

CHAPTER 1 INTRODUCTION

1.1 Background

Tourism is one of the world's fastest growing economic sectors and could be the one of the most powerful tools for national economic growth. Indonesia applied travel & tourism industry as the priority sector and it included in annual work plan 2017 after food, energy, and maritime sector. As a country who looking forward to be the 4th biggest economic nation, Travel & Tourism become an important aspect for national economic. According to World Travel & Tourism Council research in 2017, this sector was contributed much greater which capture both indirect and Induced impacts (World Travel and Tourism Council, 2017).

Travel and Tourism has a significant direct contribution to GDP. In 2016 was IDR226,411.0bn (1.8% of GDP) (BPS, 2016). This is forecast to rise by 4.3% to IDR236,204.0bn in 2017 This primarily reflects the economic activity generated by several industries such as hotels, travel agents, airlines and transportation services (excluding commuter services). The activity of the restaurant and leisure industries also includes directly supported by tourists. The direct contribution of Travel & Tourism to GDP is expected to grow by 5.6% per annum to IDR405,975.0 bn (1.9% of GDP) by 2027(Pitana, 2017).

Indonesia has to leave the dependence on natural resources as its main income. Such Singapore, this neighboring country can be rich without having any natural resources. However, they did not make the resource become the main income onwards. They build and create some artificial tourism make it as their main income. They initially made their country as transit point to gain tourist come to their country. Creating an artificial tourism area that is well managed, and this small country becoming one of the richest in the world.

Natural tourism in Indonesia are mostly managed directly by the Government. Attraction such as Lakes, Beaches, Mountains, etc. Imposing an entrance fee as a regional levy without any clarity as for what the fee is. Moreover, the area that is charged is actually not maintained and does not have good enough facilities for the customer. In fact, in other countries, tourism areas that have precious view, well-maintained, and great facilities are not charged the customer for entrance fee. The existence of the manager of the tourism area such Sentosa Island in

Singapore, does not charge a direct fee to enter the area but generated more income for the country.

Tourism Area Managers like in Sentosa Island also hired in some world-famous locations such as Genting Highland and even several beaches in Bali. Basing on these locations, the private sector that managed the area actually makes the tourism area be organized, neat, inviting tourists, and of course generate huge profits. The campaign for the customer acquisition is also more effective. However, ownership must remain the property of the government and profits will be shared with the government as well (Sentosa Development Company, 2019).

On the other hand, the word private is often a friction for residents. Moreover, the area that was once owned by the government looks as if it was sold to the private sector for management. The pros and cons to this cannot be avoided.

1.2 Business Issue

Ancol and Sentosa are the main integrated tourism areas in their respective countries. Ancol is the main attraction of the DKI Jakarta Provincial Government representing Indonesia, while Sentosa is the main tourism destination by Singapore.

Indonesia is a country that has a very high tourism potential. Diverse tourist areas and broad areas allow this sector to become a leading sector for the economy. However, Singapore first had a high brand image for its tourism through Resort World Sentosa. At present, Resort World Sentosa in Singapore is a major tourism destination in the Southeast Asian region.

In fact, long before Resort World was built, Sentosa was an area very similar to Ancol. A similar vehicle and the same purpose but Ancol visitors were much higher at the time. Today, the number of visitors to Resort World Sentosa has matched Ancol, indicating the company's low business development.



Figure 1.1 Sentosa Before 2010

Resort World Singapore took over the management of Sentosa Island from the government since 2010. It was built in 2007, operated in 2010 and launched in 2011. RWS offers a completely different experience through strong branding and marketing. Actually, the rides at Resort World are very similar to Ancol. Universal Studio that is similar to Fantasy World, S.E.A Aquarium with Seaworld, Ocean Dream Ocean with Water Kingdom, a beach, to a gondola are attractions for sale in this region.



Figure 1.2 Similarity of Sentosa (Left) and Ancol (Right) Attractions

Currently, Ancol is managed by a company owned by the Jakarta provincial government while Sentosa is managed by a private party through Resort World Sentosa, which is part of Genting Berhad.

So far, Resort World Sentosa is considered to have experience and abilities above Pembangunan Jaya Ancol. Resort World, the *Mother Company* of Resort World Sentosa has managed several successful tourism areas such Resort World Genting, Resort World Jeju, and even they have Resort World Las Vegas.



Figure 1.3 Several Resort World Area

They also became industrial leaders for tourism in Southeast Asia. In fact, Ancol has facilities that are not inferior and have better potential. Referring to the progress of the island of Sentosa which began since the acquisition by Resort World, the manager of the tourist area needs to do business in a focused manner and develop attractive features. Acquisitions by private parties in Singapore are considered very successful and can be an example for other regions. At the very least, the private sector will focus on bringing in more tourists to increase revenue. The more guests who visit, the impact on the regional economy will be increasingly felt. In other words, if an area's tourism area is managed well, the impact on its economic progress will also be even greater.

One concern is the role of the private sector which has a positive impact on the progress of tourism. In fact, if the tourist area is managed by the private sector, it usually has a better image for the tourist. The problem that arises is that the government will not simply believe that the private sector can advance the economy through tourism. Thus, a comparison is made between the private sector and the government-owned company that manages tourist areas, in this case Ancol and Sentosa.



Figure 1.4 Sentosa Today under Resort World

1.3 Company Profile

1.3.1 Government-Owned Company: PT Pembangunan Jaya Ancol



Figure 1.1 Logo of Pembangunan Jaya Ancol and Taman Impian Jaya Ancol (Pembangunan Jaya Ancol, 2018)

In Indonesia, although most tourist areas are managed by local governments, there are tourist areas that are specifically managed by a company. The example is Taman Impian Jaya Ancol (Ancol Dreamland) by PT Pembangunan Jaya Ancol. Taman Impian Jaya Ancol, well known by the short name “Ancol”, has been operated since 1966. The area deliberately built by the Provincial Government of DKI Jakarta as an integrated tourism area owned by the Provincial Government.

Located in Pademangan Subdistrict, the city of Jakarta Utara, DKI Jakarta Province, the area has at least 12 types of both natural and artificial attractions from the beaches, several marine animal attractions, theme parks, art markets, to the Marina Pier that can connect this area with several exotic islands in the area of Kepulauan Seribu. This location also has some public facilities to support recreation such as culinary areas, famous restaurants, beach clubs, and 3 hotels within the Ancol area. Taman Impian Jaya Ancol is a favorite recreation area for people who live in Jabodetabek.



Figure 1.2 Taman Impian Jaya Ancol's Attractions (Pembangunan Jaya Ancol, 2018)

Taman Impian Jaya Ancol has an area of 5.77 km² with a total of 18,560,604 visitors in 2018. In the last 5 years, Ancol has been visited by an average of 18 million visitors each year. In 2018, Ancol managed to get revenues of Rp 1.2 trillion with 92.56% of that comes from the recreation sector. (Annual Report of PT Pembangunan Jaya Ancol, 2018)

Since 1992, Ancol is operated under PT Pembangunan Jaya Ancol, which 72% of its shares are owned by the DKI Jakarta Provincial Government, 18% held by PT Pembangunan Jaya (a subsidiary of the Ciputra Group), and the remaining 10% is owned by the Public. However, 40% of PT Pembangunan Jaya's shares are owned by the DKI Jakarta Provincial Government. So, indirectly, almost 80% of the ownership of Taman Impian Jaya Ancol held by DKI Jakarta Provincial Government. This shows that Ancol is a tourism area that is managed indirectly by the government through a government-owned company.

1.3.2 Private Sector Company: Resort World Sentosa, Singapore

Genting Group is a Malaysian Company that founded by Lim Goh Tong in 1965. The Group has garnered over 52 years of experience in developing, operating and marketing casinos as their main business. Starting a business from an integrated hotel with casino in 1971 known as "Genting Highland", this area continued to be developed into an integrated tourist area in 2001. After that, Genting Group developed several integrated resorts in different parts of the world, including the Americas, Australia, Malaysia, the Philippines, Singapore and United Kingdom.



Figure 1.3 Logo of Genting Berhad Ltd. (Genting Berhad Ltd., 2018)



Figure 1.4 Logo of Resort World Sentosa (Resort World Singapore, 2018)

In 2010, in collaboration with Sentosa Development Company, Genting Group launched Resort World Sentosa as the main attraction manager of Sentosa Island, Singapore.

Sentosa Island, formerly known as “Pulau Blakang Mati” is Singapore’s main tourism area. This island is a small island which during World War 2 was a British military base. Since 1960, the island has been declared to be Singapore's main tourist area and several tenders have been chosen for name selection. In 1972, the Singapore Government changed the name of the island to "Sentosa" which means peace and tranquility. This name change is also in line with the establishment of Sentosa Development Company as the manager of Sentosa, Singapore.

Lately, Resort World Sentosa become an integrated tourism manager in Sentosa. The managed the key attractions include one of Singapore's two casinos, a famous Universal Studios theme park, Adventure Cove Water Park, and S.E.A. Aquarium, and number of resorts on the island of Sentosa. since it was managed by Resort World, visitors to the island of Sentosa have more than doubled from usual and still survive with that number these days.

Resort World Sentosa is led by Tan Sri Lim Kok Thay, the second son of Lim Goh Tong, as their Executive Chairman. Success to generate revenue of up to SGD 2.54 Billion in 2018, Resort World Sentosa is rated as the Best Integrated Resort at the 29th TTG Travel Awards 2018 for the eighth consecutive year. In the same year, the island welcomed 19.1 million visitors, the highest number in South-East Asia.

1.4 Research Question

Based on the business issue, the following research questions are formulated:

1. Based on Customer view between government and private sector, which company has more capacity to manage an integrated tourism area?
2. Which one has the more impact on the economy and the development of the tourism sector in Indonesia between government and Private Sector
3. How is the implementation plan in the management of tourism area within the small company to manage the Integrated Tourism Area?

1.5 Research Objective

The objectives of this research are stated as below:

1. To analyze current business conditions of two tourism area managers company that impeded the strategy of the company.
2. To analyze the effectiveness of tourism area managers company using Cost-Benefit Analysis method.
3. To provide recommendations for the small tourism company to gain advantages and go big in the business of Integrated Tourism Area.

1.6 Research Limitation

1. The data used in this research refers to the comparison of benchmark company's data.
2. The parameters in the Cost-Benefit Analysis are limited to the parameters that appear in the benchmark company.

1.7 Writing Structure

The systematic of writing is distributed into four sections as follows:

1. Chapter one: Introduction that includes background, company profile, business issue, research question, objective and limitation in order to provide better understanding regarding the issues
2. Chapter two: Business issue exploration that includes conceptual framework for the research, theoretical background, and methodology used to analyze the business issue
3. Chapter three: Business analysis that discusses about data collection, research design and analysis to propose recommendation
4. Chapter four: Conclusion and recommendation as the result of the research process

