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**CURRENT CHALLENGES
FACED BY THE LODGING OPERATORS
IN SABAH AND LABUAN**

by

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PERPUSTAKAAN
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1 MARCH 1998

PERPUSTAKAAN UMS



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ABSTRACT

In the recent three years, the lodging industry in Sabah and Labuan has undergone rapid development with an estimated increase of more than 50 per cent in room inventory. Coincidentally, most of the up-market lodging properties in Sabah were completed in the period of the economic downturn in East Asia in general and Malaysia, in particular.

The purpose of our research is to study the possible forces which shaped the lodging industry and the major challenges faced by the lodging operators in Sabah and Labuan. This research is also to highlight the intensity of the identified challenges according to the different categories of lodging properties. A comparison will be made between the challenges encountered by the lodging operators in Sabah and Labuan and other countries. For the purpose of this research, the lodging properties are divided into three broad categories; the budget accommodations; the one, two and three-star hotels and the four and five-star hotels.

Our research findings indicated that the current economic situation, the intensity of rivalry between the lodging operators, the increased in operation costs especially in cleaning chemicals, food and beverages, the reduction in consumer spending and the lack of skilled human resources are the major forces which challenge the lodging industry. In the early 1990s, countries like the United States of America faced similar severe competition. Before the currency and stock market crisis in East Asia, Hong Kong and Thailand encountered the lack of skilled manpower owing to their robust expansion in the hotel industry.