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# Indonesian tourism's golden moment

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*With a successful transition to luxury lifestyles in just a couple of generations, Indonesia's next tourism hurdle is competitiveness.*

Just like its economy, Indonesia's tourism is now in its golden moment, says **Elly Hutabarat**, president of the board of the Association of Air Ticketing Companies in Indonesia (ASTINDO). While Indonesia's economic growth stood at 6.3 percent, higher than global growth of 3.2 percent, she says, "our international tourist arrivals rose by 5 percent, faster than the global rate of 4 percent." Once Indonesia's key non-oil and gas revenue earner, it needs to compete aggressively for the tourist dollar. Neighbouring Malaysia and Thailand, for example, have big tourism and promotion budgets while cheap airfares and the social media have made the attractions of the world's wealth of wats, tastes, salt spas and ice hotels just that one step closer, easier and cheaper.

The World Economic Forum's 2013 Report ("The Travel & Tourism Competitiveness Report 2013: Reducing Barriers to Economic Growth and Job Creation") ranks Indonesia 70th globally, up a few

notches from 74 in 2011. Regionally, it sits in 12<sup>th</sup> place, beaten by Singapore (1), Malaysia (8) and Thailand (9). Two areas where it remains very competitive globally are its nature and eco-tourism products, where it ranks 17<sup>th</sup> and price competitiveness where it ranks second.

Indonesia promotes seven primary products: culture and heritage, nature and ecotourism, recreational sports, cruise, culinary and shopping pursuits, health and wellness and Meetings Incentives, Conferences, and Exhibitions (MICE). Yet, neighbouring countries, Malaysia and Thailand, which all rank higher in the WEF competitiveness study, also offer these products. So what makes them a preference over Indonesia for tourists? Is it competitiveness or a lack of promotion?

## Consistent branding

'Malaysia truly Asia' was one of the industry's most successful branding and marketing campaigns, Hutabarat told *Perspectives @SMU*.

A key learning from the campaign is consistency: "Do not change the branding too often. Stay with the same brand for years and concentrate on promoting that brand," she counsels.

Thailand is also known for its consistent branding, along with high service levels and value-for-money tourism products, including the culinary experience—which eludes Indonesia, despite the popularity of domestic culinary tourism adventures. "I believe once people try the food, they would be curious enough to come to the destination," Hutabarat says.

## Infrastructure and service woes

Hutabarat notes that the 'Malaysia truly Asia' campaign was also followed by extensive infrastructure development. In fact, the main issue holding Indonesia back when it comes to competitiveness, she adds, is infrastructure, followed by human resource issues.

Chief among infrastructure concerns is the traffic—whether in Bali or Jakarta—and the lack of public transport. Road construction has not kept pace with the number of cars and motorcycles. Yet, in the olden days, she recalls, Indonesia had a very good overland system that was popular with Singaporean and Dutch tourists.

Another area for improvement are the airports and airport services. "Service levels at airports are not standardised," she says. "We need one body to cover all aspects ranging from immigration to airport facilities. Currently these vary between places like Balikpapan, Lombok, or Padang and Jakarta or Bali. We need standardised services."

Aside from physical infrastructure, training, schools, and information centres are also needed to improve competitiveness. The government really needs to put national training activities in the ministerial budgets, she says, or at least subsidise them if Indonesia is to cater to the growing need for Mandarin or Russian language training.

Given the importance and complexity of tourism, she points to the need to establish a coordinating body with the power to coordinate ministries with interests in the industry. "I know that the Ministry of Tourism and the Creative Economy has tried to coordinate with other related ministries to overcome these hurdles, but we are yet to see any results," she adds.

Once the coordination becomes a reality, she believes that tourism policies can be synchronised and implemented together with marketing and promotional efforts to increase competitiveness and make the world aware of the major changes that have taken place in Indonesia.

## Luxury tourism

A relatively new product, Indonesia's luxury tourism is an emerging market, with arrivals drawn from China, Europe, Russia and the Middle East. And, like China, most global luxury brands have a presence—even two or three outlets—in Indonesia.

China is now Indonesia's fourth largest market. Arrivals for January to June 2013 showed 'fantastic' growth of 19.20 percent. "They're a lot better off than 15 years ago and they love to shop," says Hutabarat recalling her experience in Paris where Galeries Lafayette (which opened recently in Jakarta) provides Mandarin-speaking shop assistants.

The Russians generally head to Bali: only a few will prefer to "hide" in less inhabited islands, such as Moyo Island, and the Raja Ampat and Wakatobi dive resorts. Once there, she says, money appears

to be no object, with villas charging upwards of \$2,500 per night. Most will spend up to 10 days there.

It's not for nothing that luxury hotels and brands like Bvlgari have opened in Bali.