THE DEVELOPMENT OF SMALL ACCOMMODATION ENTERPRISES IN KELANTAN: AN OBSERVATION

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Abstract
This article is based on a study of a number of small accommodation enterprises in a tourist destination. It focuses on issues that are related to problems faced by entrepreneurs or owner-managers in developing or enhancing their business enterprises. Among the issues discussed are the training of owner-managers, their informal or formal qualifications before starting business, and the use of formal or informal capitals to construct their enterprises. Data were obtained through in-depth interviews. A number of owner-managers were identified and interviewed, based on a selected list of small accommodation enterprises. Results indicate that there are two underlying factors which, combined together, have resulted in the inception of these enterprises. The first refers to the economic and practical resources needed by owner-managers to operate their business, such as capital and training. The second factor relates to influential factors shaping the businesses, which are the cultural beliefs that conform to the religious faith of the local people. This article explains how such factors have influenced the way tourism enterprises operate in the destination.

Keywords: Small; Accommodation; Enterprises; Owner-manager; Tourist destination.

JEL Classification Codes: L83; Q2.

1. Introduction
The article focuses on the development of small accommodation enterprises in Kelantan, an increasingly popular destination among domestic tourists. It firstly discusses the significance of small or informal enterprises in the context of the tourism industry. The paper then documents the characteristics of small or informal forms of tourism suppliers and further discusses the benefits of these tourism-related enterprises. The paper then shifts focus to the main crux of the presentation, which concerns the characteristics of small accommodation enterprises. Specifically, the paper focuses on answering the following questions:

- What are the characteristics of small accommodation enterprises?
- What are the factors affecting the foundation and operation of small accommodation enterprises?
- What are the implications of these factors on the foundation and operation of the small accommodation enterprises?

2. Development and Small Tourism Businesses
Kothari and Minogue (2002) contend that development has plural meanings. It has various meanings that include “economic growth, structural change, autonomous industrialisation, capitalism or socialism, self actualisation, and individual, national, regional and cultural self-reliance” (Harrison, 1988, cited by Telfer, 2002, p. 36). Similarly, Hettne (1990) argues that its definition is constructed in the context of structural transformations involving social, cultural, economic and political changes. Sharpley (2002), on the other hand, argues that development is used descriptively and normatively to describe the process where society moves from one condition to another in order to achieve the goal of that process. In this sense a relative concept is used to situate the condition of an entity. Sharpley also notes that there is a notion among scholars that development is a philosophical concept that seeks a desirable future through a set of plans so as to mark society’s achievement. In this context development evolves in a positive manner, thus associating it with progress.

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With regard to the development of the tourism industry, researchers focus on both, the supply and consumption sides of the industry. However, most studies on the tourism industry, with the exception of a few works like Wahnschafft (1982), Sheldon (1986) and Kermath and Thomas (1992),\(^1\) ignore the existence of two divisions within the industry: small or informal and large or formal business sectors (Oppermann, 1993). Sheldon (1986), for example, contends that there are many small, less stable but few large, stable tour operators in the United States.\(^2\) Sheldon goes on to contend that this polarised trend of the tour operator sector is expected to continue, especially when large firms become vertically integrated through the purchase of accommodation, transportation and other supply components. Such integration allows reduced costs of operation, and at the same time enhances the firms’ competitive values. According to Wahnschafft (1982), Michaud (1991) and Kermath and Thomas (1992) since both the informal and formal sectors do not mostly occur in the same tourist resort, most studies on specific resort areas would most likely expose one sector, and it is most likely that they revolve around the formal sector.\(^3\) Hence, the study of informal or small tourism businesses and their role in the tourism economy of destination area is neglected, with the exception of few works such as Shaw and Williams (1990, 1994) and Thomas \textit{et al.} (1997), even though the industry is dominated numerically by a large number of such businesses (Page \textit{et al.}, 1999).

Shaw and Williams (1990) contend that studies of small enterprises in the manufacturing industry are widespread, while studies of their counterparts in the service industry, particularly relating to tourism, are sparse, although they are generally known to contribute to processes of development in many developing countries. Entrepreneurs of small tourism-related enterprises contribute to raising productivity, the dispersal of the economic power base through industry ownership, creating employment, commercialising innovative products and creating new markets. In the same vein, Zane (1997) argues that the bed and breakfast sector can benefit a small community where the lack of large hotels has seen the sector employing previously unemployed people such as housewife and single parent. Moreover, such development is less likely to cause resentment, particularly when there are substantial benefits to host communities (Rodenburg, 1989). Thus, small enterprises can fill in the void posed by larger, more bureaucratic organisations such as TNCs, particularly when the former can respond more effectively to changes in marketplace, partly due to their flexibility in moving to new sources of demand (Echtn er, 1995). Wanhill (2000) adds that this is partly attributed to small capital involved. However, small enterprises are more often than not relegated to the spot behind the more salient large enterprises. For example, in the context of enclave tourism Shaw and Shaw (1999, p. 76) contend, “… the reality of enclave tourism is that local people and informal enterprise are relegated to a marginal ‘other’, occupying the diminishing space of the public beach, vacant plots between hotels and the few restricted enclave exits”.\(^4\)

It is not my intention to dwell on the definition of small business enterprises here other than to give a sense of variation and, thus, the scope of the area we are dealing with. There is no specific definition of small enterprise other than a multitude of guidelines used by researchers to serve their own purposes. The definition given by the UK National Survey of Small Tourism and Hospitality Businesses (Thomas \textit{et al.}, 1997), which represents a fusion of the European Commission’s accounts of small businesses, for example, delimits small tourism and hospitality enterprises as those employing ten to forty nine people, while very small or micro-small enterprises as those employing fewer than ten employees. Mackun (1998), however,

\(^{1}\) These researchers focused their work on resort areas, and exclusively on the impacts of government policies on tourism related businesses.

\(^{2}\) These tour operators package tourism products and sell them either directly to tourists or through retail travel agencies in the origin markets.

\(^{3}\) Wahnschafft considers tourism informal sector as involving hawkers, street vendors, prostitutes, craftmen, etc., while the formal sector as those of tourism accommodation, restaurants, recreation centres, souvenir shops, etc. Michaud on the other hand, defines informal sector as small hotels, guesthouses, hawkers, etc., while the formal sector consists of large hotels and restaurants. Kermath and Thomas describe informal sector as street and beach vendors, while the formal sector as consisting of the other establishments.

\(^{4}\) Shaw and Shaw (1999) attribute informal enterprises as those that include mobile hawkers, tee-shirt sellers, shell vendors and masseurs.
characterises small hotels as having 40 or less rooms in his study of tourism-related enterprises in Rimini province, Italy.

From a consumption perspective, Cohen (1972) postulates that the formal and informal sectors are encompassed by institutionalised and non-institutionalised tourists who are served by different types of suppliers. This differentiation into a ‘formal or upper circuit’ and ‘informal or lower circuit’ has significant economic and spatial implications (Oppermann, 1993). Cohen further contends that the former is produced by, amongst others, international standard hotels, tour companies and major airlines, and hence is largely associated with tourists who have more money at their disposal. The latter involves tourists who have less money. Table 1 shows the characteristics of the two sectors.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Informal</th>
<th>Formal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Limited</td>
<td>Abundant</td>
</tr>
<tr>
<td>Technology</td>
<td>Labour-intensive</td>
<td>Capital-intensive</td>
</tr>
<tr>
<td>Organisation</td>
<td>Primitive</td>
<td>Bureaucratic</td>
</tr>
<tr>
<td>Ownership</td>
<td>Individual, family</td>
<td>Companies</td>
</tr>
<tr>
<td>Prices</td>
<td>Negotiable</td>
<td>Generally fixed</td>
</tr>
<tr>
<td>Inventories</td>
<td>Small quantities</td>
<td>Large quantities and/or High</td>
</tr>
<tr>
<td></td>
<td>Poor quality</td>
<td>quality</td>
</tr>
<tr>
<td>Fixed costs</td>
<td>Negligible</td>
<td>Substantial</td>
</tr>
<tr>
<td>Advertisement</td>
<td>Almost none</td>
<td>Necessary</td>
</tr>
<tr>
<td>Credit</td>
<td>Non-institutional</td>
<td>Institutional</td>
</tr>
<tr>
<td>Turnover</td>
<td>Small</td>
<td>Large</td>
</tr>
<tr>
<td>Profit margin</td>
<td>Large per unit and Investment costs</td>
<td>Small per unit and Investment costs</td>
</tr>
<tr>
<td>Education</td>
<td>Unskilled</td>
<td>Skilled</td>
</tr>
<tr>
<td>Regular wages</td>
<td>Less prevalent</td>
<td>Prevalent</td>
</tr>
<tr>
<td>Government aid</td>
<td>None or almost none</td>
<td>Extensive</td>
</tr>
<tr>
<td>Dependence on foreign countries</td>
<td>Small or none</td>
<td>High, externally oriented</td>
</tr>
</tbody>
</table>

Source: Adapted from Oppermann (1993)

Many of these small tourism-related enterprises are individually and family owned businesses (Shaw and Williams, 1987; Williams et al., 1989; Weaver, 1991; Mackun, 1998). For example, Williams et al. in their studies of the Isles of Scilly’s direct or indirect tourism-related businesses, of which a majority of them were small, such as in the accommodation, retailing and restaurants sectors, found that 85% of businesses were held by single individuals. A similar trend was also discovered in several British tourist destinations (Shaw and Williams, 1998). For example, many small tourism-related enterprises in Cornwall were owned by individuals (Weaver, 1991).

From a different perspective, there were a diverse range of reasons for small-scale entrepreneurs to enter the hotel industry (Stallibrass, 1980). There were economic motives for many entrepreneurs to enter the industry. Thomas et al. (1997), for example, postulate that 10% of their sample respondents were being driven into the industry by unemployment. But, many of owner-managers of small hotels did not have an economic motive when they pursued the businesses. Motivations included the desire to live in an attractive, beautiful environment (Brown, 1987). Many of the entrepreneurs had low levels of relevant training before they entered such businesses (Brown, 1987; Shaw and Williams, 1987). For example, Shaw and Williams contend that only 11% of hotels, guesthouses and self-catering owners in Cornwall possessed relevant experience prior to their engagement in such businesses. Consequently, many encountered problems. These were further exacerbated by their lack of relevant formal qualifications (Nuntsu et al., 2003). Wanhill (2000) states that only a third of these enterprises are successful, leaving a third struggling to survive and the other third going either way. Such a characterisation is underlined by the factor that a majority of these establishments are relatively young (Shaw and Williams, 1990; Nuntsu et al., 2003). Nuntsu et al. in their studies of the bed and breakfast sector in Buffalo City, South Africa, further contend that at 3.6 years, the
average age of businesses in the sector is very young. Thus, there need to be improved levels of training for these entrepreneurs, and the need to advise on such training (Shaw and Williams, 1990).

The different levels of training and experience had resulted in varying degrees of management abilities and entrepreneurial skills (Shaw and Williams, 1998). Lerner and Herber (2000) argue that managerial skills provide the strongest association with the performance of small tourism-related enterprises. In fact, they argue that the lack of managerial skills is one of the main barriers to a small business venture’s success. Having said that, Penn et al. (1998) argue that the industry is characterised by a lack of business or marketing plans, a feature that is connected to the notion that entrepreneurs had little idea about the need to draw on management strategies for their businesses. This problem is the result of the entrepreneurs’ lack of relevant formal training and experience. Coupled with the notion that they mainly used informal forms of capital, they were not forced to come-up with formal business plans, which traditionally accompanies requests for commercial loans. This is important given that many small hotels rely almost totally on the entrepreneurial skills of their owner-managers (Shaw and Williams, 1990). Thus, in cases where the lack of entrepreneurial skills may impede the smooth operation of these hotels, advice from mentors who had years of experience running such establishments could be very helpful. As such, Nehrt (1987) argues, entrepreneurial mentors play a crucial part in the development of new business ventures because they are the role models to new entrepreneurs.

In a different context, some research findings also showed that a majority of small accommodation enterprises had no full-time worker except for the owner-manager (Shaw and Williams, 1987; XII Censimento Generale Della Populazione, 1991, cited by Mackun, 1998, p. 267). Shaw and Williams, for example, argue that 48% of the tourism-related businesses in Cornwall had no full-time worker while only 10% had one full-time worker. On the other hand, Thomas et al. (1997) argue that although there are substantial numbers of enterprises that employ full-time or part-time employees, many of them however do not send their employees for training. A reason for this phenomenon is that these enterprises are constrained by their small operating budget, which allows only outgoings such as utilities bills and staff pay to be given priority.

From a different perspective, the service sector is dominated by many part-time workers who are paid low salary for their low skill work (Jordan, 1997; Lafferty and van Fossen, 2001). Hennessy (1994) further argues that a majority of these part time workers were women. Within the tourism and hospitality labour market, the sector has a high incidence of part-time, female, casual and temporary workers (Jameson, 1998). Jameson further suggests that female workers may accept informal working conditions and lower wages compared to male workers who are more concern in getting with long term security. Hennessy and Breathnach et al. (1994) argue that the tourist industry as a whole is characterised by the employment of a significant number of men in both skilled and non-skilled positions, such as in management and portering respectively, while the utilisation of women was more concentrated in low skilled positions such as waiting and serving. However, their arguments, which were based on findings in England and Ireland respectively, differ from the findings of Censimento Generale Della Populazione (1991, cited by Mackun, 1998, p. 267) in terms of the types of low skilled tasks performed by men. The latter postulates that the industry in Italy comprised of a high percentages of men working as cooks and waiters. The sector mainly used local labour (Mackun, 1998), thus dispersing the economic benefit of the industry to local community. As such this increases backward linkage. However, recruitment for these workers is often done through informal and unsystematic recruitment techniques such as word-of-mouth (Thomas et al., 1997). Page et al. (1999), however, argue that “the use of informal recruitment methods also reflects the potential for discriminatory practises where gender or racial discrimination may results, often disadvantaging ethnic groups or indigenous people” (p. 447).

5 In parallel, Page et al. (1999) suggest that the average length of ownership of small tourism-related businesses in the Northland region of New Zealand as just over 5 and a half years. However, a study by Ioannides and Petersen (2003) on tourism non-entrepreneurship in peripheral area of established western European destination, found the average length of time owners had their businesses as being 13.4 years. This far exceeds averages in new areas of tourism development.

6 Academic and professional training in the same area of business practice.

7 Capital other than government, bank or financial institution loans, such as personal and family savings.
Another feature of these small enterprises is that their formation is underpinned by varied sources of capital (Stallibrass, 1980; Brown, 1987; Shaw and Williams, 1990), ranging from personal or family savings to commercial loans. The sector is characterised by low levels of capital investment, and the main source of capital is personal and family savings (Shaw and Williams, 1990). Shaw and Williams contend that 50% of small business entrepreneurs used personal and family savings as the main sources of capital in their studies of tourism-related businesses in Cornwall. Commercial loans from banks, building societies or financial institutions play a minor role, although they were often used in conjunction with personal or family savings (Shaw and Williams, 1987).

As far as publicity is concerned, word-of-mouth is the most prevalent marketing tool used by small enterprises (Zane, 1997; Nuntsu et al., 2003; Johns and Mattsson, 2005). Johns and Mattsson (2005) add that such practice is used to good measure through enterprises’ heavy reliance on a network of good business and social connection. This implies a high degree of collaboration among the industry’s players. Furthermore, a significant portion of small business is also affiliated with various support groups (Thomas et al., 1997; Nuntsu et al., 2003). Nuntsu et al., for example, contend that 67% of bed and breakfast operators surveyed are affiliated with tourism bureaus. Another factor is that some enterprises have also started to recognise the use of internet facilities to market their products. According to Thomas at al. (1997), the internet will be used more often in the future years as entrepreneurs start to realise its potential. Similarly Buhalis (1998) argues that such technology would be beneficial to small entrepreneurs because of its global access. Moreover, specialist businesses, many of whom are considered small, can take advantage of the Internet and international communications pose by globalization (Knowles et al., 2001).

3. Methodology and Sampling

The internationalisation of tourism in Malaysia has not benefited the country uniformly, and hence, some areas remain in the shadow of the more developed ones. The latter, which can better facilitate the accommodation of tourists through their numerous modern and international standard hotels and resorts invokes a manifestation of the polarization effect of economic activity resulted from an imbalance in development planning and implementation (Myrdal, 1957; Dieke, 1993). Kelantan, which remains in the shadow, was picked as the site for the study.

Hotels as opposed to other sorts of businesses were picked as the main sites for interview as they are the key entrepreneurs providing tourist accommodation. Pearce (1989) contends that tourists spend approximately one third of their budget on accommodation. Visitors spent approximately 31% their budget on accommodation in Malaysia in 2007 (MTPB, 2007). In depth interviews on 15 owners-operators of small accommodation enterprises were conducted based on a prepared list of such businesses. The list was prepared based on a number of sources. The Kelantan, Pahang & Terengganu Yellow Pages 2002/2003 provided the basis for the list because it had the names and addresses of enterprises, their phone numbers and fax numbers. The MTPB’s website provided a list of 63 accommodation enterprises throughout Kelantan, with their names, phone and fax numbers, their price range, and some indication of star ranking. The Kelantan government website provided only a rudimentary list of hotels, hostels and guesthouses. The list covered the names of just 41 enterprises throughout the state, with no address or contact number. Table 2 shows the final number of enterprises according to a-two price tiers of RM49 or less, and RM50-RM99, based on the maximum room price each unit commanded.

<table>
<thead>
<tr>
<th>Price</th>
<th>Number of Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM50-RM99</td>
<td>30</td>
</tr>
<tr>
<td>RM49 or less</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
</tr>
</tbody>
</table>

4. Findings

Findings show that many of the small enterprises have been inherited from deceased parent(s). For example, the benefactor of a small budget guesthouse that occupies the second and third floor of a terrace building is a young male proprietor who inherited it when his father passed away in 1995 (HYG). There was also a case where the owner inherited the business from her husband after the latter passed away.
(HHK). The owner inherited a small three-story hotel of 14 rooms, with a restaurant on the ground floor, from her husband who had died eight years previously. While some of the businesses have been inherited from parents or spouses, this does not necessarily happen when the owners pass away. There are also owners who inherit their businesses from surviving parents (HPT, HSC). For example, the owner of a 22-room inn, a three-story detached building with spacious compound, inherited the property from his father during the middle of 2000 (HPT). The father, who started the lodging business way back in 1984, gave him exclusive ownership of the inn. The father also gave his other children business properties like a retail petrol station. This exemplifies the family as an institution which allocates resources among its members.

Apart from owning current businesses through the medium of inheritance, many of the small businesses were also set-up by their current owners. Among the many cases where businesses were set-up by the current owners, there was a case where inherited residential property was used as a platform to launch a small lodging business (HEG). Envisioning opportunities offered by the hotel provision drove him to delve into the lodging business. However, envisioning the opportunity offered by the lodging provision does not always have such economic advantages. According to the owner-manager of a small guesthouse, venturing into the lodging business was meant to fill his time during retirement (HSM). His idea to enter this sector came from observing hotel operations while undergoing an agricultural course in Japan.

In cases where businesses have been inherited from the parents, there are occasions when the current proprietors learnt the trade from the parents. One example is a proprietor who gained his experience through helping his father when the latter was in charge of running the guesthouse (HYG). An owner-manager of a budget guesthouse offers a different story, in that he had no experience of running an accommodation unit when he started his own (HAG). With no formal qualification in the hospitality field, he learnt to manage the guesthouse from the day-to-day experience of running it. He was a full time building sub-contractor before venturing into the business after receiving ownership of the guesthouse from his family.

Some owners used their savings to start their businesses. One proprietor, for example, converted his house, which was initially rented out, into a guesthouse (HSM). His personal savings were enough to modify the house to conform with local regulations such as fire-safety. This notion is consistent with Shaw and Williams’s (1990) argument that personal and family savings are the main sources of capital for small-scale tourism entrepreneurs. Another proprietor further attributed his use of personal savings, rather than bank loans, due to the risk involved. He was afraid that he could not repay his debt if the economy turned downwards (HPT). On the other hand, personal savings were combined with other forms of capital to start businesses. The owner of a small chalet explained, “I used a small amount of capital to construct the chalet. It is because I utilized cheap, used materials. I also used Thai labourers, which was far cheaper then using local labourers. I sold a car, a van and a lorry to finance the construction. I spent 50-60,000 [Ringgit Malaysia]” (AMB). As it was, bank loans were also used to start businesses, but they were usually used in tandem with other forms of capital, as one proprietor explained. “I used my own savings to buy this house. Then I sold my car and van. I sold almost everything to finance the purchase. I used a bank loan to settle the rest of the amount” (HIT). However, some owners had trouble in securing bank loans to start their businesses, particularly when the latter needed collateral.

Nonetheless, there were several operators who had submitted their applications for a government micro-credit loan scheme, which involved a few local banks (HYG, HEG). The scheme had been set-up by the federal government to encourage small and medium-scale business entrepreneurship among ethnic Bumiputera. Participants in this scheme have to join a local business association, and the banks involved in the scheme select mentors among the members of the association. The mentors, who might not be within the same business field as the participants, have to advise the latter on their business ventures. The entrepreneurial mentors are important as they usually serve as role model to new entrepreneurs (Nehrt, 1987). However, a factor that underpins the scheme was that the maximum amount allowed for such a loan stands at RM20,000, which is most likely too small to start off a decent business. “If twenty thousand [Ringgit Malaysia] [pause] I think it’s not enough [laugh]” (HEG). However the sum may be appropriate to fund the upgrading of existing facilities. A further issue that involves loans from lenders is the (re)payment of interest compounded from the loan. This was against the principle of Islam as one motel owner put it.
“But when I was briefed, what was regrettable was that there was an element of interest, I think 3.5%. The person from the bank said it’s a policy, he couldn’t do anything. What I did was asking if the Development Bank’s people could convey this message to the upper echelon so that this matter could be analysed, [the loan could be undertaken through Islamic procedures]”. (HSM).

According to Qutb (1977), the practice of interest or ‘usury’ in loan is forbidden in Islam. While Islam acknowledges that profits fluctuate according to social and economic conditions, such as labour, interest is not subjected to fluctuations which regulate profit. He further argues that “Making usury unlawful bars the rich from increasing their fortunes by taking advantage of need by exacting interest on loans… Without usury, the socially unproductive usurs would have to work to earn their profits” (Qutb, 1977, p. 63).

The issue of engaging labour amongst the small operators of the accommodation and attraction sectors was often resolved through the employment of family members and relatives in the day-to-day running of their businesses (HHU, HEG, HSM, AMB, AKM, HIT, HYG). Together they did the menial tasks of running and managing the enterprises. “I don't pay them. We are helping each other on this matter” (HSM). One hotel owner did the menial tasks of running the hotel together with his wife, son and daughter. This was made easier by the fact that they lived in the same premises as the business. The family lived on the second floor of the hotel building they owned (HHU). It was easy for them to reach their customers at short notice, 24 hours a day. Thus, the family members represent informal workers who play a significant role in the accommodation sector.

From a different perspective, Hennessy (1994) argue that while most positions were low skilled part-time, two-thirds of them were filled in by women, of which a majority were married. Some of the findings of this research are consistent with the Hennessy’s arguments. For example, apart from employing his wife and children’s help to run his 27-room hotel in Gua Musang, an owner-manager employed 18 woman-workers to work at his restaurant, which occupied the ground floor of the hotel (HHU). The women worked to prepare food and serve customers in two shifts, from 6 a.m. to 2 p.m. and from 2 p.m. to 10 p.m. Apart from the occasions when there were seminars held in the hotel, the restaurant mainly served a local clientele. The usual practice was that ordinary hotel rooms’ occupiers had to pay to eat at the restaurant because the room price did not include meals or breakfast.

Activities on marketing research, marketing planning and pricing approaches, although important, are relatively non-existence in small enterprises, and if they exist, they were very much occur as a reaction rather than as pre-planned programmes. On the other hand, promotion activities are widely practiced by small enterprises. Promotion activities contribute towards the formation, and, at a later stage, the operating of these enterprises. Marketing was not given high priority by small-scale business operators. Most of the small enterprises did not have a specific financial allocation for marketing purposes because they simply had no large revenue to which they could turn. Nonetheless, rudimentary marketing techniques were used to woo customers. Most would rely on word-of-mouth (HAG, HIT, HHU, HMI). For example, one operator in Gua Musang resorted to ‘word-of-mouth’ to advertise his hotel, aware that other forms of marketing were beyond his hotel’s budget (HHU). This is important given that the town, where the hotel was located, was not a tourist town like Kota Bharu and its vicinity, where many tourists congregated. However, the owner claimed that such a method worked because some of his ‘first-time’ clients got to know of his hotel through other people.

Signage, banners and leaflets were also common forms of marketing tools employed. They were simple and cheap to use. Leaflets are given to inter-state express bus drivers and signs or posters pasted in strategic places such as the bus and taxi stations (HAG). The national and state governments also helped when they incorporated many of the small enterprises’ addresses and contact numbers in their lists of accommodation facilities, which were then disseminated to travel agents. One operator of a small motel bought a local radio advertisement slot. While the coverage was not extensive, just within Kelantan, the high cost incurred caused the operator to abandon this marketing technique after using it once (HSM).

Another simple but effective marketing strategy employed by small lodging enterprises that specifically targeted foreign tourists was through the inclusion of their addresses and facilities in a handy travel guide book often referred to by tourists, such as the ‘Lonely Planet’ (HEG, HKB). “We contacted ‘Lonely Planet’
when we opened up this place. They put our name and description in that book” (HKB). Many of these enterprises, including those that did not see foreign tourists as a substantial part of their clientele, also used homepages on the internet. These findings are supported by Thomas et al. (1997), which further adds that over the next few years the internet would be more prevalent as small enterprises recognised its potential. In the same vein, Buhalis (1998) argues that small enterprises can benefit from the advent of modern information and communication technology. In the case of Kelantan, however, such techniques did not amount towards accommodating advanced bookings for rooms or other services.

Operators of small accommodation enterprises were also willing to employ aggressive methods such as giving commissions to taxi drivers who managed to channel their passengers to their establishments (HPT). This action, however, resulted in other operators being robbed of their potential clients. One operator charged that some taxi drivers would simply lie by implying to tourists that the hotels they would like to go to were fully occupied. Commissions were also given to operators who channelled customers to receiver hotels when the former could not allocate rooms due to full occupancy (HAG, HEG). Such actions enhanced strong collaboration among entrepreneurs of small hotels in Kota Bharu. According to Johns and Mattsson (2005), small businesses rely heavily upon various forms of business links and also social family networks. Collaboration was also seen between a chalet operator in Tanah Merah town with her tenants. The operator gave a complimentary stay for a film crew who were filming local traditional cooking, and in return the latter indirectly promoted the chalet when the film was aired on national television (HSC). It was an effective marketing method because the chalet saw a significant rise in its occupancy rate after the programme was aired. From a different perspective, the above evidence showcases a social-business network that started to be valued by tourism-related entrepreneurs. Similarly, Quaderni (1994, cited by Mackun, 1998, p. 268) makes a similar argument regarding the tourism sector in Rimini Province of Italy.

From a different perspective, the ratio of domestic to foreign tourists in Kelantan is 80% to 20% respectively (UPM, 2000), with most small hotels in Kelantan dependent largely on domestic tourists as their main clients. Most of these domestic tourists were Malays, as exemplified by one operator. “Most of our clients are Malays. Maybe about 10% are non-Malays” (HMI). Domestic tourism according to Jafari (1986) produces several socio-cultural benefits, which includes the erosion of cultural and social barriers. Such barriers were initially installed by regional, ethnic, language and religious difference. In the case of Kelantan where a majority of the domestic tourists were Malays from other parts of the country, language was still a barrier between Kelantan Malays and out-of-state Malay visitors because Malays from different regions tended to speak regional dialects. However they tend to generate camaraderie on the basis of being Malay when they visited Kelantan. As some hoteliers indicated, a segment of their mainly Malay holidaymakers came to Kelantan because of the Malay cultural identity for which the state was famous, as the ethnic group formed more than ninety percent of the state’s population (HSM, HMI, HAC, AMB).

As most of the domestic tourists were Malays, and steadfastly Moslem in their religious practices, some of them wanted to see and feel the different atmosphere arising from a different political tutelage. The Kelantan State Government, which is led by the PAS8 party, expounds Islamic culture in the every day life of the people. For example, they put-up banners in strategic places in Kota Bharu as well as other places, encouraging cleanliness among the locals. In addition, many hotels and attraction sites provided basic religious paraphernalia for their guests to observe their religious obligation (HAG, HIT, HKK, HAC). Understandingly, many of the Malay owned small enterprises provided such facilities and services.

Many of these domestic visitors are also returnees from urban areas, visiting friends and relatives (HSC). During the Moslem religious festival known as Eid, thousands of them return from Kuala Lumpur and other regions of the country, creating a gridlock in Kota Bharu. In other respects, some of these urbanites behave in a peculiar way. The insensitivities portrayed by the visitors tend to widen the gap between the visitors and the visited. Following this lead, there are some similarities in the case of Kelantan when some urban Malay visitors behaved in similar way, such as bringing and staying with their unmarried partners in the same hotel room, a practice which is not only unIslamic but also against the traditional norms of Asian culture (whether Malay, Chinese or Indian as the case of Malaysia) (HAG, HSC). Many Malay hotel operators resented such behaviour. They would give excuses such as lack of available rooms to the visitors.

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8 ‘Parti Islam seMalaysia’ or its acronym is an Islamic based opposition political party.
if the latter aroused their suspicion. Furthermore, there was a special religious task force set-up by the local 
authority that would enforce the national constitution’s ruling against promiscuity by Moslems (HSC). 
Offenders would be charged in a ‘Syariah’ court. The implication here is that the socio-culture of the 
locals has some considerable impact on the development of these small hotel businesses, as they were 
willing to disregard a segment of the market. This segment, although small, would make a difference in a 
sector, particularly in off-setting seasonality. Hard earned profit would redeem the off-peak seasons when 
the occupancy rate is low.

5. Conclusion
First of all, findings in this paper substantiate previous findings, such as Shaw and Williams (1987), 
William et al. (1989) and Thomas et al. (1997), which postulate that small tourism-related businesses are 
characterised by informal forms of capital, owners’ inexperience and informal labour employment. The 
utilisation of family members as an informal labour force, on the other hand, casts the production of labour 
outside the logic of capital because such a process involves unwaged work (Hudson, 2000). Hudson 
contends that in a capitalist production system, labour is essentially comodified and paid by capital to 
produce goods as well as services. From a different perspective, small business enterprises can compete 
with large establishments on the basis of cost where access to informal employment reduces the cost of 
operations.

Meanwhile, the development characteristics of the small accommodation sector in Kelantan reflected a 
development trajectory, which was not compatible with the development trajectory of western capitalist 
production systems, which put value on profit (Ibid). However, Ateljevic and Doone (2000) argue that 
lifestyle rather than profit motivates the operation of some small tourism-related businesses in New 
Zealand. The Kelantan development trajectory was subjugated by creed, particularly in the expectations of 
Islam in the hospitality arena, where disciples are morally obligated to provide space for guests to perform 
religious obligations and hence, profit was not the utmost goal in this society. In light of this, tourism 
entrepreneurs have a role in acting – as brokers within the host community.

References
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9 The court, which is separated from the country’s civil court, operates to enact Islamic religious laws 
(Mokhtar: 2002). These laws however, bind only Moslems.


### Appendix 1

<table>
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<th>Code</th>
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<tr>
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<td>15</td>
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