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Reformulation of Indonesia Tourism Targeting Strategy for the International Tourism Market Post Covid-19 Pandemic

Ike Janita Dewi[✉]

Sanata Dharma University, Yogyakarta, Indonesia
ikejdewi@usd.ac.id

Abstract. Tourism is the most affected industry by the Covid-19 pandemic. Both market changes and the new tourism development paradigm require reformulation of marketing strategies. More importantly, the new paradigm of tourism development in Indonesia, that is, the quality tourism paradigm, requires a reformulation of marketing strategies. Based on historical data (visitor statistics pre-pandemic) and current market data (during the pandemic), this research performed a cluster analysis to cluster the international tourist markets visiting Indonesia. The clustering was based on several variables: number, spending, and length of stay of tourists from each of the markets. The resulted clusters offer perspectives on the source markets, contributing to the biggest number of tourists, spending per tourist, and the average length of stay. As competition intensifies and the marketing budget shrinks, such market analysis provides sharpened market targeting strategies for the Indonesian tourism government and industry to formulate more targeted marketing strategies post-Covid 19 pandemic.

Keywords: Marketing strategy · Post Covid-19 pandemic · Indonesian tourism

1 Introduction

The Covid-19 pandemic has had the most severe impact on the tourism industry. The policy of banning people from traveling to prevent the spread of the virus is hitting the tourism industry. World tourism declined by more than 80% in 2020 and 80% in 2021 [1]. Indonesian tourism was also experiencing the same crisis. During the pandemic, Indonesian tourism was only supported by domestic travel. The international tourism industry can have stopped altogether because of the closed state borders. During the pandemic, the tourism sector, which relies on a foreign exchange-generating sector, could not attract international tourists because the Indonesian border and the border of the tourists' origin countries were closed.

Even during the pandemic, Indonesia's competitor countries, such as Thailand and Singapore, prepared several innovations, such as the travel bubble (Singapore and Thailand), sandbox (Thailand), and Vaccinated Travel Lane (Singapore). Indonesia has also prepared a travel bubble and sandbox concept, although only in Bali and Batam-Bintan. This strategy showed that strategic innovation is urgently needed, given that the pandemic

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by Dewi Ike Janita

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Sanata Dharma University, Yogyakarta, Indonesia
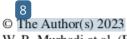ikejdewi@usd.ac.id

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1 Introduction

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that lasts for 2 years will definitely have an impact on market trends and intensify competition [2–4]. In addition, the post-pandemic marketing budget will be greatly reduced because the state's fiscal finances will also be limited. Therefore, to support the recovery of the Indonesian tourism sector, it is necessary to analyze the market segments that have been the source markets for Indonesian tourism.

Sharpening and targeting become very important for formulating a more targeted marketing strategy [5–7]. Besides, the paradigm shift in Indonesia's tourism development has become the development of quality tourism, where the critical success indicators are not only the number of tourists but also the total benefits obtained from tourists [8]. The total yield is the multiplication between the number of tourists and the average tourist spending per day with the length of stay of tourists (Total yield = number of tourists × average spending per day × length of stay). Therefore, if the previous focus was placed on the quantity (number of tourists), the current and future focus needs to be shifted to tourists' spending and length of stay.

To formulate more effective marketing strategies, Indonesia tourism should analyze its market portfolio [9]. Specific source markets (i.e., origin countries of foreign tourists visiting Indonesia) may offer many tourists, while the others supply tourists with higher spending or longer length of stay. Even though the Bureau of Statistics (BPS) or other agencies have collected the data, we need to cross-analyze the data to provide the potential of each of the source markets in terms of their contribution to the total number of tourists visiting Indonesia (i.e., market share), the average spending of tourists, market growth, and total yield.

This paper utilizes secondary data already collected by several agencies and cross-analyzes them to provide a map of the performance of a specific market vis-à-vis other markets. Such a performance map would provide an insightful basis for decision-makers to evaluate each market and, therefore, formulate more effective targeting strategies.

1.1 Segmentation and Targeting

In marketing management, segmenting and targeting are critical decisions. Companies will not be able to serve all consumer groups. Tourists are also made up of different groups with their tastes and preferences. Dolnicar [10] and Kotler and Keller [11] stated that a tourist destination must determine its target market and focus on it to compete effectively. The target market selection begins with segmentation analysis, namely dividing the market into groups consisting of consumers who have almost the same characteristics. The division of the market into relatively homogeneous groups is based on several relevant factors. These factors can include demographics (income level, age, gender, number of family members, ethnicity, etc.), psychographics (accepted values, opinions, attitudes, activities, lifestyle, etc.), geography (characteristics and climate of the place of origin/domicile), and behavior (users' status, level of use, use situation, and benefits sought).

1.2   Geographic and Demographic Segmentation

Geographic segmentation divides the market into geographical units, such as countries, provinces, cities, or a smaller geographical level. In tourism, geographic market segmentation is the most popular market division. Market analysis based on tourist origin is mainly used to analyze the foreign tourist market. The tourists' country of origin becomes the basis of segmentation by assuming that the tourists' nationality or country of origin shapes the characteristics of tourists to have tastes and preferences in choosing tourist destinations to be visited [12, 13].

Geographical segmentation cannot be separated from demographic segmentation [14]. Demographic segmentation divides the market into groups based on variables: age, gender, income, socio-economic class, and others. Geographical segmentation can be linked to demographic segmentation by linking the country of origin of tourists to their socio-economic classes. This socio-economic class is measured by spending, or the amount of money spent when traveling to a specific destination.

1.3   Quality Tourism Paradigm

The quality tourism paradigm is adopted to ensure that tourism would provide optimal benefit for the people in the destination [8]. The overall benefit obtained from tourists is the total yield which is a function of the number of tourists times the average spending per day times the length of stay of tourists.

Quality tourism experience refers to the concept of experience in marketing literature. A tourism product/service, when combined with its surrounding experiences/events, goes beyond itself to enhance and bring value to a customer's life. High-value experience is personal and constructed by tourists themselves. Therefore, quality tourism products/services are high-quality tourism experiences.

Therefore, a high-value tourism experience is the high-value as perceived by the customers themselves. This is based on the concept of market segmentation and targeting. Market segmentation classifies customers based on specific characteristics [11, 15]. Since customers perceive the value of experience, targeting becomes a vital decision. Marketing mixes which include product, price, place, and promotion, are all designed based on the target market segment. Therefore, skills in choosing target market segments are crucial in creating a high-value tourism experience.

2   Research Methods

This research involves secondary data analysis. Primary data were collected from the Bureau of Statistics. To support the primary data, secondary data analysis was performed to provide more insights [16]. The extensive amount of primary data was further analyzed to provide sufficient analysis to provide insights for the government and tourism stakeholders to make decisions. The data sources include the Tourism Statistics of Indonesia (2015–2019), Passenger Exit Survey (2019), and Tourism Satellite Account (2019) conducted by the Indonesia Statistics Bureau [17], and China Market's database by COTRI [18]. Historical data for the period of 2015–2019 (pre-pandemic) were collected to analyze the market pattern of international tourists visiting Indonesia before the pandemic.

Data for the pandemic period (2020–2021) was also analyzed to provide further analysis of some key markets.

The analysis tool used was cluster analysis based on predetermined criteria. Descriptive-quantitative analysis to provide a more detailed profile of priority markets. The criteria used in conducting cluster analysis were variables that provide insight into quality tourism development. As described in the literature review, the overall benefit obtained from tourists is the total yield which is a function of the number of tourists times the average spending per day times the length of stay of tourists.

Therefore, a cluster analysis was carried out for each country of origin of foreign tourists visiting Indonesia, namely: (1) market share vs. total yield, (2) market share vs. spending per tourist, and (3) market share vs. market growth. Tourist spending is money tourists spend when visiting Indonesia (Passenger Exit Survey, 2019). Market share is the division between the number of tourists from a particular country and the number of foreign tourists visiting Indonesia.

Market growth (%) is calculated by calculating the difference between the number of tourists in year X and year X−1 divided by the number of tourists in year X−1. Yield is the result of multiplying the number of tourists, spending per tourist per day, and length of stay of tourists.

3 Results and Discussion

The cluster analysis results provide insight into foreign tourists based on their country of origin, which can be the basis for determining the target market. BPS recorded around 30–40 countries of origin of foreign tourists visiting Indonesia through 26 entrances (sea and airports). If the number of visits data was analyzed based on market share and total yield, Fig. 1 shows that in terms of cross-analyzed market share with total yield, there are 4 (four) most productive source markets: Malaysia, China, Singapore, and Australia.

The four source markets are in QI, which is the quadrant for high market share-high total yield, except for Australia, where market share is in QII, but is still the 4th highest contributor, but ranked 2nd for total yield.

If we cross-analyze between market share and spending/tourist, the source markets that occupy QI and QII are Malaysia, Singapore, China, and Australia. Figure 2 shows
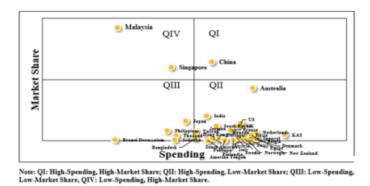

Note: QI: High-Spending, High-Market Share; QII: High-Spending, Low-Market Share; QIII: Low-Spending, Low-Market Share, QIV: Low-Spending, High-Market Share.

Fig. 1. A Cluster Analysis on the Indonesia's International Tourism Market (Market Share VS Spending per Tourist).

Note: QI: High-Growth, High-Market Share; QII: High-Growth, Low-Market Share; QIII: Low-Growth, Low-Market Share, QIV: Low-Growth, High-Market Share.

Fig. 2. A Cluster Analysis on the Indonesia's International Tourism Market (Market Share VS Market Growth).

Fig. 3. Chinese Outbound Travelers to Indonesia Q12016–Q3 2021 (Source: COTRI)

that apart from making a significant contribution to the total market, individual tourists from these four countries also spend relatively more money. Figure 2 shows that the quality (i.e., spending per tourist) of Chinese and Australian tourists is the highest.

Market development strategies also require information about the market potential presented by high-growth markets. Therefore, if we cross-analyze market share and market growth, Fig. 3 shows that in QI and QII we could identify the source markets of Malaysia, Singapore, and China. Of these two variables, Australia is a priority source market. Many source markets also show high growth, such as Russia, the Philippines, Thailand, Egypt, and India. However, these markets contribute to a minimal number of tourists.

Furthermore, marketers need to pay attention to changing market trends after Covid-19. For two years, with limited border opening and quarantine requirements after returning from other countries, the Chinese market will form its preferences for destinations abroad that apply various policies to foreign tourists, especially the Chinese market. Based on the COTRI data, during the Covid-19 pandemic, global travel and the tourism industry came to a grinding halt. With the gradual recovery from this situation, the Chinese outbound tourism market has begun to show early signs of increasing, mainly in the form of trips to Macau, the only destination which was opened to Mainland Chinese visitors without the need to go into quarantine upon return to China. Chinese tourism to Indonesia has remained very low, with Q2 + Q3 2021 recording 28,000 arrivals instead of 19,000 in the same six months in 2020, but still way below the more than one million for the summer period of 2019. During the post-Covid-19 pandemic, Chinese tourists may prefer to visit nearby destinations or the ones that first applied progressive (i.e., lenient policies) to the Chinese market.

4 Conclusion

Based on the cluster analysis results, it is identified that in terms of the number of visits, total yield, spending per tourist, and market growth, there are 4 (four) most profitable source markets: Malaysia, Singapore, China, and Australia. Therefore, these four source markets prioritize developing the foreign tourist market. Indonesian tourism needs to formulate a well-targeted strategy by targeting these four source markets. The selection of the target market has implications for the allocation of marketing resources in the form of marketing communications and also product development following the tastes and preferences of the target market. However, further analysis needs to be done on changes in market trends that may occur due to the Covid-19 pandemic. As described in this article, the Chinese market has also changed. The formulation of marketing strategies, especially for the foreign tourist market, needs to pay attention to historical data and the latest data after the Covid-19 pandemic.

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