

Research Proposal Focused on Recovery of Macao's Economy After COVID-19 Pandemic

—Construction of Integrated Tourism Destination with Multi-Aspect Entertainment Service

Youjin Cao, Jiaxin Chen, Junyi Gu, Shengkai Wang

Macau University of Science and Technology, Jiamao Parish, Macau Special Administrative Region, 999078, China.

Abstract: The aim of this proposal is to revitalize Macao's tourism industry through a comprehensive analysis of its institutional background, potential market, and social resources. By utilizing various economic models and theories, the proposal explores the impact of optimization of service system such as integrating childcare services into shopping malls and hotels, as well as the development of entertainment exhibitions, elucidating the potential to enhance market competitiveness and overall utility. Drawing from relevant literature, the proposal presents objective and feasible recommendations. It delves into the significance of collaboration between the exhibition and entertainment industries, emphasizing the need to develop a new high-profit industry to balance the income structure of the tourism sector. The proposal recommends strategic plans to drive revenue growth. Furthermore, it illustrates the pivotal role of high-net-worth mainland Chinese customers in Macao's tourism industry and the potential to expand entertainment exhibitions to attract more tourists. The proposal also presents the profit models of childcare services, highlighting the need for favorable policies and effective publicity to maximize social output. By combining these insights with economic principles, the proposal aims to provide a profound understanding of the current status and future prospects of Macao's tourism industry. Additionally, SWOT model is used to reflect benefits and improvement directions of the proposal.

Keywords: Intergrated Tourism in Macao; Multi-Aspect Entertainment Service; Conference and Exhibition; Babysitting

1. Introduction of this project

Since the lifting of the pandemic lockdown, Macao's social economy has gradually recovered to about 70% of its previous level. The reason why it cannot return to the normal level before COVID-19 is the downturn of global economy during the pandemic, especially mainland China, the main source of Macao's travelers. This situation makes Macao government realize the necessity to expand their tourism industry to satisfy various demands from the existing and potential travelers to be more attractive among all similar traveling destinations. In this case, entertainment industry is definitely an ideal aspect for Macao to construct the global integrated tourism destination. Our purpose of the study is searching for ways to help Macao enhance the development of its integrated tourism from the perspective of entertainment activities, especially exhibition and service system of multi-function resorts.

2. Institutional Background

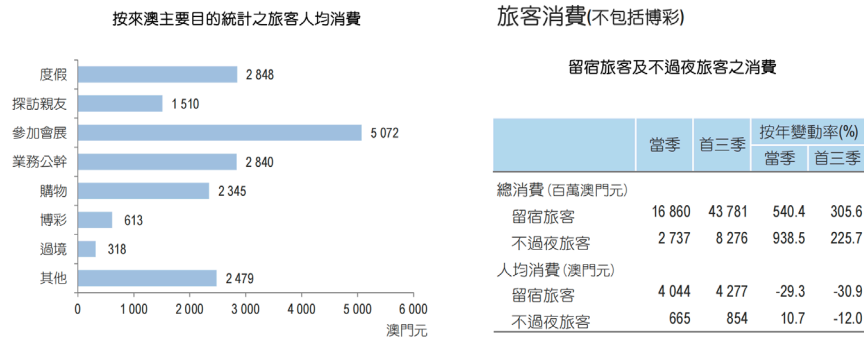
2.1 Policy Aspect

Since Macao's return to the motherland in 1999, the "one country, two systems" system, has been implemented deeply. It closely promotes the integrated development and win-win cooperation between Macao and the mainland, China. Over the past 20 years, the promulgation of relevant cooperation policies has been widespread in the mainland, especially in Guangdong Province.^[1] Good cooperation relationship not only promotes the harmonious relationship, but also drives the economic development of both sides, which has become the vigorous development of Macao's gaming tourism and its derivative industries, such as the conference and exhibition field. After COVID-19, Macao has also promulgated the latest policies for the recovery and development of the conference and exhibition industry. All conform to the industrial trend of "1+4 industry diversification" formulated by the Macao government. As for mainland, with the promotion of major national strategies such as the Belt and Road Initiative, the Greater Bay Area and Hengqin-Macao Deep Cooperation Zone, more new opportunities

have been brought to Macao. It can be easily seen that the development prospects of the conference and exhibition industry corporated with mainland can be described as a significant chance to recovery and develop for Macao.^[2]

2.2 Potential Market Aspect

The per capita spending patterns of visitors in the initial three quarters of 2023 indicate that those attending exhibitions tend to spend significantly more than others. This highlights a notable potential for growth in the exhibition industry. Consequently, prolonging visitor stays through increased participation in exhibition activities could be an effective strategy to generate additional revenue.



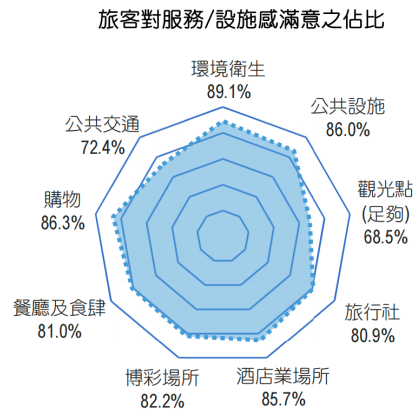
When it comes to Tourism Price Index (TPI), the index of entertainment and cultural activities accounts for relatively smaller portion but has a relatively high positive annual gradient.

	商品及服務大類							
	食品及煙酒	衣履	住宿	餐飲	交通及通訊	藥物及個人用品	娛樂及文化活動	雜項物品
權重	12.78	15.81	23.06	17.47	8.11	6.33	2.07	14.38
按季變動(%)	1.02	-5.43	14.87	0.32	3.27	1.51	0 [#]	-1.24
按年變動(%)	3.92	4.90	180.00	2.32	0.69	4.30	17.01	4.43

Also, recent exhibitions mainly focus on commerce, business, healthcare, and technological innovation field. Exhibition activities about entertainment and travel have not been widely explored yet. This implies that people have not noticed the potential of collaborations between exhibition and entertainment industry.

	活動數目 N.º de eventos No. of Events			與會者/入場觀眾(人次) Participantes e visitantes (n.º) Participants & Attendees (No.)			平均會期/展期(日) Duração média (dia) Average Duration (day)		
	2023	2022	差異 Diferença	2023	2022	變動 Variação	2023	2022	差異 Diferença
	第3季 3 rd Quarter	第3季 3 rd Quarter	Diferença	第3季 3 rd Quarter	第3季 3 rd Quarter	Change (%)	第3季 3 rd Quarter	第3季 3 rd Quarter	Diferença
總數 TOTAL	245	74	171	545 406	341 084	59.9	1.4	1.3	0.1
銀行及金融 Bancária e financeira Banking & Finance	18	6	12	2 401	515	366.2	0.9	1.1	-0.2
商業、貿易及管理 Comércio e gestão Commerce, Trade & Management	99	32	67	451 955	311 705	45.0	1.4	1.5	-0.1
教育及培訓 Educação e formação Education & Training	13	-	13	2 217	-	-	1.9	-	1.9
資訊及科技 Informática e tecnologias IT & Technology	32	10	22	5 503	1 262	336.1	1.7	1.2	0.5
醫療健康 Saúde Medical & Health	29	7	22	8 358	589	1 319.0	1.2	0.8	0.4
旅遊 Turismo Tourism	18	4	14	40 831	23 802	71.5	1.2	1.1	0.1
文化及藝術 Cultura e artes Culture & Arts	16	7	9	10 091	2 299	338.9	1.4	1.8	-0.4
司法及法律 Justiça e direito Judiciary & Law	9	2	7	1 125	278	304.7	0.8	1.8	-1.0
其他 Outros Others	11	6	5	22 925	634	3 515.9	1.1	0.6	0.5

According to customer feedback, tourists are significantly less satisfied with public transportation and the amount of sightseeing spots than with other aspects.



How to eliminate this disadvantage is a direction for further development of exhibition and entertainment industry. Therefore, Macao's government and related firms can take advantage of this opportunity to develop a brand new high-profit industry to balance the income structure of tourism industry.

Turn our gaze to the construction of tourist source, according to the DSEC statistics, the main source of the travelers to Macao is mainland Chinese travelers. After the lockdown was broken, the situation restores the state before pandemic, but the amount of Chinese mainland travelers still account for more than half of total amount. Moreover, according to the data from Chinese government, Macao has overtaken Hong Kong as the top traveling destination for Chinese travelers, even though Hong Kong raised the blockade at the same time with Macao, either. In this case, Chinese mainland customers play a significant role in Macao's tourism. Macao's tourism industry can focus on high-net-worth Chinese mainland customers' needs and provides some unique services correspondingly to yield more revenue.

2.3 Nowadays Social Resources Aspect

When talking about exhibition facilities, Macao has advanced expos which are able to hold international-standard exhibition activities. For instance, Cotai Expo is equipped with enormous space which can accommodate 15000 visitors at the same time. Meanwhile, integrated resorts with catering, accommodation, shopping, and other functions can provide strong support for exhibition activities.

When it comes to social regulations, mature security system, visa-free entry policy and financial support from government has created much convenience which attract many exhibitors to participate in the exhibition activities.

3. Theoretical framework and Literature review

3.1 Relevant Economics theory:

According to the Utility Theory, investing in babysitting services in Macao's shopping malls and hotels provides a new value-added service, helping to enhance the market competitiveness of hotels and overall utility. In terms of Supply-demand relationship, with the growth of the family travel market, there is an increasing demand for hotels and shopping mall with babysitting facilities from family customers. The investment in babysitting services in Macao's shopping malls and hotels provides more comprehensive family services, meeting the needs of families with children and increasing the attractiveness of malls and hotels to visitors. Considering Consumer Behavior, consumer behavior is influenced by the services provided by hotels and shopping malls, especially parents' perception of babysitting services, which can extend to the hotels and malls that provide such services. Applying the principle of cross-price elasticity of demand, this principle reflects how one product or service affects the demand for another. The existence of babysitting services generates a positive cross-elasticity effect, influencing the shopping demand within the mall.

Currently, some exhibitions held in major shopping malls in Macao, such as the teamLab exhibition at The Venetian Macao, are not

integrated with shopping. The integration of exhibitions and shopping can help reduce “asymmetric information”. Exhibitions provide a platform for consumers to experience a variety of products and brands in one place, allowing them to gather more information about the products and engage in direct communication and consultation with the suppliers. Brands choosing to participate in exhibitions and showcase their products demonstrate their willingness to invest resources in displaying their products.

3.2 Literature review

The combination of exhibition and tourism has become a major trend of economic development in Macao. Although compared with the Hong Kong convention and exhibition industry that has developed for more than 20 years, the development of Macao’s convention and exhibition industry is still in the embryonic stage, it precisely represents the huge potential of Macao’s convention and exhibition industry.^[3] In addition, the “Vibrant Macau Promotion Week” jointly organized with the mainland can demonstrate the diversified development of Macao’s economy and tourism, show the vitality of Macao’s city, economy and culture, and achieve the purpose of generating income while promoting the image of the city.^[4] Indeed, the prevalence of the convention and exhibition industry in Macau will bring multiple benefits and longer-term opportunities.

What’s more, there exists a view that using the gambling industry to drive the development of the convention and exhibition industry, taking the unique cultural advantages and professional development as the criterion, will inevitably make the Macao convention and exhibition industry reach a high level of profit requirements.^[5] Views above are consistent with the schemes and ideas mentioned in this paper, which provide a solid and reliable foundation for our discussion and research.

Gambling-tourism industry has created enormous income for Macao and participated as pivot industry in Macao’s social economic. However, gambling has generated plenty of serious problems in Macao’s society.^[6] Hence, Macao’s recent developing direction is to optimize tourism with existing resources to escape the gambling-dominating dilemma rather than constructing a new industry to weaken its dominance.^[7] Macao’s tourism industry is now faced with the problem of small urban carrying capability and the lack of tourist attractions.^[8] What’s more, travelers’ novelty and convenience is a vital element for tourism. How to generate these two factors is the key point and direction of developing exhibition industry.^[9] In this case, we can solve this problem through the integrative development of these two industries.^[10] The development of exhibition and multi-function resort can not only overcome the lack-of-novelty problem, but also optimize the feature of Macao’s integrated tourism destination.^[11]

3.3 Research question

Considering that Macao’s convention and exhibition industry was relatively unchanged before, almost always dominated by financial or economic industries, in order to promote the innovative development of Macao’s convention and exhibition industry, we propose the following feasible and constructive plans:

Firstly, in the post-pandemic era, it has become increasingly common for people to place their emotions on characters from virtual worlds. Macao can take advantage of its capital and regional advantages to co-host flash mob activities with famous animation IPs in internationally renowned venues such as Sands Hotel; at the same time, we can learn from the successful experience of holding comics fairs in the mainland.

Secondly, Macao can consider the joint name of the local exhibition and the culture of various regions in the mainland, and set up a “regional version” jointly launched by Macao and different regions in the mainland. Just like the joint literary creation of the North China region and Macao can combine the patterns of the Forbidden City, the Jiangnan version can integrate the Portuguese totems of Macao with the scenery of the water town. In this way, tourists will have a psychological resonance, willing to buy a commemorative souvenir that connects Macao with their hometown. Moreover, in recent years, from the perspective of microeconomics, substitution effect is larger than income effect. Due to the economic downturn caused by the global epidemic, the decrease in income has made people cut back on the consumption of big-ticket items, such as cars and houses. But the desire to consume still exists, so people will spend their spare money on the substitutes of those expensive commodities ---- “cheap non-essential things”, which is a good interpretation of the “lipstick effect”. The regional version co-branded peripheral mentioned above is one of such substitutes, which can effectively drive the income generation of the exhibition industry.

try.

Thirdly, in the combination of exhibition and other service functions provided by resorts, we advise to construct the “exhibition + shopping” model, shopping malls can integrate more shopping elements into the exhibitions. This attracts consumers to shop at the brands’ physical stores. Furthermore, dedicated shopping experience areas can be established, like BATH & BODY WORKS and LUSH at The Venetian Macao, where consumers can experience different scents of aromatic candles and bath bombs, enhancing their shopping experience and their overall spending amount.

Profit Models of Babysitting Services Provided by Macao shopping Malls and Hotels:

1. Ticket revenue: Pricing based on the overall price level in Macao.
2. Secondary consumption within childcare facilities:(1)Children’s restaurants(2) Sales of children-related products, etc.
3. Babysitting services free up parents who cannot enter the gambling area, allowing them to gamble and shop in the mall, thereby increasing gambling and luxury shopping revenue.
4. Parents choosing babysitting services may receive shopping coupons, utilizing the psychological principle of loss aversion, which often motivates continued consumption to utilize the coupons.

Turning gaze to the government, advantageous policies and effective publicity are effective and feasible strategies. Government’s target is to make social output maximized. Therefore, through government adjustments, market price, quantity demanded and supplied will be stable at an ideal value which Macao’s tourism market can attend the social-optimized equilibrium rather than the private one.

4. Research design

Based on the comprehensive investigation of the institutional background and business model, we use SWOT model to reflect the objective benefits of the proposal and the points that need to be improved and maintained in detail.

<p>Strength: Collaborations of Macao’s abundant economic foundation and mainland’s numerous emerging artists in accordance with the development and changes of The Times can inspire potentials behind these strengths benefit each other.</p>	<p>Weakness: It generates high construction and publicity cost. The audience range, effective time and space are limited.It’s also difficult to quantify statistics, also calculating the opportunities and experiences provided by the exchange of exhibitors into specific data or benefits.</p>
<p>Opportunity: Both mainland’s and Macao’s policies courage the development of economic activities related to the exhibition industry, which undoubtedly provides a good environment for cooperation and innovation and promotes sound development.</p>	<p>Threats: The rise of quite a few new media may replace the exhibition industry that can bring considerable profits to some extent, resulting in certain loss of economic interests.</p>
<p>Strengths: 1.Experience in operation and construction from mainland China can be leveraged, with the Studio City Macau’ Playground in Macao serving as a reference. 2.babysitting services require minimal infrastructure compared to amusement parks, only needing indoor spaces on 1-3 floors with appropriate toys and play equipment. 3.Provides value-added services to hotels, attracting more family customers and enhancing customer satisfaction. 4.Promotes the development of gambling and shopping industries.</p>	<p>Weaknesses: Requires investment, including operational costs and facility construction.</p>
<p>Opportunities: Currently, in major shopping malls and hotels in Macao, there is only one indoor playground, which is the Studio City Macau’ Playground. However, it is a family-oriented amusement park where both adults and children can play, and it does not provide dedicated babysitting services. Its reception capacity is limited as well. Shopping malls and the hotel industry still have the opportunity to develop babysitting services in the market.</p>	<p>Threats: 1.Economic uncertainties, such as COVID-19 lead to travel restrictions, or other economic fluctuations, may impact the family tourism market. 2.Potential new regulations or policies that could affect the business types within the shopping malls and hotel industry.</p>

To sum up, when formulating and implementing the integrated tourism plan, we are supposed to make the best use of “Strength and Opportunity”, meanwhile avoid “Weakness and Threat “as much as possible through analysis, as well as planning.

References

- [1] Ma Lili.(2010).Pearl River Delta's Regional Differentiation and Synergy. Jinan Journal, (6).
- [2] Shi Yuanmeng, Lu Baojian, Wang Xin. Research on the integrated development of Zhuhai and Macau convention and exhibition industry. Run the world.
- [3] Chen Chun, Zhang Weibin. Analysis on the development status and trend of Macau Exhibition Star Hotel. Social science forum.
- [4] Zhou Jinqun. (2020,03). Impact of off-site exhibitions promotion on city image and travel intentions——A case of Dynamic Vitality Promotion Week. World Regional Studies
- [5] Lu Jianchi. (2011,11). Research on the development of Macao convention and exhibition industry.
- [6] Lin Shuangfeng. Analysis of social problems in the development of gambling industry in Macau. Social Sciences in Guangdong,2, 213-220.
- [7] Chu Yingchia, Dong Zhilin. (2021). Thoughts and suggestions on promoting tourism industry cooperation between Macao and Hengqin. Journal of Development and Foresight. (32), 61-76.
- [8] Chen Guanghan. (2016). The Internationalization of Macao's Gambling and Tourism Industry.Studies on Hong Kong and Macao.
- [9] Hsiao Chunhsuan, Chen Shuxia, Xu Xiaohui. (2017). A study on the relationship between novelty, pleasure, perceived value and revisiting intention of Macau gambling tourists. Journal of Tourism and Leisure Management.5(1), 102-118.
- [10] Liu Renhua, Zhang Shulian. (2019). A Study on the Economic Impact and Development Strategy of MICE in Macao. Journal of South China University of Technology(Social Science Edition). 21(6), 1-8.