome the issue is to look for employees with the right attitude and provide them with proper training.• For those jobs local people do not like to take, we might import employees from Mainland China, but it depends on the government's policy—whether they want to loose the barriers.
D	<ul style="list-style-type: none">• The labor shortage is not mass, but skill.• Build efficiency into the building: implement all the global technologies and solutions to make smarter buildings and then they will not be too dependent on people.• Create an organizational culture, become preference of the employees. With the commitment the employees have, we get more work done with less people.• More imported labor can not really help at the end, because we will have dysfunctional organization, so we have to be careful when we jam different culture together.
E	<ul style="list-style-type: none">• We make sure Macau people get the best-salary jobs—dealer and provide them with training.• Replace waiters with staff from Mainland China.• We are asking the government to open the border 24 hours a day, 7 days a week to Zhuhai, so our employees can live in Zhuhai and come to work in Macau. We are asking for two special lanes for employees, they can just swipe their card and go through the border. We also might provide shuttle buses to the employees.• We tell schools, including Mainland China schools what we need, and provide them with scholarships. We ask them to educate the students and then we hire the students.
F	<ul style="list-style-type: none">• Still local focus first. Give locals the better jobs.• Hong Kong people integrate into Macau very well. Through Macau labor agent, we imported construction worker directly

from Hong Kong.

- We will import 50% of labor from Mainland China for the no-gaming operation. We bought an apartment building in Macau with 800 unites to help people from Mainland China settle down.

H

- Issue is for qualified labor. Training is the key.

K

- I do not see it as an issue. It depends on the company to train the personnel. Train the employees and motivate employees.
-

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