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## **Special Market Reports** **Issue 63 - INDONESIA**

**April 2016**

## The many new faces of Indonesia

To achieve their aggressive target of 20 million foreign tourist arrivals and 300 million domestic trips by 2019, the Ministry is encouraging investors and tourists alike to look further afield. In 2016, the Indonesian government is focusing their tourism mite on 10 destinations, dubbed "The New Balis" by the Minister of Tourism. The ten destinations include five revitalization projects (Lake Toba, Borobudur, Bromo, 1000 Islands and Mandalika), a couple of new destinations favoured by divers (Wakatobi and Morotai) and a few fresh locations with broad natural and cultural appeal (Belitung, Tanjung Lesung, Labuan Bajo). This article will briefly examine the current tourism characteristics of the 10 destinations to better understand the investment potential and development scale (and to better allow the reader to plan their next holiday).

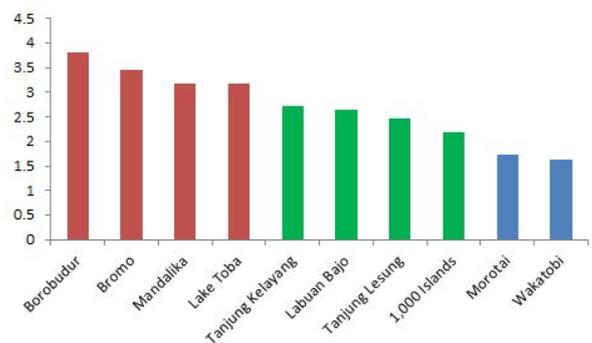
The Indonesian Ministry of Tourism wishes to continue accelerating tourism growth by prioritising 10 destinations for development. The list includes Lake Toba (North Sumatra), Tanjung Kelayang (Bangka Belitung), Tanjung Lesung (Banten), 1,000 Islands (Jakarta), Borobudur Temple (Central Java), Mount Bromo (East Java), Mandalika Lombok (West Nusa Tenggara), Labuan Bajo (East Nusa Tenggara), Wakatobi National Park (Southeast Sulawesi) and Morotai (North Maluku).



5 of these destinations, Lake Toba, Borobudur, Bromo, 1000 Islands and Mandalika began developing in the 1990s with various amounts of success and the Ministry's push is expected to jump-start their next phase of development. Destinations like Wakatobi, Morotai and

Labuan Bajo are relatively fresh and therefore require different approaches to investment and certainly a longer time frame.

The following article will briefly examine the current tourism characteristics of the 10 destinations to better understand the investment potential and scale (and to better allow the reader to plan their next holiday). We ranked each destination according to the following attributes: Hotel Supply, Labour, Shopping, Dining, Culture, Access, Environment, Recreation, Climate, Safety and Pricing (definitions in an endnote). The higher the number, the more ready the destination is to accept tourists now and the more likely to develop on a mass level in the near future.



### MASS TOURISM DESTINATIONS

Borobudur Temple is one of the wonders of the world and scored more highly than the remaining 9 destinations on tourism potential in the short term. It scored well for climate, culture, recreation, access is easy from Yogyakarta and the destination already offers several mid to upscale international and domestic lodging options.

Much like it, Bromo scored well environmentally as the nature is almost unspoiled with beautiful mountains, hills and of course the volcano. Food options are largely limited to domestic menus for now although given the surrounding farm land the potential is strong for culinary or agricultural tourism.

Another destination scoring high is Lake Toba which developed strongly in the late 1990s but has since largely stalled. It has interesting cultural events at Samosir Island, weather is consistent and access is easy if not a little slow, 4 hours' drive away from Medan and 1 hour 45 minutes from the smaller regional airport of Silangat. All of these destinations are currently short stay options and very

popular amongst domestic travellers as they are affordable. Borobudur is mainly treated as a day trip option for foreigners from Yogyakarta, combined with Prambanan.

These 3 destinations are considered revitalization projects by the Ministry, meaning they have developed organically to date but now need a kick-start. This group caters for a broad variety of tourists and consequently for a broad scale of development options from small to large, boutique to mass. A shorter time frame for development is envisaged than for the other 6 destinations as they are already popular among the domestic market and have a marketing head start.

## THE NICHE MARKET

At the other end of the spectrum, Wakatobi scored the lowest in almost all attributes, other than environment as the surrounding nature is spectacular. Similarly, Morotai is a beautiful remote island destination and therefore it is more difficult to access, climate is more important, with limited accommodation and attractions and costs of development and operations are high. The only difference between these two destinations is that Morotai has 2 local hospitals beside the sea doctor or mobile boat hospital. For small island destinations, tourism is often seen as the means to development and modernization, resulting in economic and social growth. However, they usually face a number of issues related to its sustainability.

Both Wakatobi and Morotai are known to avid divers and that's why we have classified them as niche market destinations. They will not and should not be developed as mass-market destinations, the nature must be protected and tourism should be developed at a small, high-end scale. A medium term time frame is expected, small scale accommodations and standard tourism supporting facilities are suitable for these locations.

## THE MIDDLE GROUND

A couple of these destinations have been in incubation stage for many years, including Tanjung Lesung and 1,000 Islands, trying to grow over the years but largely failing due to obstacles like access, climate or lack of product quality. Infrastructure development by the government will play the defining role in whether these destinations succeed.

Tanjung Lesung is considered to have the best beach on the west coast of Java Island with commanding views of the infamous Krakatoa volcano. It was designated to be a Special Economic Zone and controlled by Jababeka with a huge masterplan covering the 1,500 hectares of developable coastal land. It is in its infancy as a destination and appeals almost entirely to the domestic market.

Tanjung Kelayang is also in its infancy, very close to Belitung town with domestic airport, midscale lodging options, shopping and local cuisine. These 2 destinations require basic infrastructure improvements, attention to culture and environment. The beach is world class and it could be developed into a very popular beach destination in the medium to long term with careful planning and management. In the short-term it is essentially a weekend getaway for Jakarta residents.

Labuan Bajo has the Komodo Dragon, wonderful diving and is only a short hop from Bali. Development has gained significant traction in the last year or two with a new airport, more hotels and live-aboard boats from low to high-end plus dining and shopping. It is still a baby in comparison to the mass-market appeal destinations but with good planning and management plus greater attention to the environment in stands an excellent chance of appealing to both domestic and foreign tourists.

The 1,000 Islands are only a short boat from Ancol in North Jakarta. Its main obstacles are climate, environment and access although improvements have been made with scheduled ferry services. It is a favourite for Jakarta residents and the mostly dilapidated lodging options hum on Saturday nights whilst remaining empty the other 6 nights.

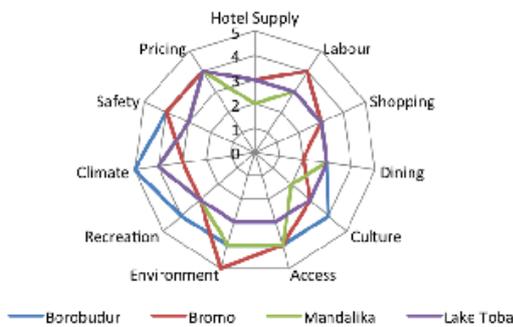
This destination group is smack in the middle of mass and niche tourism, able to withstand larger scale lodging and attraction developments in the medium term with some limitations. Any developments in this area will depend a lot on government infrastructure improvements and attention to the environment.

**TO SUM UP**

There are many new faces to Indonesian tourism currently being plugged by the Ministry of Tourism. Each of them with their own personalities, each with their own peculiarities, each with their own obstacles to development and definitely each of them with their own winning development formulas. We have briefly touched on each of the 10 destinations, grouped as having mass, niche or middling potential to develop in the near term. It is intended as a teaser only, a snapshot of the many facets of Indonesia’s wonderful potential for tourism exploration and development.

**ENDNOTES**

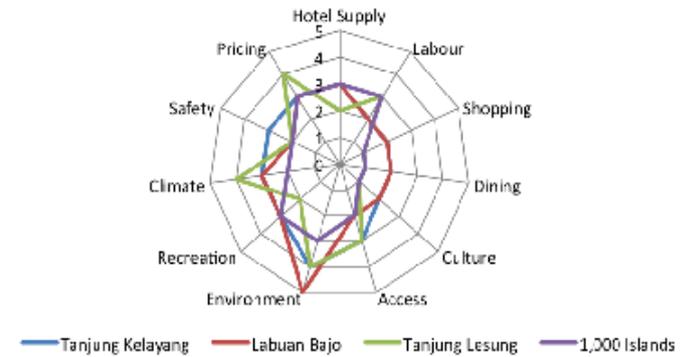
*Mass Tourism*



*The Niche Market*



*The Middle Ground*



- **Hotel Supply** – the quality, quantity, variety, brand recognition and type of hotels
- **Environment** – the attractiveness of the environment (e.g. beach, water, mountain and other natural physical features of the site), its quality and purity.
- **Access** – time, distance and availability of commercial flights from major transit points.
- **Climate** – year-round appeal of climate (including amount of rainfall, number of sunny days, water temperature and proneness to natural calamities like typhoons and earthquakes etc).
- **Safety** – general safety concerns as well as political and social stability factors. Provision of amenities such as police station, fire stations and hospitals.
- **Culture** – attractiveness and availability of local customary beliefs, social forms, material traits, cuisine and history of the resort setting and its indigenous people.
- **Shopping** – the amount and quality of retail outlets and the overall satisfaction of the consumers demands for goods.
- **Dining** – the variety and quality of dining outlets (both resort-operated and independently-run)
- **Recreation** – development of water sports, golf, tennis, and other traditional and non-traditional recreational facilities.
- **Labour** – the existing pool of skilled and experienced hospitality employees, ease of movement for foreign workers and local training institutions availability.
- **Pricing** – If the product quality meet the price. Supporting component such as transportation, accommodation, meals and service is reasonable for both domestic and foreign.

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*Matt transferred to Horwath HTL's Jakarta office in October 2013 from the Singapore office where he began work in September 2004. Whilst at Horwath HTL, Matt has been involved in many projects including market and financial feasibility studies for hotels, resorts, serviced apartments and golf courses across Asia; including Indonesia, China, Thailand, Vietnam, Malaysia, Philippines, Maldives, South Korea and Singapore. Matt has also represented hotel owners in the management company selection process; carried out hotel valuations; and undertaken hotel operations' reviews. Prior to joining HHTL, Matt worked on and off for over ten years in the hospitality industry gaining experience in various areas of hotel and F&B operations in Australia, Canada and the UK. Matt also worked for five years as a solicitor, in both commercial litigation and industrial relations at Freehills (Perth, Australia) and in-house at London Transport (London, UK).*

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