VISION OF INDONESIA TOURISM DEVELOPMENT 2015-2019

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OUTLINES

1. Strategic Rationale
2. Strategic Situation Analysis
3. Strategy Formulation
4. Strategy Implementation

1

Strategic Rationale

STRATEGIC RATIONALE : TOURISM IN THE WORLD

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9.5% of GDP – Direct, Indirect and Induced Impact (2014)

1 in 11 Jobs

US$ **1.4** Trillion in Export

5% of the World's Export (2014)

25 Million of Tourists in 1990

1138 Million of tourists in 2014

5 to **6** Billion of Domestic Tourists

TOURISM, KEY TO DEVELOPMENT, PROSPERITY AND WELL-BEING → TOURISM IS A LEADING SECTOR

- An ever increasing number of destination world wide opened, invest , and turning **Tourism** into **Key of** export **Revenues, Jobs Creator, Enterprises** and **Infrastructure** development;

- **Tourism** has experienced continued expansion and diversification, **Becoming One of the Largest and Fastest-Growing Economic Sector** in the world;

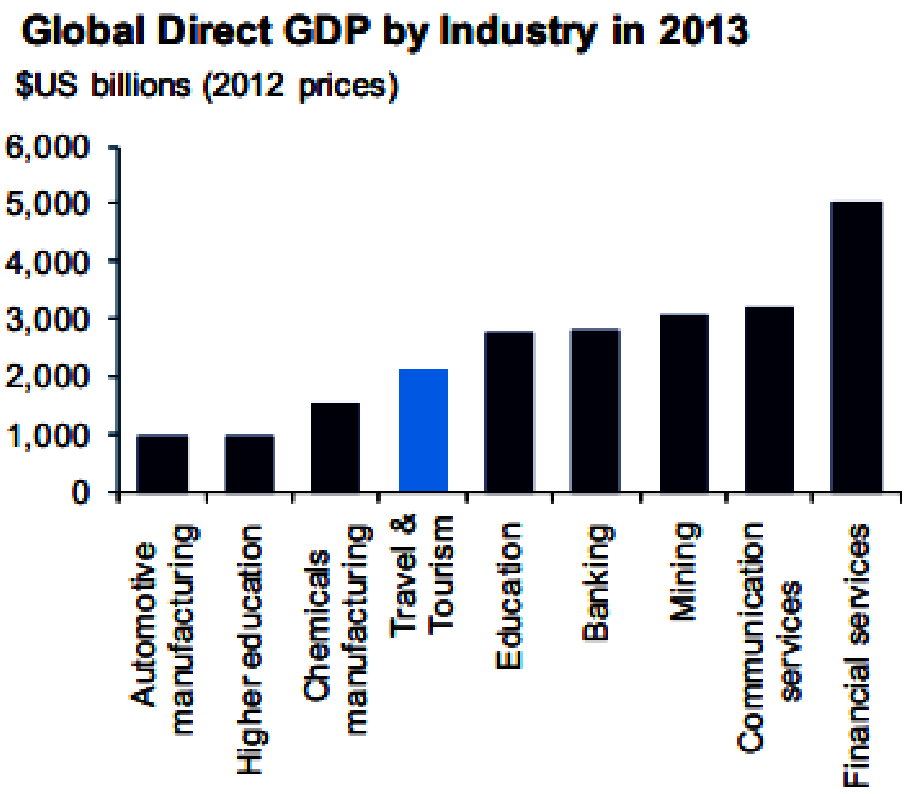
- Despites occasional shocks, **International Tourist Arrival** have shown virtually **Uninterrupted Growth** – 25 million (1950) → 278 Million (1980) → 528 Million (1995) → 1138 Million (2014)

Source: UNWTO Tourism Highlights, 2014
UNWTO World Tourism Barometer, Jan. 2015
WTTC, Jan. 2015

2

Strategic Situation Analysis (SSA)

SSA : BENCHMARK OF GLOBAL DIRECT GDP BY INDUSTRY



- In 2013, **Travel & Tourism** generated $2.1 trillion in direct GDP.
- This **contribution to global GDP** is **more than double** that of the automotive industry and nearly 40% larger than the global chemicals industry.
- The **Travel & Tourism sector is three-quarters the size of the global** education, communications, and mining sectors

Source: WTTC, 2014

SSA : BENCHMARK OF ASIAN TOURISM

Total Contribution of Travel and Tourism to GDP (2013)

Countries	Contribution (in US$ million)	%
Thailand	78,100	20
Malaysia	50,300	16
Lao PDR	1,400	14
Philippines	30,300	11
Singapore	31,700	11
Cambodia	1,600	10
Viet Nam	14,800	10
China	850,100	9
Indonesia	**80,800**	**9**
Japan	339,900	7
Brunei Darussalam	1,100	6
India	113,200	6
Republic of Korea	69,800	6
Myanmar	2,100	4

Source: WTTC, 2014

SSA : FOREIGN EXCHANGE EARNINGS

BENCHMARK OF ASIA TOURISM EARNINGS (USD Million)

Rank	Country	2011	2012	2013
1	China	48,464	50,028	51,664
2	Thailand	27,184	33,826	42,080
-	Hong Kong, China	28,455	33,074	38,940
3	Malaysia	19,656	20,250	21,018
4	Singapore	18,086	19,023	18,953
5	India	17,707	17,971	18,397
6	Japan	10,966	14,576	14,934
7	South Korea	12,476	13,429	14,272
8	Taiwan	11,065	11,770	12,677
9	**Indonesia**	**8,554**	**9,121**	**10,054**
10	Viet Nam	5,710	6,830	7,503

Source: UNWTO; 2014, ASEAN Secretariat; Jan. 2015

SSA : FOREIGN EXCHANGE RECEIPT

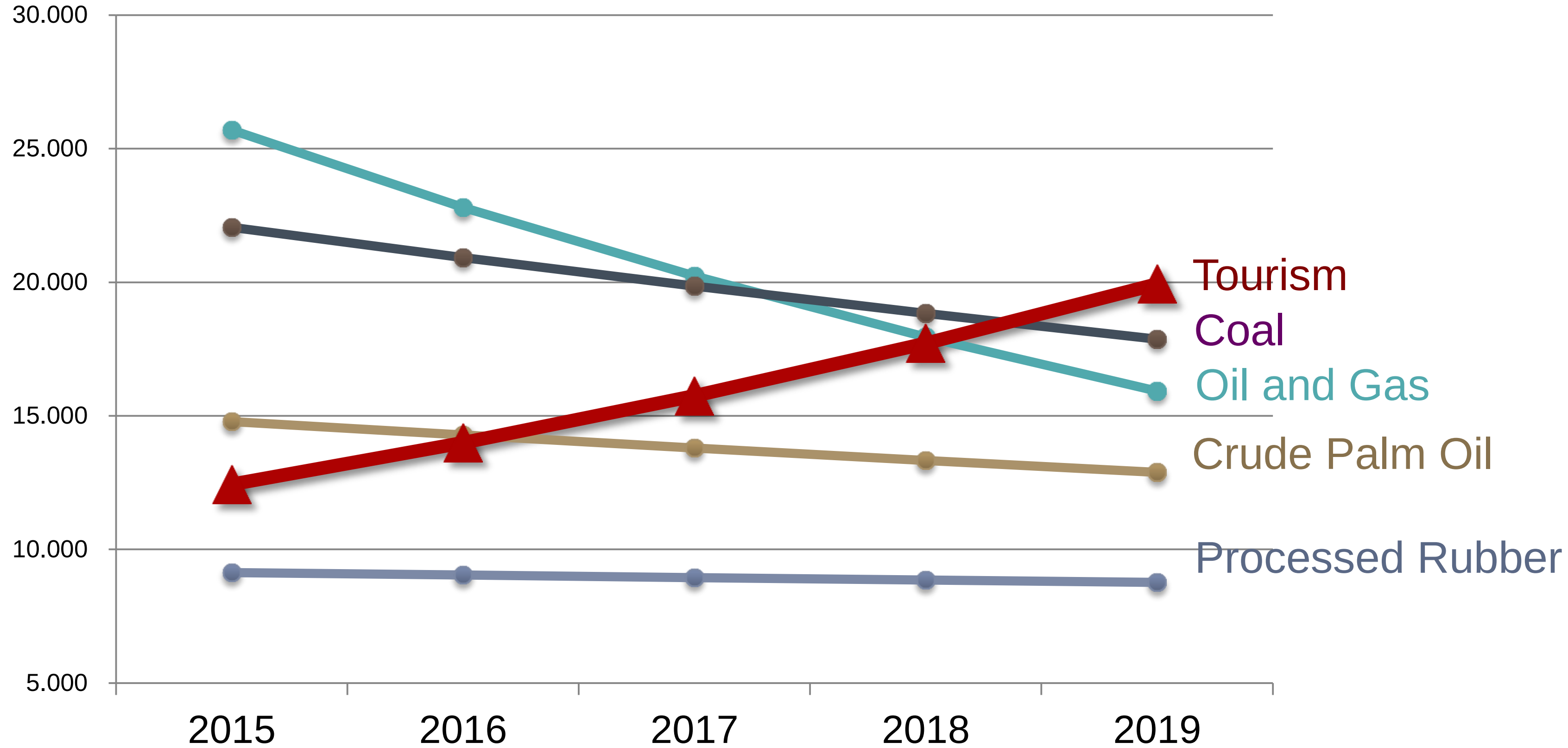
COMPARISON AMONG SECTORS IN INDONESIAN ECONOMY

	2011		2012		2013	
No	**Commodity**	**Value (Million $)**	**Commodity**	**Value (Million $)**	**Commodity**	**Value (Million $)**
1	Oil and Gas	41,447	Oil and Gas	36,977	Oil and Gas	32,633
2	Coal	27,222	Coal	26,166	Coal	24,501
3	Crude Palm Oil	17,261	Crude Palm Oil	18,845	Crude Palm Oil	15,839
4	Processed Rubber	14,258	Processed Rubber	10,395	**Tourism**	**10,054**
5	**Tourism**	**8,554**	**Tourism**	**9,121**	Processed Rubber	9,317
6	Apparel/Fashion	7,802	Apparel/Fashion	7,305	Apparel/Fashion	7,501
7	Power Tools	7,365	Power Tools	6,482	Power Tools	6,419
8	Textiles	5,563	Textiles	5,278	Processed Foods	5,435
9	Processed Foods	4,802	Processed Foods	5,136	Textiles	5,294
10	Chemical Material	4,630	Paper and Paper Products	3,972	Paper and Paper Products	3,802
11	Paper and Paper Products	4,214	Chemical Material	3,636	Processed Timber	3,515
12	Processed Timber	3,289	Processed Timber	3,338	Chemical Material	3,502

Source: Ministry of Tourism, 2014

SSA : FOREIGN EXCHANGE EARNINGS

PROJECTION OF MAIN SECTORS' FOREIGN EXCHANGE EARNIINGS IN INDONESIAN ECONOMY



Source: Ministry of Tourism, 2014

SSA : BENCHMARK OF ASIA TOURISM

DIRECT CONTRIBUTION OF TRAVEL AND TOURISM TO EMPLOYMENT

Countries	Number of Employment	% of total employment
China	22,780,000	3.00
India	22,320,000	4.90
Indonesia	**3,042,500**	**2.70**
Thailand	2,563,000	6.60
Viet Nam	1,899,000	3.70
Philippines	1,226,500	3.20
Japan	1,447,000	2.30
Malaysia	881,000	6.70
Cambodia	735,000	8.90
Republic of Korea	619,000	2.50
Myanmar	338,500	1.20
Singapore	147,000	4.30
Lao PDR	119,500	4.00
Brunei Darussalam	5,000	2.40

Source: WTTC, 2014

SSA : BENCHMARK OF ASIA TOURISM

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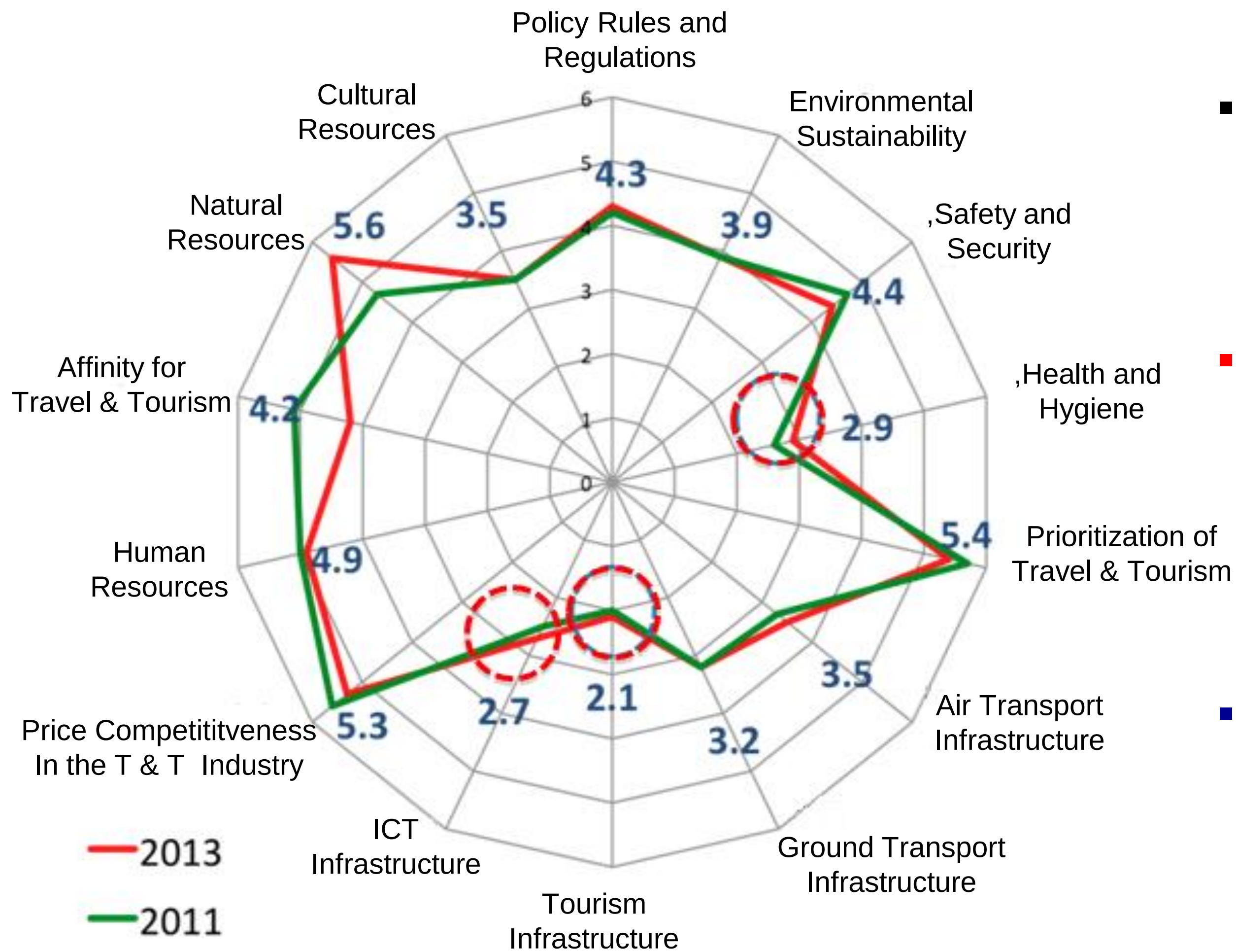
TOURISM COMPETITIVENESS INDEX AMONG ASIAN COUNTRIES

Rank	Country/Economies	2009 Rank of 133	2011 Rank of 139	2013 Rank of 140
1	Singapore	10	10	10
2	Japan	25	22	14
-	Hong Kong, China	12	12	15
3	South Korea	31	32	25
4	Taiwan	43	37	33
5	Malaysia	32	35	34
6	Thailand	39	41	43
7	China	47	39	46
8	India	62	68	65
9	**Indonesia**	**81**	**74**	**70**
10	Viet Nam	89	80	80

Source: *Travel and Tourism Competitiveness Report WEF, 2013*

SSA : INDONESIA TRAVEL AND TOURISM COMPETITIVENESS INDEX IN THE WORLD



Source: *Travel and Tourism Competitiveness Report WEF, 2013*

- **In 2013, Indonesia travel and tourism competitiveness index ranked 70th out of 140 countries**
- **BOTTOM THREE : 3 factors with the lowest tourism competitiveness index:**
  1) Tourism infrastructure,
  2) ICT infrastructure,
  3) Health and hygiene
- **TOP THREE : 3 factors with the highest tourism competitiveness index:**
  1) Natural resources
  2) Prioritization of travel and tourism
  3) Price competitiveness

SSA : INDONESIA TOURISM COMPETITIVENESS IN ASEAN

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According to Travel and Tourism Competitiveness Report 2013 done by World Economic Forum (WEF), in ASEAN, Indonesia ranked 4th after Singapore, Malaysia, and Thailand

No.	SUB INDEX/PILLAR	ASEAN MEMBER COUNTRY/RANKING							
		SINGAPORE	MALAYSIA	THAILAND	INDONESIA	BRUNEI	VIETNAM	PHILLIPINES	CAMBODIA
	TRAVEL & TOURISM COMPETITIVENESS REPORT 2013	**10**	**34**	**43**	**70**	**72**	**80**	**82**	**106**
I	**T & T Regulatory Framework**	**6**	**55**	**76**	**95**	**94**	**88**	**70**	**105**
1	Policy rules and regulations	1	*9*	*77*	93	126	60	53	128
2	Environmental sustainability	*23*	61	*99*	*125*	*135*	*128*	*83*	*75*
3	Safety and Security	5	*66*	87	85	24	58	103	78
4	Healty and hygiene	*56*	*73*	*84*	*112*	*65*	*81*	*94*	*129*
5	Prioritization of travel & Tourism	*4*	*51*	*33*	*19*	*123*	*110*	*15*	*13*
II	**T & T Business Environment and Infrastructure**	**4**	**41**	**44**	**84**	**57**	**94**	**89**	**112**
6	Air Transport Insfrastructure	14	*26*	21	54	45	79	69	106
7	Ground transport infrastructure	*2*	*36*	*62*	*87*	*67*	*98*	*89*	*81*
8	Tourism insfrastructure	*38*	73	*31*	*113*	*86*	*112*	*92*	*132*
9	ICT infrastructure	9	*57*	90	87	65	68	96	112
10	Price Competitivesness in the T&T industry	*66*	*5*	*25*	*9*	*2*	*18*	*24*	*19*
III	**T & T Human, Cultural and Natural Resources**	***25***	***17***	***23***	***31***	***67***	***43***	***64***	***78***
11	Human Resources	*2*	*28*	*70*	*61*	*36*	*77*	*82*	*99*
12	Affinity for travel & Tourism	*8*	*16*	*18*	*114*	*63*	*108*	*42*	*20*
13	Natural resources	*92*	*18*	*23*	*6*	*53*	*50*	*44*	*67*
14	Cultural Resources	*35*	*31*	*36*	*38*	*95*	*28*	*83*	*111*

Source : *World Economic Forum (WEF), 2013.*

SSA : BENCHMARK OF ASIA TOURISM

INTERNATIONAL TOURIST ARRIVALS TO ASIAN COUNTRIES

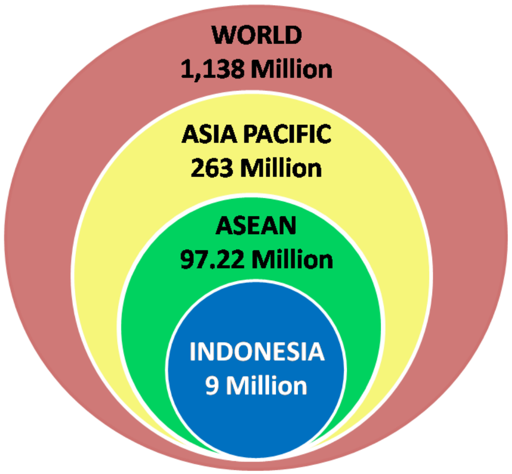
Rank	Country	2014	2013	% Change (2013 to 2014)	% Change (2012 to 2013)
1	China	129.1 million	116.9 million	▲ 0.90	▼ 3.50
2	Thailand	24.8 million	26.5 million	▼ 6.70	▲ 18.80
3	Malaysia (Jan-Oct)	22.9 million	20.9 million	▲ 9.60	▲ 2.70
4	South Korea	13.98 million	11.8 million	▲ 17.20	▲ 9.30
5	Singapore (Jan-Nov)	13.7 million	14.2 million	▼ 3.00	-
6	Japan	13.4 million	10.4 million	▲ 29.40	▲ 24.00
7	**Indonesia**	**9.4 million**	**8.8 million**	▲ **7.20**	▲ **9.40**
8	Taiwan	7.3 million	8.0 million	▲ 9.60	▲ 9.60
9	Viet Nam	7.9 million	7.6 million	▲ 4.00	▲ 10.60
10	India	7.4 million	6.9 million	▲ 7.20	▲ 5.90

Source: WTTC; 2014, UNWTO; 2014, ASEAN Secretariat; Jan. 2015

SSA : CURRENT CONDITION AND TOURISM SECTOR TARGET BY 2019

		2014	TARGET 2019
macro	• Contribution to GDP • Foreign Exchange • Contribution to Employment	• 4 % • Rp. 120 triliun • 8,7 million	• 8% • Rp. 240 triliun • 13 million
micro	• Tourism Competitiveness Index (WEF)**) • International Tourist Arrivals • Domestic Tourist Trips	• #70 • 9 million • 250 million	• #30 • 20 million • 275 million

Diagram of Tourist Composition Number Global, Asia Pacific, ASEAN and Indonesia Within Year 2014



INDONESIA proportion to:

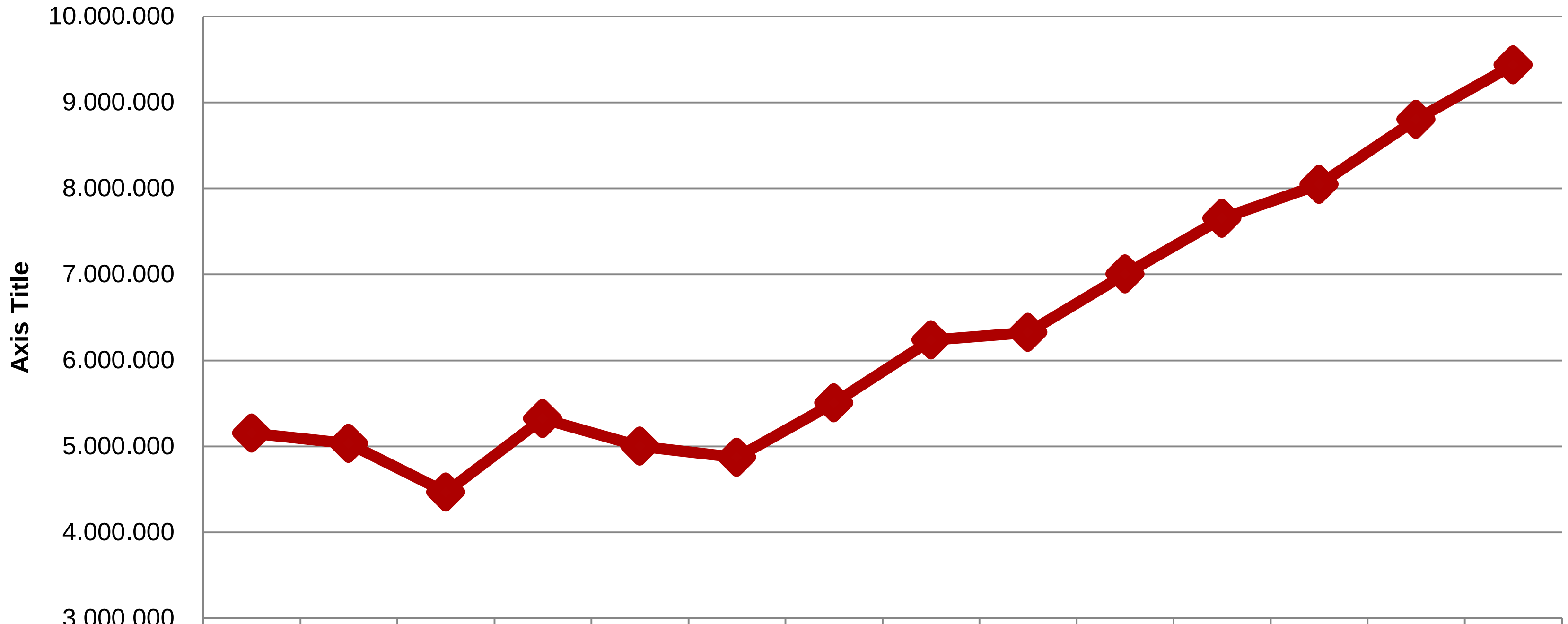
World	= 0.8%
Asia Pacific	= 3%
ASEAN	= 9%

Comparison to other ASEAN countries (2013) :

Malaysia	**: 25,7 million**
Singapore	**: 15.5 million**
Thailand	**: 26.5 million**

**) Source data : UNWTO – United Nation World Tourism Organization*
***) WEF : World Economic Forum*

SSA : IN 2014, INTERNATIONAL TOURIST ARRIVALS TO INDONESIA SET HIGHEST RECORD NUMBER OF 9,45 MILLION (+ 7,2%)

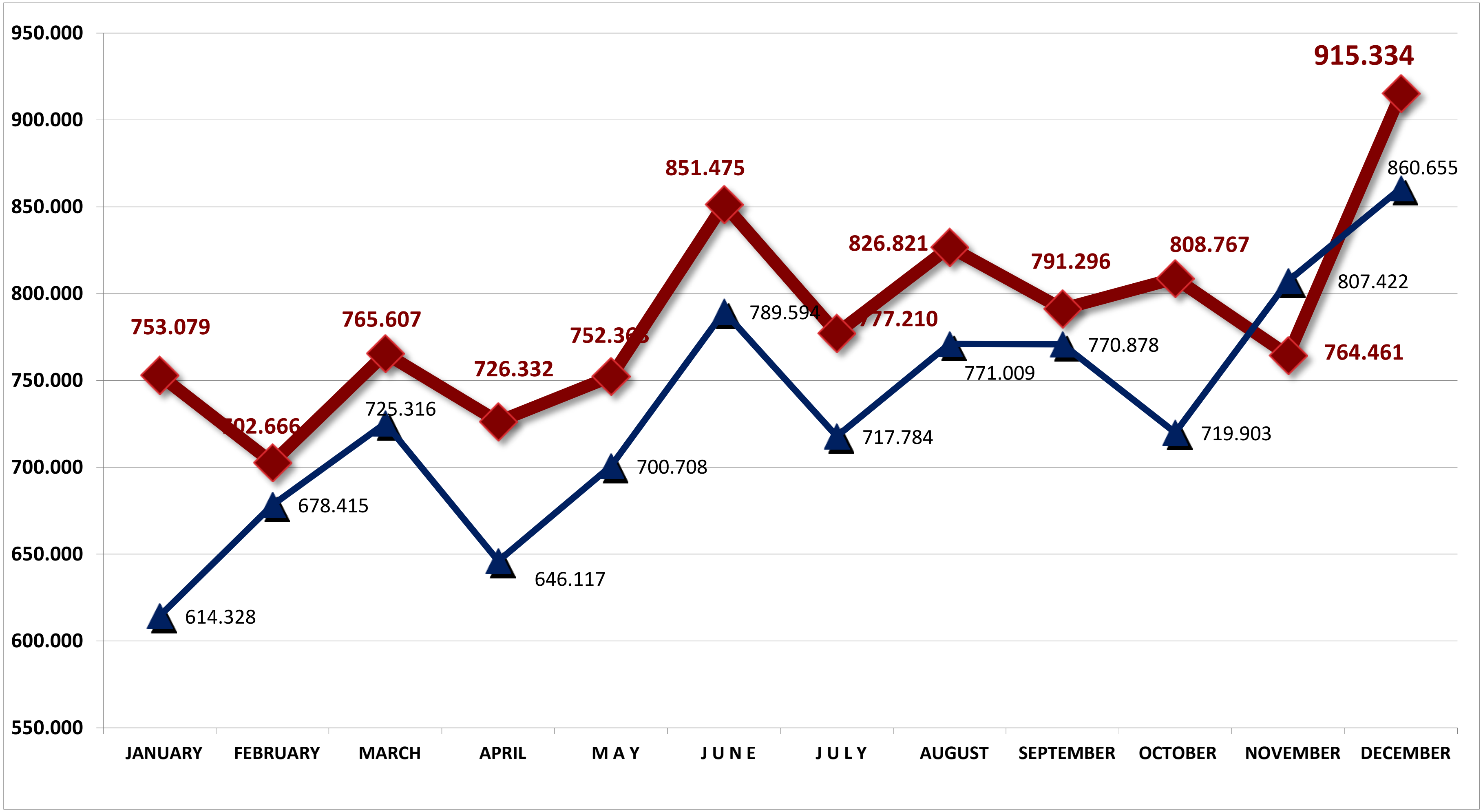


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Tahun	5.153	5.033	4.467	5.321	5.002	4.871	5.505	6.234	6.323	7.002	7.649	8.044	8.802	9.435

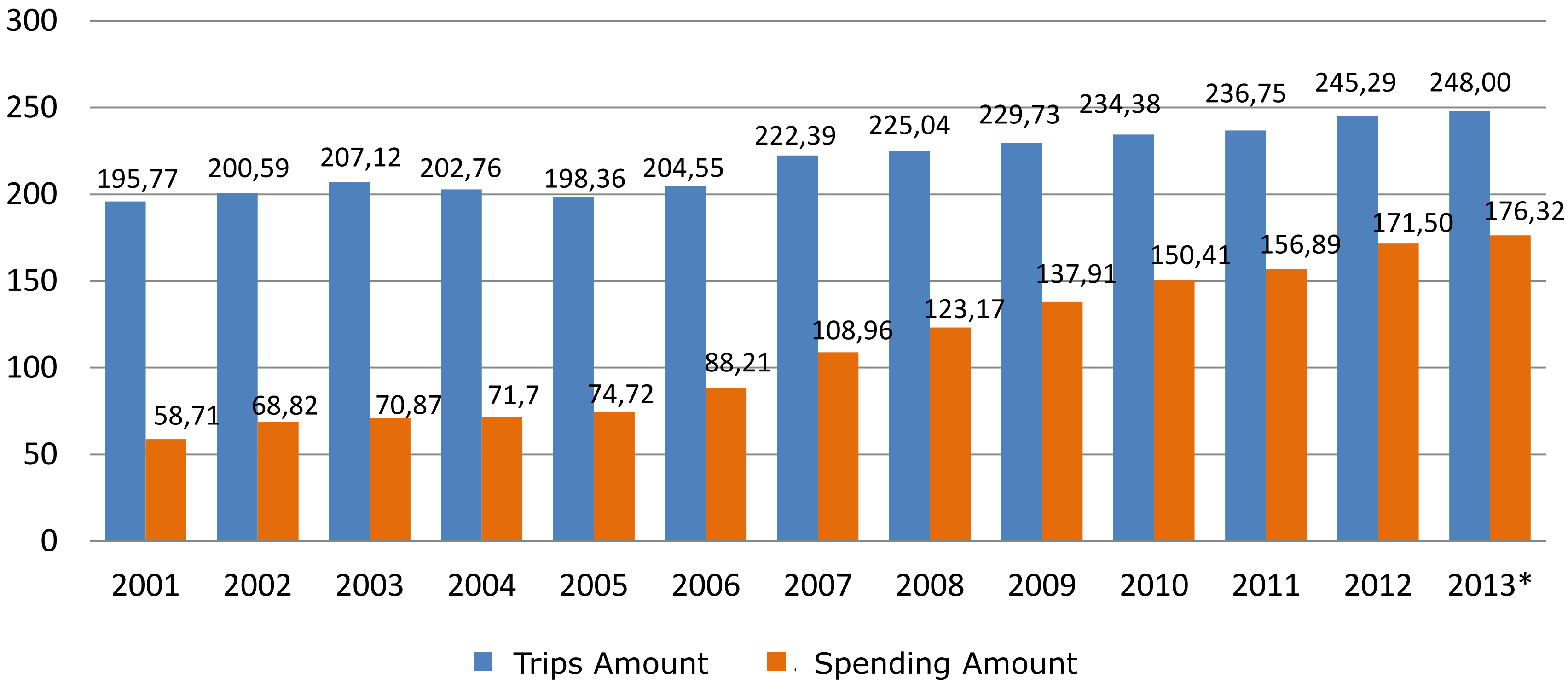
The growth of INDONESIA tourism sector was 7,2% surpassed World Growth of only 4,7%.

Source : Central Statistics Bureau, 2015

SSA : COMPARISON OF INTERNATIONAL TOURIST ARRIVALS 2013 VS 2014



SSA : NUMBER OF DOMESTIC TOURIST TRIPS CONTINUES TO INCREASE AND CONTRIBUTES TO THE GROWTH OF LOCAL ECONOMY THROUGH DOMESTIC SPENDING.



In 2013, number of Domestic Tourist Trips reached 248 million of trips with growth of 1.1% comparing to previous year. This number created domestic spending of

Rp. 176 trilion.

Source : Central Statistics Bureau, 2014

3

Strategy Formulation

SF : STRATEGY FORMULATION
Strategy Framework

National Level

- **GREAT SPIRIT**
  - Indonesia Bekerja – Wonderful Indonesia
- **GRAND STRATEGY**
  - Directional Strategy: Sustainable Competitive Growth
  - Portfolio Strategy: Integrated e-Tourism Ecosystem
  - Parenting Strategy: Government Support – Industry Led

Industry Level

- **BUSINESS STRATEGY**
  - Comparative Strategy : Industry Champion
  - Competitive Strategy : Focus, Speed, and Differentiation
  - Cooperative Strategy : Public Private Partnership

SF : STRATEGY FORMULATION

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OPPORTUNITIES	CONSTRAINTS
• Natural Resources (80%) • Prioritization of Tourism (77%) • Price competitiveness (76%) • Human Resources (70%) • Safety and Security (63%)	• Tourism Infrastructure (30%) • ICT Infrastructure(39%) • Health and Hygiene (41%) • Accessibility (*connectivity, seat capacity*, and *direct flight*) (50%) • Regulation (permit and clearance for yachts and cruises, visa, custom) (61%)

INDONESIA TOURISM STRATEGY

1. **National Tourism Marketing and Promotion**: generating international tourist arrivals as many as possible and increasing the number of domestic tourists
2. **Development of Tourism Destination Development**: increasing the attractiveness of tourist destination and upgrading its level of competitiveness in nation and global wide
3. **Development of Tourism Industry**: increasing participation of local entrepreneurs in national tourism industry and expanding diversity and competitiveness of tourism products and services in each tourist destination
4. **Development of Tourism Institution**: developing human resources in tourism and national tourism organization

Source : *Initial draft of Medium Term Development Plan (RPJMN) 2015-2019*

The Concept of “GREAT”

A tourism regional development approach that **integrates components; such as infrastructure, accessibility, connectivity, activity, facility, hospitality, and market preference (point of entry/point of distribution, tourist movement pattern, the readiness and certainty of tourism business and management)** to optimize the economic value and its positive impact for the people, businesses, and the regions.

SF: PRIORITIZATION OF INTERNATIONAL TOURIST MAIN PORT OF ENTRY

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Three Major *Greats* Contribute Over 90% of International Tourist Arrivals

Region	Total of Int'l Tourist		Number of Arrivals
Great Bali	3,507,310	39.42%	Ngurah Rai 3,241,889; Lombok 40,380
Great Jakarta	2,305,729	27.68%	Soekarno-Hatta 2,240,502; Tanjung Priok 65,227;
Great Batam	2,154,697	25.88%	Batam 1,336,430; Tanjung Uban 318,154; Kualanamu 225,550; Sultan Syarif Kasim II 25,946; Minangkabau 44,135; Tanjung Balai Karimun 104,889 ; Tanjung Pinang 99,593
Great Surabaya	225,041	2.70%	Juanda 225,041
Great Bandung	176,318	2.11%	Husein Sastranegara 176,318;
Great Yogyakarta	103,758	1.25%	Adi Sucipto 86,020; Adi Sumarmo 17,738
Great Kalimantan*	41,760	0.50%	Sepinggan 16,904; Entikong 24,856
Great Sulawesi*	37,647	0.45%	Makassar 17,730; Sam Ratulangi 19,917
Great Sumatera*			
Great Maluku Papua*			

Source:
Data and Information Centre, Ministry of Tourism and Central Statistic Bureau, 2014 (International Tourist Arrivals to 19 Main Port of Entry)

SF: REGIONAL DEVELOPMENT

4. Strategy Implementation

SI: MARKETING STRATEGY IMPLEMENTATION BASED ON 'DOT' APPROACH

DESTINATION	Great Bali, Great Jakarta, Great Batam
ORIGIN	Singapore, Malaysia, Australia, China, and Japan
TIME	Market Seasonality

SI: MARKETING STRATEGY IMPLEMENTATION BASED ON PRIORITY DESTINATION IN CONCEPT OF 3 GREATS

(BALI, JAKARTA, BATAM)

MAIN PRODUCTS	Nature (35 %)	1. MARINE TOURISM 2. ECO TOURISM 3. ADVENTURE TOURISM
	Culture (60 %)	1. ADVENTURE AND PILGRIM TOURISM 2. CULINARY AND SHOPPING TOURISM 3. CITY AND VILLAGE TOURISM
	Man Made (5 %)	1. MICE* & EVENTS TOURISM 2. SPORT TOURISM 3. INTEGRATED AREA TOURISM

SI: INTERNATIONAL TOURIST ARRIVALS

IN 19 MAIN PORT OF ENTRY

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Contribution of 3 highest number of main port of entry (Bali, Jakarta, Batam): 78%

No	Port of Entry	2014	2013	Growth	Difference	Share
1	**Bali**	**3,731,735**	**3,241,889**	**15.11 %**	**489,846**	**39.55 %**
2	**Jakarta**	**2,246,437**	**2,240,502**	**0.26 %**	**5,935**	**23.80 %**
3	**Batam**	**1,454,110**	**1,336,430**	**8.81 %**	**117,680**	**15.41 %**
4	Tanjung Uban	320,861	318,154	0.85 %	2,707	3.40 %
5	Medan	234,724	225,550	4.07 %	9,174	2.48 %
6	Surabaya	217,193	225,041	-3.49 %	-7,848	2.30 %
7	Bandung	180,392	176,318	2.31 %	4,074	1.91 %
8	Tanjung Balai Karimun	100,782	104,889	-3.92 %	-4,107	1.06 %
9	Tanjung Pinang	97,672	99,593	-1.93 %	-1,921	1.03 %
10	Yogyakarta	89,156	86,020	3.65 %	3,136	0.94 %
11	Tanjung Priok	64,941	65,227	-0.44 %	-286	0.68 %
12	Padang	50,196	44,135	13.73 %	6,061	0.53%
13	Lombok, NTB	69,881	40,380	73.06 %	29,501	0.74 %
14	Pekanbaru	27,382	25,946	5.53 %	1,436	0.29 %
15	Entikong, Pontianak	22,464	24,856	-9.62 %	-2,392	0.23 %
16	Manado	17,279	19,917	-13.24 %	-2,638	0.18 %
17	Surakarta	12,911	17,738	-27.21 %	-4,827	0.13 %
18	Makassar	15,713	17,730	-11.38 %	-2,017	0.16 %
19	Balikpapan	13,156	16,904	-22.17 %	-3,748	0.13%
	Others	468,426	474,910	-1.37 %	-6,484	4.96%
	Total Arrivals	**9,435,411**	**8,802,129**	**7.19 %**	**633,282**	**100 %**

Source : Ministry of Tourism and Central Statistics Bureau (Statistical Report on Visitor Arrivals to Indonesia 2013)

SI: TARGET 2019 : 20 MILLION OF INTERNATIONAL TOURIST ARRIVALS

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NO	ECONOMIES	2015 (Low)	2015 (High)	2019
1	SINGAPORE	2,000,000	2,100,000	3,765,000
2	MALAYSIA	1,700,000	1,800,000	3,200,000
3	CHINA	1,300,000	1,500,000	2,275,000
4	AUSTRALIA	1,100,000	1,200,000	2,095,000
5	JAPAN	529,000	545,000	985,000
6	REP. OF KOREA	380,000	390,000	700,000
7	TAIWAN	300,000	310,000	555,000
8	THE PHILIPPINES	350,000	375,000	580,000
9	UNITED KINGDOM	280,000	290,000	510,000
10	USA	275,000	300,000	504,000
11	INDIA	270,000	285,000	465,000
12	MIDDLE EAST	250,000	275,000	560,000
13	FRANCE	230,000	250,000	400,000
14	GERMANY	220,000	230,000	366,000
15	THE NETHERLANDS	180,000	187,000	339,000
16	RUSSIA	98,000	108,000	181,000
	OTHERS	538,000	1,855,000	2,520,000
	TOTAL	**10,000,000**	**12,000,000**	**20,000,000**

Note:

- **No. 1 - 5 contributes: 61%**
- **1 – 16 contribution of total international tourist arrivals: 87%**

Source: Ministry of Tourism, 2015

SI: PROMOTION STRATEGY IMPLEMENTATION BASED ON 'BAS'

ALLOCATED PROMOTION BUDGET 2015 : Rp. 1 TRILION

Market Area	Budget Allocation	Branding	Advertising	Selling
ASEAN	**50%**	25%	15%	10%
ASIA PACIFIC (NON ASEAN)	**30%**	15%	10%	5%
EUROPE, MIDDLE EAST, AND AFRICA (EMEA)	**20%**	10%	5%	5%
TOTAL	**100%**	**50%**	**30%**	**20%**

SI: DESTINATION DEVELOPMENT PRIORITIES 2015-2019

Supported by The Ministry of Transportation, The Ministry of Public Works and Housing, and The Ministry of State-Owned Enterprises

TOP FIVE STRATEGIC AREAS 2015 – 2019	
1	Coral Triangle Strategic Area (Bunaken, Wakatobi, Raja Ampat, Morotai)
2	Land and Island Border Strategic Area (Weh, Natuna, Teluk Dalam - Nias, Nongsa-P. Abang, Sentarum)
3	The Green Belt(Tanjung Puting, Ijen-Baluran, Menjangan-Pemuteran, Toraja, Borobudur)
4	Geopark Strategic Area (Toba, Rinjani, Bromo-Tengger-Semeru, Kintamani-Batur)
5	Coastal and Small Islands Strategic Area (Tanjung Kelayang, Kota Tua-Sunda Kelapa, Pulau Seribu, Alor, Komodo, Gili Tramena, Sanur-Kuta-Nusa Dua)

TOP FIVE DESTINATION DEVELOPMENT THEMES 2015 - 2019	
1	Maritime - Coast, Marine dan Submarine (Bunaken, Wakatobi, Raja Ampat, Morotai, Tanjung Kelayang, Pulau Seribu, Alor, Komodo, Gili Tramena, Weh, Natuna, Nongsa - Pulau Abang)
2	Ecotourism (Tanjung Puting, Ijen-Baluran, Toba, Rinjani, Bromo-Tengger-Semeru, Sentarum)
3	Culture Heritage (Toraja, Borobudur, Kota Tua-Sunda Kelapa, Aceh, Sumbar, NTB)
4	Adventure (Nias, Menjangan-Pemuteran, Kintamani-Batur)
5	Culinaries (Sanur-Kuta-Nusa Dua)

Tourism Destination Development Criteria:
1. Quality of attractions
2. Readiness of tourism ammenities (infrastructure and tourism infrastructure)
3. Accessibility (transport network and connectivity)
4. Readiness and support of local government and community
5. Governance of tourism destinations
6. Potential development of international and domestic market

THANK YOU