Opportunity to Develop Tourism Industry through Investment

Agni Alam Awirya

M. Th. Anitawati

Rani Setyodewanti

ABSTRACT

In order to make successful investment in tourism, government support and also the consumers' needs have to be considered. As many as 235 foreign tourists in Bali and 5 policy makers were asked about their perceptions of the development Bali tourism. Factor analysis and AHP showed that tourists consider the convenience and security are factors that important to them. For policy makers, factor analysis also showed the same result . Perceptions combination between tourists and policy makers give more opportunity for investors to develop coastal and culture tourism. Investments are also needed in public transportation, communication, and electricity. Since demands for various and comfortable lodging are quite high, so investment in the accommodation sector is still have a good prospect.

I. Introduction

Tourism has become a global activity. In 2010, 940 million travelers were recorded all over the world, showing an increase of 9.9% from 2009. Tourism has given a huge economic impact where it involves economical activities of trading goods and services of handicrafts, hotels, restaurants, and amusement centers, furthermore, it also creates many new work fields.

According to World Tourism Organization, 10 (ten) most visited countries by tourist (stated in order) are France, USA, China, Spain, Italy, England, Turkey, Germany, Malaysia and Mexico. And 10 (ten) countries with the biggest income from tourism (stated in order) are USA, Spain, France, China, Italy, Germany, England, Australia, Hong Kong (China) and Turkey.

Unfortunately, Indonesia which has a huge potential in the tourism sector, has not made into the listed countries above. Whereas, expanding Indonesia's tourism is a good opportunity to increase people's welfare. For example many tourists destination in Bali, combined with the unique Balinese culture can create a huge potential for the development of the tourism sector in Bali. This is proven by how famous Bali is all over the world. Even the name Bali itself is more famous than Indonesia, many tourists do not realize that Bali is part of Indonesia. Based on the BPS data in the Bali Province for the III Trimester – 2011, foreign travelers increased 18.70 percent and domestic travelers increased 6.06 percent compared to the previous Trimester.

Looking at the huge potential tourism sector and the increase of the visitors, in 2011 – 2025, the government will be focusing on developing the tourism in Bali, East Nusa Tenggara (NTT) and West Nusa Tenggara (NTB) with Acceleration and Expansion Indonesian Economic Master Plan Project. This project is expected to make Bali and Nusa Tenggara as the entrance of foreign tourists to Indonesia.

By developing the tourism infrastructure, the government intends to attract investors to invest in those areas; so the tourism sector will expand and it will increase the welfare for the local society. As known, tourism can give a multiplier effect, because it is related with other sectors such as handicrafts, hotels, restaurants, etc., and will open new work fields that also contributes for the national income. However, excellent facilities and infrastructure will

not guarantee the economic growth for the area. Mismatch between the facilities provided with tourists 'characteristics and needs may damp downthe desiretocome.

Given the existed potential tourist destination and programs to be under taken by policy makers, the purpose of this study is to elaborate more deeply the needs and demands of tourists. Since knowledge on the characteristics and on the tourist's preferences will help investors to choose the right investments for the area that will bring advantage to every sector.

II. Literature Review

Tourism is a set of services that has different characteristics from goods (World Bank, 2006) which is the production and consumption take place simultaneously and in the same place; tourists must go to the place of production to consume tourism services. Next characteristic is no inventory which means unsold product cannot be saved. Unsold hotel rooms considered as a loss because cannot be saved to be sold at any other time. Furthermore, the supply of tourism products is inelastic. The number of aircraft seats or the number of hotel rooms cannot be changed at any time.

Tourism service also is not homogenous product, it cannot be standardized. For example, 4-starhotel in a one region will have different services with other 4-star hotel in another place. The last characteristic for tourism is it includes many activities as it relates to transportation, hotel/lodging, food service, recreation and attractions.

Lim (1999) who reviewed 70 papers with a meta-analysis found that foreign tourism demand is positively related to income and negatively associated with price. However, the view that international tourism demand is inversely related to transportation costs is not entirely supported by this study. Goeldner (1992) who conducted a study of tourism in North America found several factors that affect tourism which include technology, environment, demographics, globalization, lifestyle, health, safety, density and local tax rules. With competition becoming more intense and consumers becoming more selective, an understanding of consumer behavior and motivation, tastes and other factors become very important.

As found by Rios-Morales et al (2011) formulation and implementation of policies, together with existing regulations are important factors in the development of the private sector in tourism. Newell and Seabrook (2006) conducted a study with the AHP method to examine 30 factors influencing hotel investment decision. They found that the main factors are financial (37 percent) and location (29.9 percent). Economic factors (14.5 percent), diversification (12 percent) and relationship (6.6 percent) are also influential.

For the investors, in addition tointernal factors, external factors such as macro economy and relations with local residents are also needed to be taken into account. Study by Iverson (2009) obtained tourists in Bali aware that local Balinese are very modest, so they try to wear decent cloth, not talking loudly, not get drunk and not behave disrespectful to the Balinese.

Object Description

Bali is one of the provinces in Indonesia with the capital city of Denpasar which includes several islands. Bali Island itself is the name of the largest island in the province. The area of Bali Island is approximately 5636.66 km^2 or about 0.29 percent of the territory of the Republic of Indonesia. The population recorded around 3. 4 million and they mostly are Hindus (Central Bureau of Statistics Bali Province, 2009). Bali is one of the biggest tourist's destinations in Indonesia renowned for beautiful arts and environment, and also unique culture.

In the third Trimester of 2011, Bali reached 6.54 percent economic growth where trade, hotels and restaurants   contributed 32.74 percent. While agriculture and service contributed 18.82 percent and 14.34 percent as a second and third largest contributors.The performance of trade, hotels and restaurants sector was improved due to the increasing number of foreign tourists coming to Bali. Cumulative from January to December 2011 as many as 2,052,083 people came to Bali or 10.36 prcent increase over the same period in 2010 (Bank Indonesia, 2011).

III. Methodology

Basically, the primary data was used for analyzing the research. However, secondary data was also used as additional information of the primary data. The secondary data used was data that relates with the tourism industry, such as the information of the domestic and foreign visitors, characteristics and travelers' behavior, Bali's economic condition and other relevant information.

Field survey was used to obtain primary data, taken in two most common tourists destinations in Bali, Kuta Beach in Badung and Ubud in Gianyar. The primary target of this study was foreign tourists and the sampling method used was non probabilistic sampling to simplify operational process. Data were collected from 235 foreign tourists and additional information also taken from 5 policy makers from Tourism Department of Bali Province, Tourism Department of Kabupaten Badung, Tourism Department of Denpasar City, Culture Department of Bali Province and Culture Department of Denpasar City.

Data Analysis

The study used descriptive statistic combined with the factor analysis and Analytical Hierarchy Process (AHP) to analyze the data. Data analysis will show tourists' and policy makers' perceptions on how to develop the tourism in Bali. Those two perceptions will be analyzed for its compatibility so that it will produce a thorough perception on the tourism development in Bali in the future.

Factor Analysis

Factor analysis was used to analyze the foreign tourists' perception about the tourism in Bali, using confirmatory model based on variable assumptions from the research done by Vingdavon (2008) and adjusted to Indonesia's condition. The early analysis showed that there were 27 variables involved, such as immigration, short and long distance transportations, accommodation, promotion, the characteristic of the travel destination and other infrastructure. The result was sorted based on the average value to determine the most important factor compare to the others.

Analytical Hierarchy Process (AHP)

AHP was used to find the best policy that will be taken by the regional government in

the tourism industry. AHP analysis started with determining the criteria for developing the tourism industry. To simplify the compatibility analysis between tourists' and policy makers' perceptions, AHP criteria also was based on the predicted variables used in the factor analysis. Moreover, the AHP process also determined the type of tourism that can be developed. Three alternatives of the tourism to be developed are nautical tourism, cultural tourism and mountain or lake tourism. Figure 3.1 shows the AHP diagram used in this research.

Gambar 4.1. *Analytichal Hierarchy Process* **(AHP)**
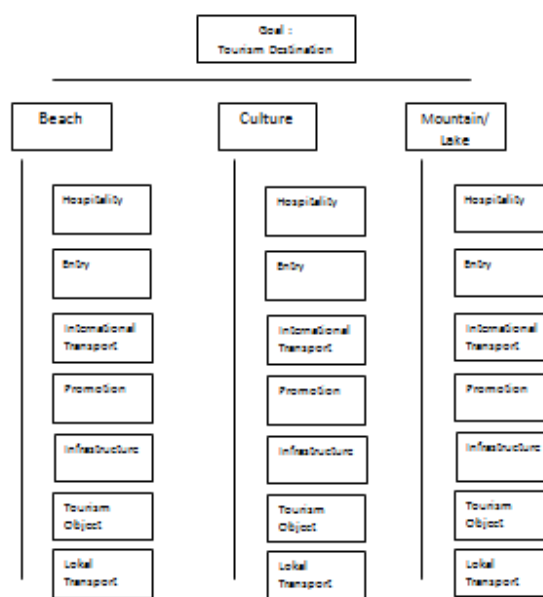
IV. Result and Discussion

Characteristics of Foreign Tourists in Bali

More than 50 percent of tourists stated that they went directly to Bali without stopping at another country or another place. In addition, most respondents (51 percent) did not plan a visit to a another destination other than Bali and 92 percent of the total respondents stated that they would come back to Bali. So it can be said that from the beginning they know and interested in Bali and intend to come to Bali.

Twenty-five percent (25 percent) of respondents said that Bali is imaged as the tourist destination with the sunny beaches all year round. As expressed by 15 percent of respondents,

Bali is also known as a turist's destination with unique culture. Nevertheless, mountain and lake turism in Bali are also quite popular as Lake Kintamani and Lake Bratan in Bedugul.

Tourists in Bali came with friends (48 percent of respondents) or with the family (30 percent of respondents). This pattern suggests that foreign tourists visited Bali as an individual and heavily rely on personal economic capabilities. To increase tourists arrivals, tourism by Meeting Incentive Convention and Exhibition (MICE) which rely on corporate finance should be developed.

Related to the transportation problem in Bali, the lack of public transportation services caused most of the travelers using the individual transportation such as taxis (50 percent of respondents) as well as car rentals (34 percent of respondents). Individual transportation modes will cause stack vehicles on the highway which cause traffic jams. Furthermore, the flow distribution of goods and services will be hampered so that economic activity can be disrupted.

Foreign tourist's expenditure was mostly used for accommodation (33.39 percent of total expenditure) and meals (34.81% of total expenditure). While spending for souvenir is relatively small, only 5.99 percent from total expenditure. This proportion was still smaller than the expenditure for mobility at the tourist destination area as well as expenditures to enjoy the attractions at tourist destination. In term of expenditure, activities to enjoy tourist destination including accommodation and food sufficiency got the highest consideration for tourists. A relatively small proportion of expenditures were for communication and tourist guide with the proportion 2.65 percent and 1.04 percent each.

Above 30 percent of respondents portrayed Bali as a tourist destination with a friendly community. While the ease of access and hygiene perceived relatively poor by foreign tourists (less than 10% of respondents said that access to Bali was easy and less than 5% of respondents said Bali was clean). These opinions can be used as a starting point for policy development in the future.

This study also accommodated tourists' assessment on several indicators of tourism as an early indication of the quality of existing tourism services. The selected indicators were also based on Vongdavon (2008). Those indicators were entry into Indonesia, long-distance

transportation particularly air flight, a short distance transportation, hospitality, tourism promotion, tourism destinations and infrastructure. Most respondents stated that the quality of tourism services in Bali is moderate. Further analysis showed that hospitality indicator is considered better than the other indicators, indicated by the number of respondents who claimed hospitality is relatively good compared to the number of respondents who claimed other indicators.

Factor Analysis for Determinant of Tourist's Visitation

Before conducting factor analysis, some preliminary tests were carried out in advance to determine whether factor analysis can be performed on existing data. KMO and Bartlett tests demonstrate that the analysis process can be continued because the value of KMO Measure of Sampling Adequacy is 0890 greater than 0.5 and the p-value of Bartlett Test of Sphericity is 0000 smaller than the 0.05 coefficient value. Anti-Image matrix shows that all variables have MSA values greater than 0.5 which means factor analysis could be performed for all variables.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.890
Bartlett's Test of Sphericity	Approx. Chi-Square	2928.598
	df	351
	Sig.	.000

Factor analysis with varimax rotation shows there are 6 relevant factors as the basis for selection of travel destination by foreign tourists. These six factors are transportation (transport), ease of entry into Indonesia (entry), the convenience of traveling (hospitality), promotion of tourism destination (promotion), infrastructure (infrastructure) and the beauty of tourist destination (destination).

Transportation factors include flight from home country (international flight), flight to the destination (domestic flight), airline fares, flight quality, adequate public transportation, comfortable road trip, affordable transportation rates and no traffic jam. Ease of entry into Indonesia includes the visa process, mainly visa on arrival, immigration, customs clearance and

the ability of custom officials to communicate. Hospitality means lodging conditions, environmental conditions around the inn, the friendliness of local residents, cleanliness and safety. Infrastructure factors include the infrastructure of highways, telephone networks, internet and electricity networks. The beauty of tourist destination consists of the availability of information on the internet, interesting tourist destination and famous tourist destination.

Further analysis of the importance of these factors are calculated from the average perception of respondents indicated that the convenience of traveling (hospitality) is the most important factor in the selection of tourist destination. The average value for hospitality is 5.02 of 6, which is the highest value. While transportation factor was ranked second with the average value of 4.83. Factor that is considered relatively unimportant is the promotion of tourism with the average value of 3.81. This phenomenon is an early indication of the importance of the availability of adequate accommodation facilities and ease of tourists mobility.

**Rank of Determinant Factors of Tourist Visitation**

Variable	Average	Rank
Hospitality	5.02	1
Transportation	4.83	2
The beauty of destination	4.66	3
Infrastructure	4.48	4
Ease to entry	4.35	5
Promotion	3.81	6

The Priority of Local Government Policy in the Development of Regional Tourism Destination

This study also discusses whether the policy priorities of local governments are suitable with the tourists' perceptions. AHP analysis with consistency level 0.06 (consistency value below 0.1 is considered highly consistent) indicates that there is a match between local government priorities and perceptions of tourists. Local government considers comfort and safety factors as top priority for tourism development. Second priority is supporting

infrastructure and development of tourist destinations. While transportation, both short and long distance, is not a priority of local government.

Local Government Priorities
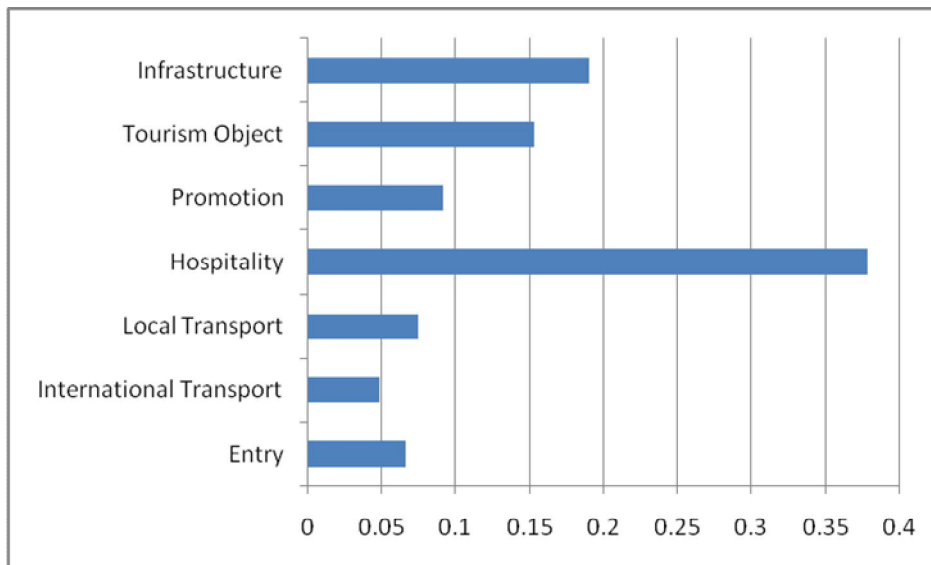
*) Priorities with respect to : tourism destination
*) Inconsistency = 0,06

Further analysis regarding the type of tourist destination that will be developed is cultural tourism. This option is different from the tourists' perceptions that portray Bali as a coast tourist destination. Compared with the marine tourism or lake /mountain tourism, local government argued that cultural tourism is more potential to be developed. Further result from the interviews revealed that the priority of cultural tourism development aims to preserve Balinese culture that begins eroded. The development of cultural tourism also involves the development of Bali people so they will get the advantage from tourism in Bali as well. Data from tourists' perceptions shows that local government still needs to increase the effort to develop cultural tourism through interesting cultural attractions to draw more tourists.

Investment Opportunity in Bali Tourism

The combination between tourists' perceptions and the development priority by policy makers provides direction for investment opportunities in Bali's tourism. In the short time, lack

of public transportation services makes travelers rely more on individual transportation. However, the pressure on local government to develop public transportation services is predicted to reduce private investment in transportation sector in the long run.

Related to the nature of tourist visits, which is a personal visit, this gives an opportunity for tourism services to develop individual packages. Opportunity to develop MICE and large group tourism is still open, since the market is very small. Significant breakthroughs are needed in the development of tourist market for a big package.

Potential development of comfortable and varied accommodation is very big because comfort is become a very important factor. A relatively large expenditure on accommodation also confirms high demands for comfortable accommodation facilities.

Different type of destinations chosen by tourists and local government give an opportunity for investment in tourism destinations. Private investment can offer tourist attractions such as nature-based water sports, diving and other activities. The orientation of the local government on the development of cultural tourism is also an opportunity for private parties in the development of tourist attractions associated with a unique local culture. In addition to several choices of investment opportunities that have been described above, there are many more other investment opportunities in tourism.

Almost 50 percent respondent gave good valuation on hospitality in Bali. Good image and valuation of the tourism condition is a great promotional tool to attract more tourists . In the service industry, the word of mouth is more powerful than any other types of promotion, since the people who promotes usually have experienced the product. Moreover, from the data, it shows that usually tourists did not come alone, but they also brought their family or friend, so the impact will be bigger and faster.

Factor analysis and AHP gave a similar results, where the convenience and security are the main factors required by tourists when they travel. Other factors that have a big impact are the transportation, infrastructure, and the beauty of the destination. Regarding the travel destination, most respondents are interested to travel in the nautical places or cultural places. It is understandable, since Bali has beautiful beaches and unique culture, which is maybe the only one in the world. In addition, sunbathing for tourists that come from a four season's

country is an activity that cannot be enjoyed any time in their countries.

Potential tourism development in the future combined with more secure condition in Bali is a positive thing for investors to invest in that area. Comfortable transportation and supporting infrastructure such as communication and electricity are sectors which potentially developed. Infrastructure investments in the seaside area are also needed to accomodate tourists demands and since one of the important factors for the tourists is the attractiveness of the travel destination.

V. Conclusion

The development of tourism sector in particular area has to put tourists need and the policies of local government into consideration. Investors, as the party who invested the capital, will be greatly assisted if they know what sectors are likely to be developed.

Even though Bali has already known as one of the greatest tourists' destination, there are many sectors need to be improved and built continuously in order to attract more tourists. Investors have the opportunity for developing more varied accommodation services since tourists place hospitality as a basic for choosing destination place. Choice of policy makers to develop socio-cultural tourism could be an opportunity for investors in developing culture-based tourist attractions.

Infrastructure such as public transportation, communication, electricity and also infrastructure for coastal and culture tourism have to be developed. Construction and development of infrastructures will give advantage not only for the visitors but also for the local citizen. The multiplier effect can be bigger if government policy for human capital development can work well.

References

Bank Indonesia. 2011. Regional Economic Condition in Bali Province. III-Trisemester 2011.

Central Bureau of Statistics, Bali Province.2009. Indonesian Citizen and Foreigners by Sex and Regency / City in Bali End of Year 2009.

Central Bureau of Statistics, Bali Province. 2011. Economic Growth in Bali III-Quarterly 2011.

Goeldner, Charles R. 1992. Trends in North American Tourism. American Behavioral Scientist, Vol. 36 (2), Nov-Dec 1992.

Iverson, Thomas J. 2010. Cultural Conflict: Tourists in Bali, Indonesia. International Journal of Culture, Tourism and Hospitality Research, Vol. 4 No. 4, 2010.

Lim, Christine. 1999. A Meta-Analysis of International Tourism Demand. Journal of Travel Research, February 1999 Vol. 37 No. 3.

Newell, Graeme and Ross Seabrook. 2006. Factors Influencing Hotel investment Decision Making. Journal of Property Investment and Finance, Vol. 24 No. 4, 2006.

Rios-Morales, Ruth; Dragan Gamberger; Ian Jenkins; Tom Smuc. 2011. Modelling Investment in the Tourism Industry Using the World Bank's Good Governance Indicators. Journal of Modeling in Management, Vol. 6 No. 3, 2011.

Vongxayarath, Vongdavone. (2008). "Tourism and Luang Prabang's Cultural Heritage". in Andrew Adam and Mingsarn Kaosa-ard, eds. Mekong Tourism: Competitiveness & Opportunities. Page 201 – 221.

World Bank. 2006. Attracting Investment in Tourism. Tanzania's investor Outreach Program. World Bank Group. Multilateral Investment Guarantee Agency.