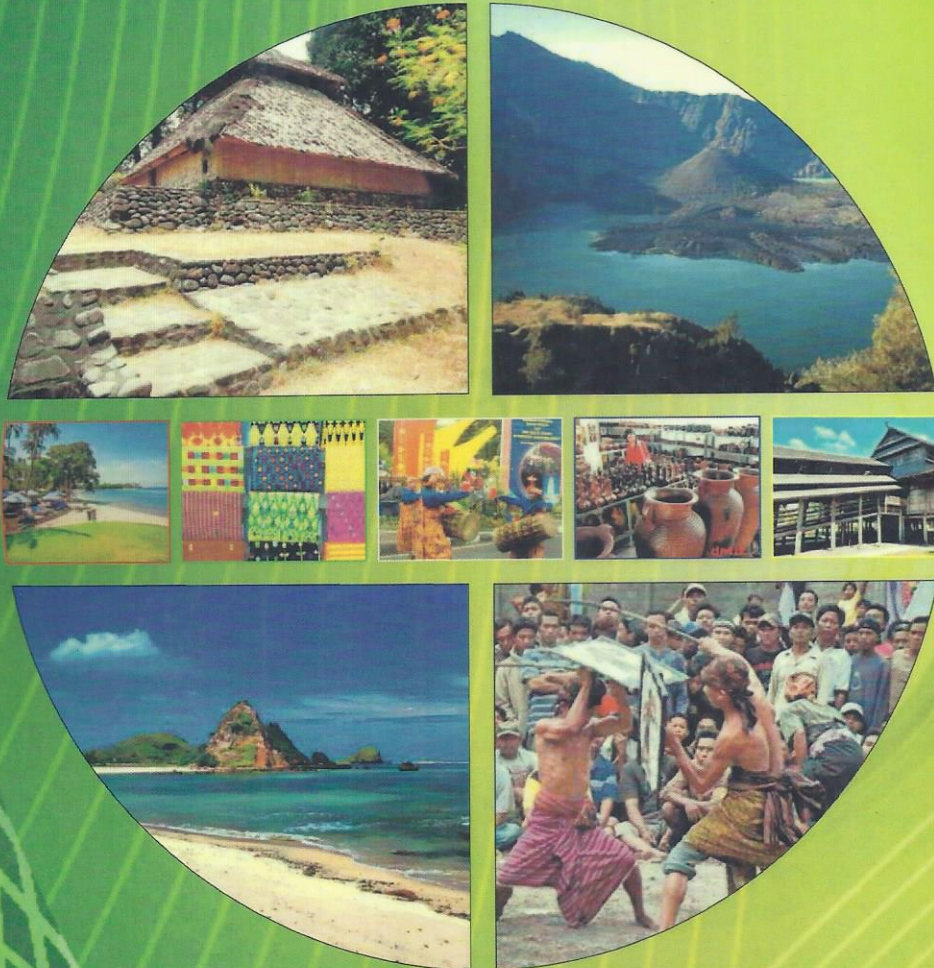


Proceeding

International Research Symposium On Sustainable Tourism Development

August 29 - 31, 2014

Grand Legi Hotel, Mataram-The West Nusa Tenggara-Indonesia



Reviewer:

Chris Hainsch, MBA. (Applied University of Munich)

Drs. H. Budi Santoso, M.Com, PhD. (University of Mataram)

Drs. Hermanto, MBA, DBA. (University Of Mataram)

H. Ahmad Saufi, SE., M. Bus., PhD. (University of Mataram)

Editor:

**Imanuella Andilolo, M.Sc
Lalu Adi Permadi, SE. MM.
Nurabiah, MMSi.**



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Inanella Andilolo, M.Sc

Yani Adi Permadi, SE., MM.

Wandiah, MMSi

FACULTY OF ECONOMICS - UNIVERSITY OF MATARAM

Mataram, Nusa Tenggara Barat, INDONESIA



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CONTENTS

MEMORIAL OF THE CHAIRMAN	I
ADDRESS FROM PROF. DRS. H. THATOK ASMONY, MBA, DBA., THE DEAN OF FACULTY OF ECONOMICS – UNIVERSITY OF WIDYATARAM	II
COMMITTEE	III
AGENDA	IV
SPONSOR	1
SUSTAINABLE TOURISM DEVELOPMENT IN INDONESIA	1
<i>Yusuf Djahri</i>	1
<i>Yusuf Djahri</i>	5
<i>Yusuf Djahri</i>	6
<i>Yusuf Djahri</i>	6
<i>Yusuf Djahri</i>	6
<i>Yusuf Djahri</i>	12
<i>Yusuf Djahri</i>	12
<i>Yusuf Djahri</i>	12
<i>Yusuf Djahri</i>	18
<i>Yusuf Djahri</i>	18
<i>Yusuf Djahri</i>	18
<i>Yusuf Djahri</i>	25
<i>Yusuf Djahri</i>	25
<i>Yusuf Djahri</i>	25
<i>Yusuf Djahri</i>	29
<i>Yusuf Djahri</i>	29
<i>Yusuf Djahri</i>	29
<i>Yusuf Djahri</i>	37
<i>Yusuf Djahri</i>	37
<i>Yusuf Djahri</i>	37
<i>Yusuf Djahri</i>	42
<i>Yusuf Djahri</i>	42
<i>Yusuf Djahri</i>	42
<i>Yusuf Djahri</i>	50
<i>Yusuf Djahri</i>	50
<i>Yusuf Djahri</i>	50
<i>Yusuf Djahri</i>	56
<i>Yusuf Djahri</i>	56
<i>Yusuf Djahri</i>	56
<i>Yusuf Djahri</i>	66
<i>Yusuf Djahri</i>	66
<i>Yusuf Djahri</i>	66
<i>Yusuf Djahri</i>	71
<i>Yusuf Djahri</i>	71
<i>Yusuf Djahri</i>	71
<i>Yusuf Djahri</i>	79
<i>Yusuf Djahri</i>	79
<i>Yusuf Djahri</i>	79

TOPIC CODE 22-03	88
INTEGRATING RELATIONSHIP MARKETING AND EXPERIENTIAL MARKETING IN VALUE CO-CREATION: REVITALISING POTTERY CRAFT CENTRES IN LOMBOK	88
<i>Sulhaini</i>	88
TOPIC CODE 23-06	97
IDENTIFICATION OF VARIABLES THAT INFLUENCE CONSUMER'S DECISION MAKING TO STAY AT STAR HOTELS IN WEST LOMBOK	97
<i>Lalu Adi Permadi, G. A. Sri Oktaryani, Rusminah H. S., and Zaenah</i>	97
TOPIC CODE : 23-07	11
LOMBOK TOURISM COMPETITIVE STRATEGY: ANTICIPATING ASEAN ECONOMIC COMMUNITY (AEC)	11
<i>Agusdin</i>	11
TOPIC CODE : 23-08	11
INTEGRATED FARMING SYSTEM DEVELOPMENT AS A SOLUTION TO IMPROVING TOURISM ATTRACTION IN MATARAM WEST NUSA TENGGARA	11
<i>Indriyatno¹ and Wiharyani Werdiningsih²</i>	11
TOPIC CODE : 23-09	11
ORIENTATION OF INDIVIDUALISM/COLLECTIVISM CULTURE IN TOURIST'S SHOPPING BEHAVIOR (STUDY ON DOMESTIC AND AUSTRALIAN TOURISTS WHO VISIT LOMBOK ISLAND OF WEST NUSA TENGGARA)	11
<i>Thatok Asmony and Handayani Rinuastuti</i>	11

Topic Code : 23-07

LOMBOK TOURISM COMPETITIVE STRATEGY: ANTICIPATING ASEAN ECONOMIC COMMUNITY (AEC)

Agusdin

Faculty of Economics, Mataram University, Lombok - Indonesia, Mobile: +62 8175795161; E-mail: dragusdin@gmail.com

ABSTRACT

Improving competitiveness of the tourism industry requires a certain strategy in order to compete at national and international levels. This paper aims to analyze the internal and external conditions of Lombok tourism and benchmarking with other tourist destinations in Indonesia and ASEAN countries as a basis for formulating strategies for improving competitiveness of Lombok tourism in anticipation of Asean Economic Community. Type of study is a descriptive study, while data derived from primary data collected by in-depth interview method to tourism stakeholders consisting of tourism operators, tourism policy makers, and tourism educational and training institutions in Lombok. Documentation methods were used to collect secondary data such as publications and other relevant literature. The results of the literature review and data analysis found some conditions which include the internal and external environments as well position of Lombok tourism compare to its competitors in Indonesia and other ASEAN countries. The study recommends several competitive strategies in anticipation of the Asean Economic Community. There are important implications from this research for government, teaching and training institutions, industry association, and entrepreneurs of tourism related industries.

Keywords: competitive strategy, competitiveness, tourism development, tourism strategy, Asean Economic Community.

1. BACKGROUND

The tourism industry contributes significantly to the Gross Domestic Product (GDP) of Indonesia. Data from the Ministry of Tourism and Creative Economy (MTCE) in 2013 showed that the contribution of tourism to the national GDP increased from 2004 until 2011. Contribution of tourism to the national GDP in 2004 reached Rp 88.61 trillion, while in 2008 increased to Rp 150.07 trillion and in 2011 increased to Rp 216.38 trillion. Contribution of tourism to employment in 2004 was 8.49 million or 9.06 per cent of the total national employment. While in 2006 dropped to 4.47 million people, or 4.65 percent of total employment. However, in 2007 increased to 5.22 million or 5.22 percent of 99.93 million absorbed in employment.

West Nusa Tenggara Provincial Government has established the tourism sector as the second priority becomes second priority after agriculture sector. Data from BPS NTB in 2013 showed that hotels, and restaurants contribute to the Gross Domestic Regional Brutto (GDRB) of 18.57 percent in 2009 and increased to 20.06 percent by 2012. This is supported by the increasing trade and tourism activities that affect development of value-added trade, hotels and restaurants. When compared to the agricultural sector as a key sector, trade and tourism sector ranked second in terms of contribution to GDP NTB.

Toward the Asean Economic Community (AEC) by 2015, tourism competition is getting tougher and various obstacles such as the socio-political, economic stability, both of which come from within and from abroad. Therefore, efforts to improve the competitiveness of tourism require a particular strategy. According to Tourism Competitiveness Index of the World Economic Forum

(WEF), Indonesia ranked 81st among 133 countries in the world, at the 15th position of the 25 countries in the Asia Pacific region and 4th in the 8 participating ASEAN countries assessed.

Compared with the ASEAN member countries, with an area and the largest coastline in the ASEAN countries, tourist arrivals to Indonesia reached 6 million per year. While Thailand with an area of and a coastline that is much smaller, has been able to attract as many as 18 million travelers per year. Singapore tourism resources and the lack of an area and the smallest shoreline able to attract 10 million tourists per year. According to the United Nation's World Tourism Organization (UNWTO), Malaysia in the top 10 countries most popular tourist destinations in the world (second in Asia after China) with 24.7 million tourists per year.

Meanwhile, the tourism competition in the era of the Asean Economic Community which will begin in 2015, Lombok tourism as a major tourism destination in Indonesia is still facing the problem of bureaucratic permits investment by investors who intend to invest in the tourism sector. Availability of electricity and less water is also a problem for the construction of hotels and large-scale tourism facilities, because the electricity currently available only sufficient to meet the needs of households and small and medium scale industries. Besides, there are still some constraints such as limited infrastructure to support tourism, acceptance by local communities towards tourism is still varied. Conditions of public safety and health issues as well as lack of promotion and the low quality of tourism services are also factors that need to be solved.

Thus, a study that aims to analyze the internal and external conditions of Indonesian tourism, especially Lombok tourism and its position compared to other tourist areas in Indonesia and some ASEAN Countries. The results of the study are expected to be used as a basis for formulating competitive strategy of Lombok tourism in anticipation of the Asean Economic Community in 2015.

2. LITERATURE REVIEW

2.1 Indicator of Tourism Competitiveness

Measurement of competitiveness needs to be studied because it is a crucial factor for the success of the tourism industry (Rozak and Remington, 1999; Go and Gowers, 2000; Mihalic, 2000; Grouch and Richie, 1994, 1995, 1999; Dwyer et al, 2000). Competitiveness is a concept that is complex and consists of several elements of both observed and unobserved, and this concept is difficult to measure. Studies conducted by Kozak and Remington (1999) and Haahti and Yavas (1983) uses survey data to determine the perceptions and opinions of tourists to the area / state visit to measure the competitiveness of tourism. Based on the opinion / perception of the tourists, then formulate the indicators of tourism competitiveness such as: quality of beaches, friendliness of its people, shopping facilities and so on. These indicators are very subjective and difficult to measure, and this indicator is intrinsic. Another study conducted by Dwyer (2000) measures the competitiveness of tourist destinations (tourist arrivals area) by comparing 19 tourist destinations. The data used is the data publication issued by each tourist destination.

Analysis of Competitiveness Monitor (CM) was introduced in 2001 as a measure of determining the competitiveness of tourism. CM updated in 2002 as a result of cooperation between UNWTO and Christel DeHaan Tourism and Travel Research Institute (TTRI), University of Nottingham. CM was also developed in different research areas as a result of the World Bank's Global Competitiveness Report, UK Regional Competitiveness Indicators and the IMD World Competitiveness Yearbook. CM analysis using eight (8) indicators used to establish competitiveness. These indicators are Human Tourism Indicator, Price Competitiveness Indicator, Indicator Development Infrastructure, Environment Indicator, Indicator Technology Advancement, Human Resources Indicator, Openness Indicator, and Social Development Indicator.

Studies conducted by Dwyer (2000) using the Price Competitiveness Indicator for measuring the competitiveness of a tourist destination. The study distinguishes two categories, namely the price of the travel cost and the cost of ground. Travel costs related to the cost incurred to and from a

destination and ground costs related to commodity cost on a destination. Another study conducted by Inskeep (1991) and Middleton (1997) stated that the Quality Environment as an important indicator in measuring competitiveness. This study is also consistent with studies conducted Ritchie and Crough (1993) and Mihalic (2000) who incorporate environmental factors as determinants of tourism competitiveness. Ritchie and Crough (1999) extend previous research by stressing on the theory of Comparative Advantage stating that the possession and use of resources owned by a country (destination) will result in competitive superior destination compared to other destinations.

Travel and Tourism Competitiveness Report 2011 measure and analyze the economic competitiveness of travel and tourism worldwide. Its main purpose is to provide input to governments and businesses in overcoming obstacles of tourism competitiveness. The report includes a ranking analysis of Travel and Tourism Competitiveness Index (TTCI), which aims to measure the factors and policies that increase the attractiveness of the development of the tourism sector in 139 industrialized and developing countries. Variables used in creating the index cover three subindexes i.e. regulation (policy and regulation, and environmental sustainability, safety, health and hygiene, and prioritization), business environment and infrastructure subindex (air transport infrastructure, land transportation, tourism infrastructure, price competitiveness), human subindex, cultural and natural resources (human resources, natural resources, cultural resources, and climate change).

2.2. Competitive strategy

Strategy that most commonly used to improve competitiveness of product and services is known as a competitive strategy. This strategy consists of three (3) types, namely differentiation strategy, focus strategy, and low cost strategy (Porter, 1990). Implementation of differentiation strategy in the tourism industry can be done through the product and service differentiation. Product differentiation can be done on the "artwork", while the service differentiation can be done on the "uniqueness of the local culture" both of which are very diverse. The difference in the local artwork on each tourism destination has the potential to generate tourism product. Meanwhile, focus strategy, which is related to the geographic market, the implementation strategy can be performed on potential markets.

Meanwhile, in the areas of marketing strategy, has developed a concept known as "the wave marketing". This strategy can be implemented through two main approaches, namely (1) the offline approach through "intimacy" which is basically a community approach to create a "word of mouth" (testimony) about destinations and tourism products. The purpose of the offline approach is to encourage the community to give the story (word of mouth) about the specific destination of tourism products, security, uniqueness, price, climate, nature, culture etc to the community either directly (offline) with emotional intimacy, kinship, friendship, relatives, co-workers, colleagues and friends. *Second*, encourage the implementation of the promotion by other parties as co-sponsor of art events, product launching, flight services launching, sporting events, and health and environmental sanitation campaigns. Online approach for excitement (joy), using information technology to the Internet community, to provide a story or testimony about destinations such as through personal blogs, facebook, mail lists, intranet, television, and other online media such as newspapers, magazines, electronic books (e-book), the novel, and so on.

3. RESEARCH METHODS

This type of research is descriptive research, which reveals and describes the actual conditions of Indonesian tourism and more specifically Lombok tourism. The results of this analysis are used as a reference strategy and supporting factors needed to improve the competitiveness of Lombok tourism to meet the Asean Economic Community in 2015.

Data were collected from the tourism stakeholders, namely (1) Travel Association (ASTA), Association of Indonesian Hotels and Restaurants (PHRI), PT Angkasa Pura, (2) Tourism regulators such as the Department of Tourism and Transportation Agency of NTB, Regional Tourism

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Promotion Board (BPPD) of NTB, and (3) Education and Training Institutions such as the University of Mataram and other Tourism Colleges on the island of Lombok. In addition, the data obtained from the Central Statistics Agency (BPS), the World Bank, the Ministry of Tourism and Creative Economy, and other sources. To analyze the condition of Lombok tourism compared to other tourism destinations such as Bali and Yogyakarta and the competitiveness of Lombok tourism is qualitatively analyzed with the help of the **Gap Analysis** and **Value Chain Analysis**.

4. RESEARCH FINDINGS

4.1. *Current Condition of Lombok Tourism*

Tourism businesses indicated that there are three main barriers to investment, the investment license, electricity and water supply. Issue licenses to invest in Lombok are still considered bureaucratic. Availability of electricity and water supply is also an issue for the construction of hotels and large-scale tourism facilities. The electricity power that exists today can only meet the needs of households and small and medium scale industries. The water supply is still lacking because it is used for agricultural irrigation, household needs and small and medium enterprise needs. Lombok Island has a fairly long dry season, so the problem of water shortage will become a strategic issue to be faced in the future.

Number of regulations should also be a concern because of complaints of investors, such as the Law on Labor, Law on Mineral and Coal, Oil and Gas Law, and derivatives regulation such as Land Acquisition Act for development purpose. In addition to regulatory barriers and land acquisition, development projects are also facing the financing problem. Infrastructure projects are generally long term with a low rate of return, thus requiring long-term funding scheme. Meanwhile, funds in national banks dominated the short-term savings. In that context, the idea of the establishment of an infrastructure bank could be considered. Or government issued bonds with a guarantee of infrastructure projects to be built.

4.2. *Lessons learned from other ASEAN countries*

To increase the attractiveness of tourism, government of Malaysia to build a government office complex (Putrajaya) and make it as a tourist attraction, besides an intensive tourism promotion through television and other mass media in various countries in the world with the motto "Malaysia Truly Asia"; combining traditional and modern tourism and establish low-cost carrier (low cost carrier) the best in the world (AirAsia) in recent years which has its own airport in some countries as an air bridge that is very effective; and modernizing its mass transit facilities.

Thai government's commitment to provide assistance to the people and businesses affected by the riots, natural disasters, and others including the tourism sector in the form of: (1) increase the tax incentive and soft loans for tourism and business sectors; (2) grants for companies that suffered and losing business area; (2) income tax deductions for people who buy domestic tour package from a travel agency; (3) subsidized air fares tickets (ie ticket prices Jakarta-Bangkok Suvarnabhumi Airport after the blockade by protesters Rp 150.000, -); (4) socialization of tourism recovery program by the Prime Minister of Thailand to the main source of tourists countries; and (6) establish special courts to handle conflicts with tourist which can be completed within a day by way of negotiation between tourists, guides, hotels, travel agents, operators, souvenirs, and other tourism related industry.

Singapore enhancing the capability of Singapore-based travel and tourism players as well as attracting world-class travel and tourism businesses and organisations to set up in Singapore as well as attracting iconic or mega events that will highlight Singapore as a premier destination for leisure, business and services customer segments.

4.3. *Analysis of Conditions and Lombok Tourism Position*

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Analysis of Conditions and Lombok Tourism Position

To analyze the position of Lombok tourism compared with major competitors such as Bali and Yogyakarta. Gap Analysis has been used, while for analyzing the internal and external conditions Lombok tourism has performed Value Chain Analysis. The results of the analysis using the two instruments are as follows:

Tabel 1
Value Chain Analysis of Lombok Tourism

INFRASTRUCTURE Slow progress of basic infrastructures development			
HUMAN RESOURCE MANAGEMENT Limited Quantity and Quality of Skilled Tourism Workforce			
TECHNOLOGY DEVELOPMENT Information System has been develop to support tourism operation			
PROCUREMENT Strong support from Government and Private Agencies			
INBOUND LOGISTICS	OPERATIONS	OUTBOUND LOGISTICS	MARKETING AND SALES
1 Low quality of local raw materials to support tourism operation	1 Local skilled workforce are not fully available and utilized	1 Limited diversity of tourism services and packages	1 Marketing networks are not fully utilized
2 High cost of raw materials from other region and countries (Bali, Java, Australia etc)	2 In efficient operational cost to handle tourism services	2 Costs and prices of tourism services and package are not competitive	2 Lack of promotional mixed implemented
3 High diversity Tourism objects available	3 Difficulties in handling operation of specific market demand	3 Accommodations for specific market demand is limited	3 Geographic uniqueness is not fully branded

Value Chain Analysis shows that there are some conditions of Lombok tourism from the perspective of **inbound** tourism: there is a high diversity of tourism objects available, low quality of local raw materials and high cost of raw materials from other regions and countries to support tourism operation. While from the perspective of **tourism operations**: the local skilled workforce are not fully available and utilized, in efficient operational cost to handle tourism services, and difficulties in handling operations of specific market demand. From the perspective of **outbound tourism**, there are limited diversity of tourism services and packages, costs and prices of tourism services and package are not competitive, and accommodations for specific market demand is limited. In terms of **marketing and sales**, the condition exist are marketing networks that is not fully utilized, lack of promotional mixed implemented, and geographic uniqueness is not fully branded. From the above facts, it is necessary that the certain strategy could improve the attractiveness and quality of Lombok tourism services with branding and packaging of the products and services of tourism. Therefore, it is needed to establish strong networking with local, national, and international level of stakeholders in tourism.

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Tabel 2
Gap Analysis of Lombok Tourism
Compared to Bali dan Yogyakarta

COMPONENTS	LOMBOK	BALI	YOGYAKARTA
CENTRAL GOVERNMENT SUPPORT	MODERATE	HIGH	HIGH
LOCAL GOVERNMENT SUPPORT	HIGH	HIGH	HIGH
TOURISM REGULATIONS	MODERATE	HIGH	HIGH
TOURISM MARKETING	MODERATE	HIGH	HIGH
NATURAL RESOURCES	HIGH	MODERATE	LOW
CULTURAL RESOURCES	MODERATE	HIGH	HIGH
HUMAN RESOURCES	MODERATE	HIGH	HIGH
BUSINESS ENVIRONMENT	MODERATE	HIGH	HIGH
BUSINESS INFRASTRUCTURE	MODERATE	HIGH	MODERATE

Gap Analysis results showed that compared with other major tourist destinations in Indonesia such as Bali and Yogyakarta, Lombok tourism positions still far below. The indicators used are 9 types of indicators used by the World Economic Forum (WEF) in assessing the competitiveness that is the Travel and Tourism Competitiveness Index (TTCI). Amongst the 9 indicators, most of the positions of Lombok tourism under Bali and Yogyakarta, except for natural resources and local government support. This has implications of integrated action by all tourism stakeholders to support the development and enhancement strategies to support Lombok tourism competitiveness. The things that needs attention is the increase of central government support, reviewing the regulation of tourism, expand tourism marketing, cultural extracting resources, improve the quality of local human resources, creating a condusive business environment, and encourage the acceleration of business infrastructure development.

5. RECOMMENDATION

Based on the results of this study it is recommended that the strategy of enhancing the competitiveness and attractiveness of Lombok tourism can be done by diversifying tourism products and services that are **specific, different, and unique** to (1) improve the quality of services by improving the quality of human resources and community culture; (2) penetration strategy by diversifying the current tourism product with the new market segments such as segment executive, backpackers, family; and the current tourism products with the new packaging by accentuating the uniqueness of local arts and culture; (3) diversify tourism products like Rinjani Geopark, Gili Trawangan and other Gili islands in Sekotong area, Kuta and its surrounding areas, local arts and culture by targeting new geographic markets such as the Arab countries, Russia, and Korea; forming and supporting marketing through Social Media such as Facebook, Blogger, Twitter and others; (4) targeting market niche, such as countries of high purchasing power (Singapore, Japan, Arab, Europe), the potential purchasing power (Australia, China, Taiwan, Korea), and the markets that are ignored by competitors (Philippines, Russia, Papua New Guinea, East Timor); promotion through media (online and offline), community, and testimony. Implementation of these strategies can be integrated by central and local government agencies, educational and training institutions, universities, non-government organization, tourism businesses, and tourism agencies.

While the strategy of improving the quality of Lombok tourism services can be done by (1) maintaining the quality to fulfill the promise of promotion, so as not counter productive for tourism marketing; (2) learn from the experience of Thailand to establish special courts to handle conflicts of tourism which can be completed within a day by way of negotiation between tourists, guides, hotels, travel agents, operators, souvenirs, and other tourism agencies; (3) build a team of market intelligence (intelligent market) in order to observe the world tourism market as a basis for the formulation of policies and strategies. In its implementation, the necessary cooperation between the various parties in an integrated manner such as the Ministry of Tourism and Creative Economy, the Ministry of Justice and Human Rights, related local government agencies, NGOs, and Tourism Promotion Board (BPPD) of NTB Province.

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