

## THE SUSTAINABILITY OF TOURISM COMPETITIVENESS IN TERNATE

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ARTICLE INFO	ABSTRACT
<p><b>Article History:</b>  <b>Received:</b> 10 September 2018  <b>Accepted:</b> 22 September 2018</p>	<p><i>This study aims to analyze the competitiveness of tourism sector in Ternate using three units of analysis, namely the sustainability of competitiveness, the determinant of competition strength and the formulation of sustainable competitive advantage strategy. Secondary data were collected through documentation, such as APBD data, infrastructure conditions, tourism objects, labor, industry of accommodation provider, and tourist numbers. Primary data were collected through interview to 159 respondents. The analysis and strategy formulation used combination of VRIOL, SFM and SWOT. This study found that the tourism sector in Ternate was in a competitive advantage position, but not sustained because its tourism resources did not have uniqueness and could be imitated by competitors. Factors determining tourism competition were the role of government, new areas that were beginning to develop the tourism sector, new tourist spot and tour operators. The strategies that could maintain the sustainability of tourism competitiveness in Ternate are differentiation, inovation, partnership, promotion and marketing system, service quality, and empowering.</i></p>
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### 1. INTRODUCTION

Tourism sector can be relied on addressing economic, socio-cultural and environmental issues. In the economic aspect, tourism can overcome macro problems such as unemployment, poverty and income disparities (Supriyadi, 2017; Saayman and Andrea, 2016; Çoban, 2015; Chin, 2014; Steinicke and Martina, 2012), as well as overcome foreign trade deficit and inflation because tourism sector can employ all level community and provide foreign currency inflows (Çoban, 2015). Today, tourism is seen as one of the fastest growing service industries for many countries (Fernando, 2014), even becoming the top driver of economic growth (Bassil, 2015; Brida et al, 2010; Nene and Ariuna, 2017; Primayesa et al, 2017; Šimundić et al, 2016), as well as generating multiplier effects for other sectors (WTO 2002; Othman and Mohd, 2011; Kovačić, et al, 2011; Guzmán et al, 2011; Karini, 2011; Wu and Chang, 2013; Aryunda, 2011). In the socio-cultural aspect, tourism becomes the glue of solidarity and brotherhood among nations (Hamarnéh, 2013), and preserves cultural and historical value (Suardana, 2011). On the environmental aspect, tourism encourages the conservation movement (Prayogi, 2011).

The contribution of tourism to the national economy of Indonesia is the employment of 9% in 2014 or approximately 10.32 million people working in tourism-related sectors and this is growing to 12 million by 2016 (Indonesian Ministry of Tourism, 2016:79 and Bank Indonesia, 2015:82). The number of foreign tourists increased continuously throughout 2009-2016 with an average increase about 7% per year. This is higher than the world average i.e. 4.7%. The increase of foreign tourist visits is accompanied by an increase in the country's foreign exchange earnings by an average of 12.23% per year. In 2014, the number of foreign tourists was 9.44 million or growing up to 5.66% and generated foreign exchange around US \$ 11.01 billion. This was showing an increase around 9.47% compared to the year 2013. This increase positioned tourism as the country's largest foreign exchange earner in the fourth position after oil & gas, coal, and oil palm (Ministry of Tourism of Indonesia, 2014:52). In 2016 tourism contribution was getting more solid so it increased in the 3rd position of the country's foreign exchange producer by shifting the position of coal (Ministry of Tourism of Indonesia, 2016:130).

Indonesia's tourism competitiveness rating has improved. In 2011 Indonesia ranked 74th out of 140 countries, then ranked 70th in 2013, ranked 50th in 2015 and ranked 42th in 2017. Despite improvements in the ranking of competitiveness, Indonesia is still below Singapore, China, Malaysia and Thailand. From a number of competitiveness parameters used, only price parameters are the main factors of Indonesia's competitiveness (WEF 2013, 2015, and 2017). Crotti and Tiffany (2015:17) are analysts of the WEF institute, mention the weaknesses of Indonesia's competitiveness are: infrastructure; environmental sustainability protection; deforestation; hygiene; safety and security.

The competitiveness of tourism is important because there is a positive correlation between the competitiveness of destination countries and the number of foreign tourists entering the country or the region (Blanked and Chiesa 2008:19). In this case, tourism that has high competitiveness can attract tourists as many as possible (Gracan, et al, 2008; Stipanovic et al 2008; Jovicic and Vanja, 2008; Meyer, 2012; Wu and Chang, 2013). The competitiveness of tourism will provide distinctive satisfaction for tourists which then form a loyalty behavioral that is to visit repeatedly and invite others to visit a tourist destination (Valle et al, 2006; Gracan et al, 2008; Stipanovic et al, 2008; Jovicic and Vanja, 2008; and Meyer, 2012). However, the competitiveness of an industry including the tourism sector is not surviving long because it is influenced by internal and external factors or pressure from competitors (David and David, 2015:43).

Balan et al (2009) revealed the fact that in 1950 there were 15 top destinations that attracted 98% or almost all tourists to them, but 60 years later just around 57%. The same thing is experienced by the tourism conditions in Ternate where in 2012 Ternate tourism attracted 82.61% of tourism market in North Maluku Province. However, two years later it decreased 15.32% to become 67.29% (Muharto et al, 2017). The growth of tourist arrivals in Ternate (2011-2015) also got fluctuated and tended to weaken (BPS, 2016). This indicated the occurrence of problems related to its competitiveness and innovative power that influenced the failure of the tourist market in Ternate. Stipanovic's, et al (2008) noted that Croatia's failure in modern tourism competition in the global market of the 21st century was due to the development of tourism which was less adaptive to the time development and the lowness of its innovative power which tended to the old paradigm. In this case, innovation in tourism development should be able to create uniqueness that can attract tourists and gain competitive advantage compared to other tourist destinations (Zadel, 2012).

This research was a follow up to the research of Muharto et al (2017) on the index of tourism sector competitiveness in nine regions in North Maluku Province. The results of the

index analysis put the tourism sector in Ternate at the top position. However, the study did not address the sustainability of competitiveness in the tourism sector in Ternate which then became the concern in this study.

The purpose of this research is to analyze the competitiveness of tourism sector in Ternate with unit of analysis covers: 1) sustainability of competitiveness; 2) the determinant of competition strength; and 3) the formulation of sustainable competitive advantage strategies. This case is very important because tourism competitiveness is positively correlated with the number of tourists so that the results of this study can contribute to the improvement of competitiveness and sustainable advantage for the tourism sector in Ternate. This research employs qualitative design using descriptive approach. The research findings are covering the condition of competitiveness sustainability, competition determinants and strategy of sustainable competitive advantage of tourism sector in Ternate.

## **2. LITERATURE REVIEW**

### **2.1. Theory of Competitiveness**

Resource-Based Theory (RBT) is a competitiveness theory which holds that resources are the cause of excellence (Resource-Based). Penrose (1959) is the person who contributes to laying the foundation of RBT who holds that the company's resources affect the growth of the company (Kor and Mahoney, 2004; Pitelis, 2007; Barney et al, 2011). The researcher who proved Penrose's statement was Wernerfelt (1984) who discovered the strategy theory of resource-based in which the company's resources were heterogeneous and productive that gave a unique character to each company. Barney (1991) argues that sustainable competitive advantage can be created if there are differences in the company's resources. In this case, there is a relationship between resource-based view with competencies, economies, organizations, and different industrial organization theories (Clulow et al, 2007; Fahy and Smithee, 1999; Mahoney and Pandian, 1992; Peteraf 1993). Dierickx and Kare (1989) developed the idea that resources were useful if there were no effective substitutes. Kogut & Zander (1992) introduced the concept of combination capability emphasizing the importance of knowledge as a source of excellence. Barney (1991) stated that companies could maintain a competitive excellence through value creation that was not easily imitated by other companies and had no successor. Differences in resources and capabilities between firms and its competitors would provide a competitive advantage (Peteraf, 1993). It can be concluded that companies can achieve sustainable competitive advantage and gain superior benefits by owning or controlling strategic assets (Barney et al, 2011), or resources that have the following characteristics: 1) Imitation (not easily imitated); 2) limited substitutable (not easily replaced); 3) Rarity (rare), (4) durable, and (5) superior. Resource Based Theory in its analysis is done using VRIO framework (Value, Rarity, Imitability, Organization) which is an analytical technique used to analyze competitiveness based on resources (Kontt, 2009).

### **2.2. Tourism Competitiveness**

Competitiveness becomes very important because it determines the success or failure of an industry including tourism (Mihalic, 2000; Crouch and Richie 1994, 1999; Dwyer et al, 2000). Competitiveness can be interpreted from various perspectives (Saptana, 2010). The Organization for Economic Co-operation and Development (OECD) defines competitiveness as the ability of a company, industry, country or region to produce a relatively high factor and a sustainable level of work (Hatzichronoglou 1996: 20). Black et al (2009) defines competitiveness as the ability to compete in the market for goods or services based on a combination of price and quality. Established quality and reputation (Snieška and Bruneckiene, 2009) can meet customer needs more efficiently and more effectively than others do (Edmonds, 2000:20). In the context of tourism, Kotler and Armstrong (2008:269) explains that tourist

markets that experience dynamic change, competitive advantage is achieved by the uniqueness which is sought and respected by tourists because it makes tourism companies different. Zadel (2012) explained Kotler's view that the key to competitive advantage is the analysis of value and experience by the travelers and consisting of the following tasks: 1) Identify the main characteristics that tourists seek; 2) Assess the quantitative value of different characteristics - rank the value of individual properties; 3) Assess the achievements of the company and a competitor on the basis of different values for the tourists as they were evaluated by tourists themselves; 4) Examine how tourists evaluate the performance of each segment of the company features and performance, against a major competitor; 5) Continuously monitor the value for tourists.

There have been several previous studies that address the determinants of tourism competitiveness. Huttasin, et al (2015) finds the low competitiveness of the tourism sector in Ubon Ratchathani due to cultural constraints, low quality factor conditions (especially the lack of skilled tourism workers), little coordination in tourism value chains, low levels of cooperation between the public and private sectors. Bigovic (2012) proves that Montenegro as a tourist destination has the strongest competitive position with abundant resources. Zadel (2012) revealed that among many tourist destinations, only the uniqueness that can attract tourists and gain competitive advantage over other tourist destinations. Andriotis (2004) describes the use of a revised Porter model called the Seven Force's Model as a force that determines the intensity of competition in the tourism sector, namely: The role of intermediaries/Bargaining Power of Buyers; The Impact of government regulation; Information Technology Role; Rivalry Among Established/Existing Firms; Threats of new Potential Entrants/Risk of entry by potential competitors; Threat of Substitute Products or services; Bargaining Power of Suppliers.

### **3. METHODS**

#### **3.1. Research Design**

This research includes qualitative design which aims to find the meaning of natural events (Emzir, 2011:15; Mukhtar, 2013:10, and Sugiyono, 2016:8), especially related to the competitiveness of tourism sector in Ternate, North Maluku Province.

#### **3.2. Data Collection Method**

This study uses primary data and secondary data. Primary data are collected through interviews to 159 respondents. The respondents of the study consist of the heads of tourism office, tour operators and tourists. Secondary data are collected through documentation techniques, such as APBD data, infrastructure conditions, tourist objects, labor, industry providing accommodation, and tourists. These data are obtained from the Tourism Office, the Central Bureau of Statistics, the Regional Revenue and Asset Management Department, the Regional Development Planning Board, and the Ministry of Finance of the Republic of Indonesia.

#### **3.3. Data Analysis**

The sustainability of competitiveness is analyzed using VRIOL criteria (Value, Rarity, Imitability, Organization, Limited to substitute) (Knott, 2009 and Aji 2015:54). The determinants of competition power is analyzed using Seven Forces Model (SFM) (Andriotis 2004), namely: 1) The role of intermediaries/Bargaining Power of Buyers; 2) Impact of government regulation; 3) Information Technology; 4) Rivalry Among Established/Existing Firms; 5) Threats of new Potential Entrants/Risk of entry by potential competitors; 6) Threat of Substitute Products or services; 7) Bargaining Power of Suppliers. The determination of competing strategic position is analyzed using SWOT in which its analysis step is adapted from

expert opinion, such as David and David (2015), Sedermayanti (2014), Rangkuti (2014) and Muhammad (2008 and 2013). Determining the strategic position of tourism sector uses 8 quadrants developed by Management Board of Economic Faculty from University of Indonesia (Muhammad, 2008:65, 2013:176). Finally, the formulation of sustainable competitive advantage strategies (SCAS) is analyzed through the combination of strategies by tabulating VRIOL, SFM and SWOT strategies. The tabulation format is shown in Table 1 below.

**Table 1.** Format of Strategy Tabulation

STRATEGY	VRIOL				SFM							SCAS	
	A	B	C	D	i	ii	iii	iv	v	vi	vii		
SWOT	1	A						iv					1, A, iv
	2						iii						2, iii
	3			C									3, C
	N					ii							N, ii
				D					v				D, v
											vii		vii

Source: Muharto 2017

**Notes:**

- VRIOL : VRIOL Analysis (Value, Rarity, Imitability, Organization, Limited to substitute) will produce several strategies, one or more strategies. Table 1 exemplifies four strategies, namely strategy A, strategy B, strategy C, and strategy D. The number of strategies resulted is largely determined by the results of field analysis, can be more or less than four.
- SFM : SFM Analysis (Seven Forces Model) will produce seven strategies (strategy i, strategy ii, ..., up to strategy vii). The number of strategies can be less than seven, depending on the result analysis of the determinants of competitive forces in the field.
- SWOT : SWOT Analysis will produce several strategies, can be one strategy, two strategies, three strategies or N (more than three) strategies.
- SCAS : The SCAS (Sustainable Competitive Advantage Strategies) formulation is a combination of several strategies, i.e. VRIOL, SFM and SWOT. For example, strategy 1 (1 + A + iv), means that 1 SCAS strategy is a combination of SWOT strategy (1) + VRIOL strategy (A) + SFM strategy (iv).

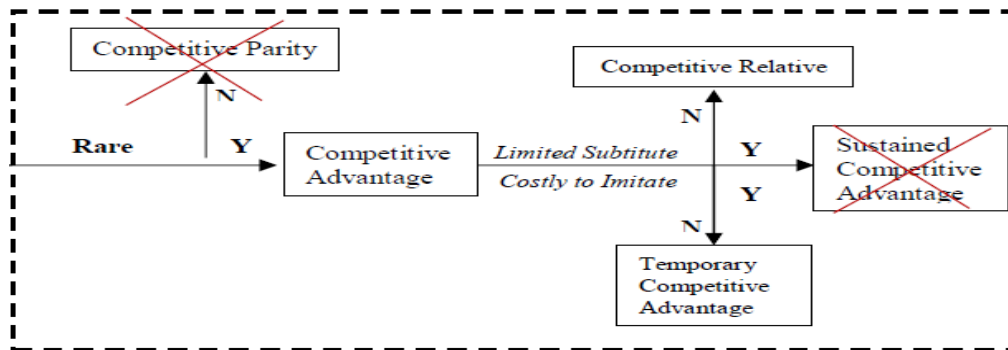
**4. FINDING**

**4.1.Sustainability of Competitiveness**

The sustainability of tourism competitiveness was known through VRIOL analysis. Figure 1 was a competitiveness Flowchart showing the tourism of Ternate in the position of "competitive advantage". Tourism resources had value and attracted many visitors such as Sulamadaha, Bobane Ici Beach, and Lake Tolire. Tourism was also supported by the hotel industry, restaurants and cafes, road infrastructure, transportation networks and access to information technology. Based on the interviews to 135 tourists (2017), it was known that the tourism object that became the source of tourism advantage in Ternate was not difficult to be imitated or developed by other regions so that the excellence of tourism competitiveness in Ternate was only "temporary competitive advantage". This was supported by secondary data processing (BPS of North Maluku, 2011-2015) which showed a decrease of percentage in tourism market of Ternate at provincial level, where in 2012 Ternate took portion as many as 82.61% in tourism market in North Maluku Province and decreased in 2014 to 67.29% and continuously decreased until 2016. The growth of tourist arrivals during the period 2011-2016 also showed a declining trend (Ternate’s BPS, 2017). Besides being able to be copied, Ternate tourist attraction could also be substituted with other tourist objects so that it could cause tourism became at competitive relative. Thus, the competitiveness of tourism in Ternate has no

sustainability. One day it could be parallel and could even be surpassed by the tourism of other regions.

**Figure 1.** Flowchart of Tourism Competitiveness In Ternate



Source: Muharto 2017 (adapted from Knott 2009 and Aji 2015:54)

Based on interviews to 135 respondents (2017), it was known that Laguna lake attractions, large Tolire lake and the culture of kesultananTernate had unique value. They were difficult to be imitated by other regions or substituted by other tourist objects. Based on this analysis, the strategies that could ensure the sustainability of tourism competitiveness included the exploitation of Tolire lake as a major tourist attraction of nature and sport, exploitation of lake Laguna as a scientific, natural and culinary tourist attraction, exploitation of culture of kesultananTernate as a cultural tourism object.

#### 4.2.Determinant of Competition Strength/Power

This analysis was used to determine the factors that determine the intensity of competition for tourism in Ternate. The analysis results of seven force's model based on interviews to tour operators (2017), Tourism Department (2017) and secondary data processing were as follows:

- The role of intermediaries/Bargaining Power of Buyers. The intermediary is tour operators in Indonesia called Travel Bureau (BPW). BPW conducted a promotion to attract both foreign and domestic tourists. From the explanation of the respondents (2017) it was noted that the promotion was done by BPW writtenly through brochures and electronic media covering various tourist attractions and tour packages. Tour package consisted of 6 items, namely transportation, accommodation, tourist attraction, restaurant, tour guide, and souvenir shop. Similarly, tour guides conducted oral promotions to tourists so that tourists can be interested in a particular tourist attraction. There were two models offered by BPW namely tiller made tour (ready-to-use package) and ready made tour (package according to the demand of tourists). Tourists who had purchased a tiller made tour package may have additional number of visits known as an additional tour, but were subject to additional charges. Associated with its role, BPW as an intermediary agent was significant enough to determine the intensity of competition in the tourism sector. In this case, the tourism sector should utilize tour operators in attracting tourists.
- Impact of government regulation (Government Role). Based on interviews with the Tourism Office and BPW (2017) it was known that the government role in supporting the increasing number of tourist visits was very low. There was still not direct effort from the government in attracting tourists. BPW (2017) explained that the government's role in community empowerment was also lacking. The same thing also happened to the socialization of tourism to the community. The government conducted socialization to public figures who were less involved in tourism activities.

The low role of the government could also be seen from the document of medium-term development plan for the period of 2011-2015 where the tourism sector was not a priority of development, thus impacting the low object and tourist attraction. In this case, the government should increase the development of infrastructure and supporting facilities.

- **Information Technology.** The use of Information Technology (IT) by people in Ternate was better than the surrounding areas (BPS of North Maluku, 2011-2016), and it supported the tourism sector competition. The role of IT was used in tourism promotion and communication in tourist services, but the use of IT in tourism management was not yet done. Therefore, innovation needed to take advantage of IT to improve the performance of tourism management.
- **Rivalry Among Established/Existing Firms.** Tourism competition among regions was getting tighter as all regions had relatively similar tourist attraction that was excelled. This was already affecting the tourism competition. This affected tourism in Ternate which tended to decrease in tourism market (BPS of North Maluku, 2011-2016). Research respondents (2017) explained that tourists coming to Ternate often continued to visit the surrounding areas. In this case, the development of a unique attraction / differentiation were needed.
- **Threats of new Potential Entrants/Risk of entry by potential competitors.** The surrounding areas began to develop a qualified tourism sector, such as marine tourism, accommodation provision, etc., thus increasing the intensity of competition. Oftentime tourists added the list of their visits to the surrounding areas. Research respondents (2017) explained that originally tourists only intend to visit Ternate. Yet, after seeing the areas around, they immediately switched to the surrounding areas, such as Tidore, Morotai and Tobelo. In addition, Ternate was also poor in tourist attractions so that tourists quickly get bored. Therefore, it highly needed creativity and development of cooperation.
- **Threat of Substitute Products or services.** The distinguished tourist attraction in Ternate was still dominated by coastal tourism which was essentially substitutable, except Tolire Lake, Laguna lake as well as cultural and historical tours that could not be substituted. Based on interviews to respondents (2017), Tourism Office (2017) and BPW (2017) it was known that the tourism in Ternate was valuable, but not unique. In this case, it was necessary to develop a rare / unique object which was difficult to be substituted.
- **Bargaining Power of Suppliers.** Support in tourism sector could be supporting and related industries, transportation and other activities that supported tourism activities. Cooperation between the government and local communities in the development of tourism businesses had not been well maximized. Based on interviews with the Tourism Office (2017) it was known that the participation of local communities was still poor. Respondents (2017) explained that local communities were less empowered in tourism activities. The involvement of local people was only seen around the tourist object that was as culinary entrepreneur. In this case, the sustainability of tourism competitiveness required the support of communities, service providers and industry players.

#### **4.3. Sustainable Competitive Advantage Strategies**

The strategy formulation was done through the combination of VRIOL, Seven Force's Model (SFM) and SWOT. Based on the SWOT analysis, the internal conditions (Strength and Weakness) that became Ternate tourism strength and external conditions (opportunity dan threat) that became harmful potential were shown in Table 2 and 3 below.

**Table 2.** Internal Factors Analysis (IFA)

		Strategic Factors	Weight	Rating	Score
Strength (S)		1. The availability of tourism object is relatively affordable	0.2	4	0.8
		2. The number of tourism workers is adequate.	0.1	4	0.4
		3. Accommodation of Hotel and lodging.	0.2	4	0.8
		4. Accomodation of restaurant, inn and cafe are sufficiently available	0.1	4	0.4
		5. Travel security is quite good	0.1	4	0.4
		6. Information and communication technology infrastructure is sufficiently available	0.1	4	0.4
		7. The history and culture are famous in Indonesia and in the World	0.2	4	0.8
		<i>Total Score</i>	1.0		4.0
		<i>Strategic Factors</i>	<i>Wieght</i>	<i>Rating</i>	<i>Score</i>
Weaknes (W)		1. The role of government is low	0.2	1	0.2
		2. The absence of specific institutions for managing tourism	0.2	2	0.4
		3. The database and tourist information center are not available	0.1	2	0.2
		4. Misperception among community groups on tourism management	0.2	2	0.4
		5. Low environmental protection especially abrasion in coastal tourist area	0.1	2	0.2
		6. The low number of objects and tourist attractions	0.2	2	0.4
		<i>Total Score</i>	1.0		1.8
		<i>Score of IFA= S-W (4.0-1.8) = 2.2</i>			

Source: Muharto 2017

**Table 3.** External Factors Analysis (EFA)

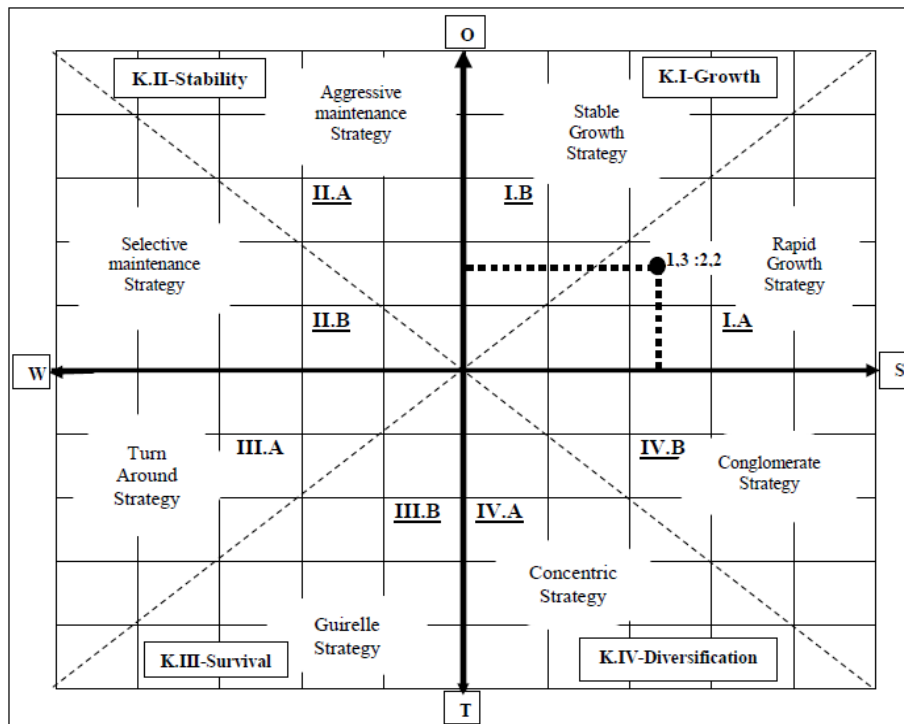
		Strategic Factors	Weight	Rating	Score
Opportunity (O)		1. Ternate as a center of trade and education	0.2	4	0.8
		2. Have air and sea transportation	0.2	3	0.6
		3. Society's economy is improving	0.1	2	0.2
		4. The ability of people to access information is increasing	0.2	3	0.6
		5. National development policy, acceleration of transportation infrastructure and connectivity of information and communication technology network (RPJMN 2015-2019)	0.1	2	0.2
		6. The interest of domestic and foreign tourists is quite high	0.2	2	0.4
		<i>Total Score</i>	1.0		2.8
		<i>Strategic Factors</i>	<i>Weight</i>	<i>Ratin</i>	<i>Score</i>
Threat (T)		1. Mount Gamalama eruption is frequent and can reduce the motivation of tourists.	0.2	1	0.2
		2. National and regional security conditions	0.3	1	0.3
		3. The demand of sustainable tourism paradigm affects tourist behavior, especially foreign tourists	0.3	2	0.6
		4. Demand for diversity of destinations.	0.2	2	0.4
		<i>Total Score</i>	1.0		1.5
		<i>Score of EFA = O-T (2.8-1.5) =1.3</i>			

Source: Muharto 2017

To find out quadrant location of priority strategy, formulation of OT line was used as EFA with value 1,3 and SW line as IFA with value 2.2, as shown in Figure 2 below.



**Figure 2.** Quadrant For Mapping The Strategy



Source: Muharto 2017

The strategy to implement for improving the competitiveness of Ternate tourism lies in the I.A quadrant, i.e. the Strength-Opportunity (S-O) strategy. Because the "strength" is weighted greater than the "opportunity", then the alternative strategy is "Rapid growth strategy". This strategy is done to increase the growth rate of tourist visits fast and the increase of business income by increasing the quality of power factor. This S-O strategy is used as follows: 1) Increasing the quantity and quality of tourism object; 2) Utilizing information and communication technology in tourism management; 3) Establishing cooperation system in tourism management; 4) Maximizing promotion activities and tourism marketing; 5) Facilitating the tourists to enter the tourist attraction area.

Each analytical technique had advantages and also weaknesses. So, it required combination to minimize the weaknesses and simultaneously maximize the strength. The combination of VRIOL, SFM and SWOT analysis was used to formulate strategies for sustainable competitive advantage of Ternate tourism sector. The summary of strategy from the three analytical techniques is shown in Table 4 below.

**Table 4.** Summary Of Vriol, Sfm And Swot Strategy

SWOT=SO		SFM		VRIOL	
1	Increase the quantity and quality of tourist object.	i	Making use of tour operators in attracting the tourists.	A	Exploiting Tolire Besar lake as tourist object for nature and sport.
2	Optimizing the use of information and communication technology in managing the tourism.	ii	Optimizing government's role in establishing supported infrastructure and facilities	B	Exploiting Laguna lake as scientific, natural, and culinary object of tourism
3	Establishing cooperation system in managing the tourism	iii	Optimizing innovation in harnessing IT	C	Exploiting Kesultanan Ternate as cultural and historical object of tour
4	Maximizing promotion and tour marketing	iv	Developing unique tourist objects		
5	Facilitating the tourists to enter the tourist destinations..	v	Creativity and work development are the same		
		vi	Developing a rare tourist object/ difficult to substitute		
		vii	People' s support, service providers, industry actors.		

Source: Muharto 2017

Furthermore, cross tabulation was created to obtain the Sustainable Competitive Advantage Strategy (SCAS). SCAS was a combination of items that met from the three strategy components (SO, VRIOL and SFM), as shown in the following Table 5.

**Table 5.** Cross Tabulation From So-Vriol-Sfm Strategy

STRATEGY	VRIOL			SFM							SCAS	
	A	B	C	i	ii	iii	iv	v	vi	vii		
S-O	1	A	B	C				iv		vi		1,A,B,C,iv,vi
	2						iii					2, iii
	3				i	ii			v			3, i, ii, v
	4				i		iii					4, i, iii
	5					ii	iii					5, ii, iii
			C							vii		C, vii

Source: Muharto 2017

This tabulation yielded six points of SCAS strategy that must be formulated. The formulation of each SCAS strategy point was a conceptualization constructed from the combination of tabulated elements. The six strategies of competitive advantage of sustainable tourism in Ternate were as follows.

- Differentiation: increasing the quantity and quality of tourist objects under VRIOL criteria, namely: a) the exploitation of Tolire lake as a major tourist attraction of nature and sport; b) the exploitation of lake Laguna as a scientific, natural and culinary tourist attraction; c) the exploitation of culture from kesultananTernate as a cultural tourism object,

- Innovation: the use of information and communication technology in managing the tourism.
- Partnership: Establishing cooperation system in managing the tourism sector.
- Promotion and marketing system: Maximizing promotion and. tour marketing with the help of technology and cooperation with tour operators.
- Service Quality: Facilitating the tourists to enter the tourist destinations and to access the tour products.
- Empowering: Empowering local people/ community.

#### **4.4. Discussions**

Ternate's tourism sector was in a competitive advantage position supported by resources such as the attractions of Sulamadaha, Bobane Ici Beach, Tolire Lake, hotel industry, road infrastructure and transportation networks as well as access to information technology. This was in line with the competitiveness index in 2015 in which the tourism sector of Ternate occupied the top position among 9 regencies / cities in North Maluku Province (Muharto et al, 2017). However, the competitiveness of tourism in Ternate was only "temporary" because the resources that caused this "competitive advantage" were not difficult to be imitated or developed by other regions. In addition, 135 respondents (2017) said that the tourist attractions in Ternate could also be substituted with other tourist objects, so it could place tourism position at competitive relative. From this, competitiveness of Ternate tourism could not be guaranteed to be sustainable in which it could sometime be parallel or even could be surpassed by other tourism areas. This was evidenced by the percentage of Ternate tourism market at the provincial level during the period 2011-2016 which tended to decline, and the growth of tourist visits tended to weaken (BPS of Ternate, 2016). In this regard, David and David (2015: 43) said that competitiveness of an industry was not always durable because it was influenced by internal and external factors or pressure from competitors.

In line with David and David, the internal factors that caused the decline in tourism competitiveness in Ternate were the low quantity and quality of attractions, the lack of attractions and the minimal use of culture as tourist attraction (Interview with 159 respondents 2017). While the external factors were caused by the intensity of competition with the surrounding areas that began to develop the tourism sector in the form of tourism budget policy, hotel development, tourism management for potential coast, improvement of road infrastructure condition and expansion of transportation network access (BPS North Maluku, 2016). The social situation was related to the characteristic of the consumer, where there was a change in the consumption pattern of the tourists. Tathagati and Indscript (2015:3-4) stated that tourism activities ran in an open space, while tourist decision was independent and always changeable towards the tourist attraction. Based on interviews with the tourist guides (2017) it was found that tourists visiting Ternate wanted the culture and the customs of Kesultanan Ternate appeared as tourist attraction in Ternate, but it was not. Similarly, the availability of tourist attractions was considered poor and had low innovation power that caused boredom for tourists.

It could be interpreted that tourism sector in Ternate was less innovative and not adaptive to the development of the era so it failed to meet customer satisfaction. Stipanovic et al (2008) noted that Croatia's failure in modern tourism competition in the global market of the 21st century was because its tourism development was less adaptive to the current times, had low innovation, and tended to the old paradigm. Only the most appropriate one with the tourist preference was the most successful in seizing the tourist market (Zadel, 2012). Meanwhile, tourism that was static, not adaptive and not innovative would experience failure and loss in tourism market. Kotler and Armstrong (2008:269) argued that dynamic tourist markets could achieve their competitive advantage by highlighting the particularities sought by and respected

by tourists' desire because it made tourism companies different. In the perspective of resource based theory, a tourism will have a sustainable competitive advantage if it has more values than its competitor (Peteraf, 1993), namely a rare tourism resource (Dierickx and Kare 1989), which was not easily imitated (Barney, 1991). In this case, the recent tourism in Ternate did not have excess value, scarcity and uniqueness which could make its tourism competitiveness would not last long.

There were several strong aspects that determined the competition of tourism sector, including: First was the role of government. Government policy could determine the strength for facing tourism competition. One cause of tourism market declining in Ternate was the ignorance of the government to make tourism sector as the main program for the development during the period 2011-2015. Meanwhile, government of the surrounding areas began to develop their tourism sector including the development of land, sea and air transportation networks that could support access to tourism activities. Previously, air transport network was only dominated by Ternate that made it profitable for tourism. However, at this time the access to the air transport network had already been owned by the surrounding regions so that tourism in Ternate lost its dominance and strategic position. This was in line with Andriotis (2004) saying that government policy determined the intensity of tourism industry competition in Greece. Political will and the consistency of government policy in developing infrastructure, public facilities, and transportation networks also determined tourism competition (Wu and Chang, 2013; Othman and Rosli, 2011; Damanik, 2013). Second, the presence of new areas as a result of regional autonomy that began to develop their own tourism sector also increased the intensity of competition in the tourism sector. Third, there was an emergence of several new tourist attractions that potentially diverted visitors, such as marine tourism object in Dodola island, Morotai. Fourth, the role of tour operators that dealt directly with tourists was very decisive in seizing the tourism market. Based on interview (2017) it was known that tour operators played an important role in the competition of the tourism sector. Meanwhile, tourism sector in Ternate had not maximally utilized the tour operators in attracting tourists.

Ternate tourism could maintain its superiority in facing the competition by implementing six strategies of sustainable competitive advantage, as follows:

- 1) **Differentiation:** increasing the quantity and quality of tourist objects under VRIOL criteria, namely:
  - a) the exploitation of Tolire lake as a major tourist attraction of nature and sport;
  - b) the exploitation of lake Laguna as a scientific, natural and culinary tourist attraction;
  - c) the exploitation of culture from kesultanan Ternate as a cultural tourism object

The differentiation strategy is a generic strategy in Porter's concept of competition that required the company to choose distinctive traits to differentiate itself from those of its rivals (Porter, 1985: 29-30). In this case, tourism must create products that had uniqueness required by tourists, so that it could be priced at a high price. The differentiation strategy was related to increasing the quantity and quality of tourism objects that met the VRIOL criteria (value, rare, imitate, organization, limited to substitute) and then was developed with many interesting attractions. In addition, this strategy also highlighted Ternate as a region of kesultanan and city of education, and could provide scientific, artistic and cultural needs. The development of the quantity, quality and diversity of tourist attractions will be managed by the integration of destination management. In line with Zadel (2012), the development of introduction to cultural tourism related to its authenticity and uniqueness could be achieved in the tourist market. Cultural tourism was one form of tourism in which its development should be integrated into the development of tourist destinations. It was known that culture as the main motivation for

touring only covered 3% of the tourism market. Cultural tourism products should be part of the goal product to achieve all the benefits of cultural tourism development. Through this strategy, tourism could enhance its competitiveness and its image of scientific, historical and cultural tourism. This would attract the number of tourist visits from various community level as it provided many alternatives, so that tourists could choose according to their preferences (Zadel, 2012).

**2) *Innovation:*** the use of information and communication technology in managing the tourism.

The utilization of Information and Communication Technology (ICT) in tourism management was done in the form of digital-based tourism data base, geographic information system (GIS), decision making system, earthquake detection and security system. All of them would provide optimum service to tourists, provide a sense of comfort, and would also lead to a positive image. In addition, the use of GIS applications for tourism planning could provide strategic opportunities and increase tourism competitiveness (Jovanović and Angelina, 2008 and Marzuki et al, 2011).

**3) *Partnership:*** Establishing cooperation system in managing the tourism sector.

This strategy emphasized mutual cooperation or cooperation with all stakeholders, including cooperation with communities, educational and research institutions that were part of social resources. Without this cooperation, the strategic objectives of the tourism sector would not be achieved (Bigovic 2012). Strengthening this cooperation was very important to establish a special board in managing tourism.

Cooperation between regions was also very important such as cooperation in the form of tourism promotion and sales package tour. Ternate could benefit from tourists who wanted to visit other regional destinations, and vice versa. This strategy had in practice been proved successful despite the use of different terms. Jolliffe and Tom Baum (2004) saw that partnership was tourism approach used in the Scottish highlands. Initially there were three components that built partnerships namely local and regional tourism, economic development institutions and art institutions. Partnership approach provided benefits, such as: 1) building relationships among various institutions and organizations; 2) strengthening culture and supporting art accessibility; 3) adding the main product and enhancing the attraction of the tourist destination; 4) creating economic impact. While Saftic et al (2011) saw it with the term stakeholder approach that was a tourism management approach that could increase visitors and support the development of sustainable tourism, participation and mutual benefit relationship (Kadi et al, 2015).

Cooperation with the central government in tourism development was also very important to help overcome obstacles such as the development of infrastructure, technology, transport network and tourism promotion. This cooperation could provide benefits for the region as well as for the nation such as the increasing number of tourist visits and the improvement of regional and national tourism performance. The role of government could drive the determinants of tourism competitiveness, such as development policies, political consistency (Damanik, 2013:50), national security, environmental, social and cultural protections (Xin and Jennifer 2014), and long-term investments which all determined the sustainability of tourism competitiveness.

**4) *Promotion and marketing system:*** Maximizing promotion and tour marketing with the help of technology and cooperation with tour operators.

This strategy emphasized tourism promotion through various research activities on consumers, decision-making systems, and marketing techniques by utilizing information and

communication technology. Prasetya (2011) explained that applications based on information and communication technology could be utilized to produce campaign media and tourism marketing effectively. Soteriades et al (2004) proposed the use of information and communication technology (ICT) as a framework that allowed tourism businesses to develop and implement electronic marketing which then presented the e-tourism business model. Information technology led to a flexible and market-oriented business where its success depended on quick response to the change of customer needs.

There have been much research results stating that the role of technology greatly influenced the interest of tourists to visit a tourist destination. Bethapudi (2013) found that Information and Communications Technologies (ICT) played a leading role in tourism, travel and the hotel industry. ICT integration in tourism industry was vital to the success of tourism companies. ICT facilitated individuals to access information of tourism product from anywhere at any time. Tourism companies could also reach targeted customers worldwide in a single click on the buttons after the emergence of mobile computers, web technologies etc. This study explored business development, revenue, cost minimization in reaching customers. The same thing was put forward by Wöber (2003) that the marketing decision support system (MDSS) was important because it supported organizations in collecting, storing, processing, and disseminating information, and in decision-making processes by providing estimation and decision models. MDSS supported the effectiveness and efficiency of marketing performance and simultaneously supported decision making especially regarding the form of marketing that ensured the sustainability of tourism.

Promotion and tourism marketing could also be done through cooperation with tour operators. This was very important in supporting the sustainability of tourism sector. Tour Operators were parties that operated a trip to a certain region or a series of tourist activities. Tour Operator also helped to market accommodation business, either directly or through travel agent (Tathagati and Indscript, 2015: 9). Tour operators had communication network with various travel agencies, so they had an important role in promoting regional tourism to the tourists. Tour operators became one of the elements that played an important role in tourism competition (Andriotis 2004 and Okech 2004).

**5) Service Quality:** Facilitating the tourists to enter the tourist destinations and to access the tour products.

This strategy was related to customer service that prioritized visitor satisfaction. Tour was basically a journey that sought for joy and happiness of life. Therefore, tourists were not happy when faced with difficulties. Facilitating the tourists entering the tourist areas could be done in the form of good network connection and the high quality of road infrastructure and transportation services. In addition, tourists could also access the objects or tourism products provided completely with information as detailed as possible. It could provide satisfaction for tourists which, in turn, could support the sustainability aspect of tourism (Gracan et al 2008); (Stipanovic et al, 2008); (Jovicic and Vanja, 2008); (Meyer, 2012); and (Wu and Chang, 2013). The satisfaction of these tourists could form loyalty behavioral (loyalty), i.e. visiting repeatedly and inviting others to visit a tourist destination (Valle et al, 2006).

**6) Empowering:** empowering local community.

The welfare of local communities was a major target of tourism development. Therefore, efforts to empower local communities were essential so that they could be actively involved in tourism businesses. The involvement of local communities as well as the quality of relationships in the tourism industry was key to the concept of sustainability (Choi and Sirakaya, 2006; Tatoğlu et al, 2000; Fun et al, 2014; Falak et al, 2014; Lusby and Kathy 2015).

Saville (2001:20) and Soebagyo (2012:156) emphasized that community engagement was the key word to accelerate the achievement of welfare in tourism development. Community involvement can be done through the following (Damanik, 2013:9): 1) Implementing the strategy of expanding the business opportunity, especially for the poor people around the tourism project area; 2) Expanding employment opportunities for local people; 3) Preventing the degradation of environmental quality that had direct and more vulnerable impacts on the community; 4) Emphasizing on minimalization of social impacts of tourism culture; 5) Assisting local communities for the purpose of developing core business and tourism supporters; 6) Promoting the established local organizations for the benefit of tourism.

## 5. CONCLUSIONS AND LIMITATIONS

Tourism sector in Ternate was in "competitive advantage" condition, but it was not "sustained" because the resources that made it in "competitive advantage" position did not have uniqueness and could be imitated by the competitors. In addition, the quantity and quality of attractions in Ternate was still low and poor. There were several strong elements that determined the power of competition between Ternate tourism and the surrounding tourism, such as the role of government in making budget policy, the development of transportation network, and the development of new tourism products. Then the new tourism products would affect the competition in the tourist market. The role of tour operators could also determine the intensity of competition because it could influence the decision of tourists to visit a tourist destination. Ternate tourism can gain sustainable competitive advantage through the following six strategies: 1) Differentiation: increasing the quantity and quality of tourist objects that met VRIOL criteria, namely: a) the exploitation of Tolire lake as a major tourist attraction of nature and sport; b) the exploitation of lake Laguna as a scientific, natural and culinary tourist attraction; c) the exploitation of culture from kesultanan Ternate as a cultural tourism object; 2) Inovation: the use of information and communication technology in managing the tourism; 3) Partnership: Establishing cooperation system in managing the tourism sector; 4) Promotion and marketing system: Maximizing promotion and tour marketing with the help of technology and cooperation with tour operators; 5) Service Quality: Facilitating the tourists to enter the tourist destinations and to access the tour products; 6) Empowering: Empowering local people/ community.

This study has limited data on the quality of human resources in tourism sector. Thus, it is not included in input analysis. This limitation causes weaknesses in analyzing sustainable competitive advantage in terms of knowledge and skills.

## 6. CONTRIBUTIONS

This study contributes to the field of management science and strategy that the competitiveness sustainability of the tourism sector is determined by the uniqueness of tourism resources, technological innovation, community support, cross-sectoral and structural cooperation, and tourist satisfaction. Therefore, a combination of analytical techniques (VRIOL, SFM, and SWOT) can be used in the formulation of strategies for sustainable competitive advantage in the tourism sector. Meanwhile the contribution to the local government is in the form of policy making that can support the sustainability of the tourism sector's competitiveness (Xin and Jennifer 2014; Suardana 2011; Pugra and Suja 2011; Jovicic, Dobrica and Ivanovic, 2008; Meyer 2012), such as the making of the Regional Tourism Master Plan, Development of Tourism Human Resources, Development of Technology Infrastructure, Budget Improvement, System Creation Supporting Transparency, Creation of Community-Based Business Climate, Openness, Integrated Security System, Ease of Investment and Credit, Expansion of access to the Transportation Network, Environment-Friendly Sanitation and Waste Management and the provision of tourism database to support research and development.

Moreover, for further research, it is suggested to conduct the research on the competitiveness of the tourism sector from the demand side as well as the analysis of factors that influence tourist behavior.



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