

## THE PRESENCE OF GLOBAL VALUE CHAIN IN COASTAL MARINE TOURISM

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### ABSTRACT

*This paper identifies the actors in the Global Value Chain (GVC) for coastal and marine tourism (CMT) in the Thousand Islands and analyses SWOT for the lodging and transportation sectors. In-depth interviews and focus group discussions were conducted with the actors who are managers of lodgings and travel agents, transportation business owners, tour guides, and government organizations. This study first reveals the stakeholders involved in the GVC are the community, government, and private companies. It also confirms the tourist type that is dominated by organized mass tourists. Secondly, SWOT analysis was used to describe the situation of the lodging and transportation sectors. Infrastructure is the main concern of transportation, while for accommodations, there are wide ranges of resorts and homestays with the majority managed by the local community. In addition, technology improvement also contributes to the ease of information access, facilities, and tourism product purchase.*

Artikel ini mengidentifikasi para pelaku dalam Rantai Nilai Global (GVC) untuk CMT di Kepulauan Seribu dan menganalisis SWOT untuk sektor penginapan dan transportasi. Wawancara mendalam dan diskusi kelompok terfokus dilakukan dengan para aktor yang merupakan manajer penginapan dan agen perjalanan, pemilik bisnis transportasi, pemandu wisata, dan organisasi pemerintah. Studi ini pertama kali mengungkapkan bahwa para pemangku kepentingan yang terlibat dalam GVC adalah komunitas, pemerintah, dan perusahaan swasta. Kedua, analisis SWOT digunakan untuk menggambarkan situasi sektor penginapan dan transportasi. Infrastruktur menjadi perhatian utama transportasi, sementara untuk akomodasi, terdapat berbagai resor dan homestay dengan mayoritas dikelola oleh masyarakat setempat. Selain itu, peningkatan teknologi juga berkontribusi pada kemudahan akses informasi, fasilitas, dan pembelian produk pariwisata.

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## 1. Introduction

The contributions of the tourism sector to the world GDP clearly shows the importance of this sector to the global economy. According to the WTTC report, in 2016, tourism directly contributed to no less than USD 2.3 billion and employment of 109 million individuals worldwide. Indirectly, the contributions of this sector accounted for USD 7.6 billion, equivalent to 10.2% of world GDP and 292 million employed or 1 out of 10 jobs in the world (WTTC, 2016).

Based on their geographic locations, the Asia Pacific led the growth in tourism sector with an 8% increase in international tourist arrival, followed by Africa (also 8% after a previous decline), America (4%), Europe (2%), and the Middle East (-4%) (UNWTO, 2017). South East Asia is now predicted to have most rapid improvement, driven by an increase in middle class and the considerably competitive prices in this region (UNWTO, 2017; *World Economic Forum*, 2015).

Looking at this positive trend of global tourism as a whole and South East Asia in particular, the Indonesian government has seized this opportunity set up a few targets. The Ministry of Tourism's targets for 5 years (2015-2019) are increasing the contributions of the tourism sector to GDP from 9% to 15%; a 100% increase of foreign exchange from IDR 140 trillion to IDR 280 trillion, and raising the number in the work force from 11 million to 13 million. Furthermore, it has an increase in rank within the global tourism competitiveness index, from 70<sup>th</sup> position to 30<sup>th</sup>, thereby achieving 20 million foreigner tourists, an increase from 9 million, and domestic travel trips going from 250 to 275 million.

As one of the step taken to achieve those targets, the Ministry of Tourism is in the middle of accelerating development in infrastructure, security, technology readiness, and environmental quality in 10 priority destinations to support tourism. These 10 destinations are Toba Lake, Tanjung Kelayang, Tanjung Lesung, Thousand Islands, Borobudur Temple, Bromo, Mandalika, Labuan Bajo, Wakatobi, and Morotai. Most of these destinations are coastal marine tourist (CMT) destinations. With this acceleration of the development process, the government goal is to accommodate those 10 priority destinations in providing more comfortable, secure and adequate facilities for tourists for accessing and enjoying their travel so as to have a pleasant travel experience.

Aside from the government, the roles of business actors in the tourism industry are equally important in this case, particularly when providing tourism products (lodging, transportations, attractions, and activities) and combining and distributing these until they finally are passed to the tourists as their end users. This process chain is known as the global value chain (GVC). It describes those business actors that have spread into various regions/countries and interacted and collaborated with each other, so that these products can accumulate added value before finally being consumed (Kierzkowski & Arndt, 2001).

As an archipelago nation, this study related to GVC will surely become very beneficial for Indonesia tourism. Nevertheless, past research on GVC in the tourism industry is limited. Thousand Islands as one of the 10 priority destinations become an interesting option for analysis as a GVC study case because its characteristic is 110 small islands (Thousand Islands Central Bureau of Statistics, 2016). Its access, which is near the center of the capital city of Jakarta, also is a differentiating feature from other priority destinations, indeed a reachable and affordable weekend getaway. Still, it is undeniable that excursions offered by the Thousands Islands are pretty similar to other priority destinations, namely, natural beauty, water sports activity (snorkeling, diving, etc) and historical tours. By using the Thousand Islands as the study case through undertaking research on its actors, this research is expected to create a model for GVC in CMT in Indonesia and show a SWOT analysis in which destination upgrading can be further discussed.

## 2. Literature review

### The Global Value Chain (GVC) for Tourism

The concept of a value chain began in 1970 with the 'commodity chain' (Bair, 2006) and in 1994 the concept of commodity chain and global capitalism (Gereffi & Koerzeniewicz, 1994a). In general, a value chain is defined as the whole set of activities that give added value to providing goods and services through the stages of production from design, the raw material inputs for production, distribution, and sales and after sales services (Kaplinsky, 2004; Kaplinsky & Morris, 2000; OECD, 2014; ECB, 2014; Banga, 2014).

The analysis of GVC itself focuses on the relationship between international firms in the production process, emphasizing the role of the lead firm, which pulls off the integration function and the activities done in separate places internationally (Gereffi & Kaplinsky, 2001). Activities in GVC can either be carried out by one firm or divided between several firms and locations. It can be either conducted in one location or in many places worldwide. The GVC concept comprises every stage used to analyse goods and services starting with innovation and continuing to commercialization (CGGC, 2015). The GVC approach was introduced by Gereffi (1994) for the first time, with the understanding of governance as 'driving', which then is illustrated by a driven producer or buyer (Gereffi & Korzeniewicz, 1994b).

In contrast to GVC in a manufacturing industry, tourism is categorised as a service industry. Service specifically possesses the characteristics of inseparability (when production, sales and consumption happen at once), intangibility, variability (difficulties in maintaining the consistency of quality), as well as perishability (cannot be stored as inventory like other products) (Kotler, 2009).

These characteristics are causing their own complexity for the value chain of tourism industry (Baum, 2006). Moreover, the tourism industry is composed of various suppliers that operate in different industries (lodging, transportation, attractions, food and beverages, retail, etc) and most of these are small and medium enterprises. These business players offer one or more goods and services that need the role of intermediaries to combine, coordinate, and distribute their elements that will then be sold to tourists and end consumers (Hall & Page, 2002).

Tourism, which is perceived as an exclusive activity of the middle and upper classes, changed slowly with the development of infrastructure and deregulation in the transportation industry as well as the advancement of information technology to become affordable for the varied circles of society. This circle then is classified not only by its economic hierarchy, but also by its motivation and behavior. Various literatures on the typology of tourists appeared one after another. Table 1 shows some of the studies in tourist typology that are often used in the research to help identify the tourist type in Thousand Islands.

**Table 1. Tourist Typology**

Writer, Year	Tourist Typology
Cohen, 1972	Organized-mass tourist, individual mass tourist, explorer, drifter
Plog, 1977	Allocentrics, Psychocentrics, Midcentrics
Smith, 1989	Explorers, elite tourists, offbeat tourists, unusual tourists, incipient mass tourists, mass tourists, charter tourists

Source: Horner and Swarbrooke, 2005

Horner and Swarbrooke (2005) recapitulated the view that tourist typology as shown above can be differentiated by destination, activity during travel, and the independent tourist versus a group tourist (package holidays). Each group or segment naturally makes a different purchase decision. For example, those who travel independently will tend to have a more adventurous spirit than those who travel in a group following a tour guide. This difference will affect the GVC dynamics either as outbound (value chain process that the traveler experienced in their country of origin) or inbound (value chain process in the travel destination).

Gereffi (2011) explained that in the production value chain, activities start with distribution as the first segment. The first thing tourists will do is to decide how they will purchase their tourism product or an element of their trip. Travel agents and tour operators are the main distribution intermediaries here. Commonly, travel agents act as the retail outlets for tourism products (lodging, transportation, attractions, and activities), and tour operators act as the wholesalers who buy blocks of airline seats, hotel rooms, and tourist activities which will then be arranged into various tour packages. These products will then be sold through travel agents or even directly to tourists. Tourists can also buy these same services directly without any intermediaries.

The next stage is international transportation. The most common model of international transportation is international airlines, followed by cruise services as a quite popular alternative. Trains, although often found in Europe and some parts of Asia countries, usually are not an option for long distance travel. The international distribution of transportation usually is performed in the country of origin. However, the distribution of regional transportation is done in the destination country. Destination countries usually already own their own distribution actors and often work directly with an international distribution firm. For instance, national tour operators arrange and carry out the operation of global tour packages. When this happens, a national tour operator will meet the tourists at the airport and take them to their destination for tourist activities.

In a destination country, tourists are involved in activities that require local transportation (air, sea and/or land), lodging, and excursions. There are a lot of choices for lodging from the humble hostelry to luxurious choices. Excursions are local activities that are the products of tourism and the assets of the destination. For CMT, available activities include snorkeling, sailing or surfing; while cultural tourism can be a tour to monuments or enjoying specialty food and beverages common to the region. A lot of activities are sold by operators and executed by local guides who act as experts in the specific location. Visiting local bazaar and crafts centers also categorised as part of the overall tourism activities.

Except for international airlines charges, the majority of the tourism value chain segments are identified by the diverse types of organisations, ownerships, and operational business structures. Big firms live alongside SMEs. International tourism needs a well executed coordination and marketing plan in order to reach tourists in various countries and regions. Firms with a high ability of coordination and marketing skills will have the highest value. Usually, international distribution actors and hotels managed by foreign owners will have these kinds of capabilities.

Another important concept of GVC is upgrading. The upgrading concept is often used to demonstrate a firm's competitiveness. Upgrading is defined as a process that enhances a firm's ability to make a profit and or to own an advanced technology or skill-intensive economic niche (Gereffi, 1999), thereby producing a better product and making them more efficient in their value-adding activities (Kaplinsky, 2001; Porter, 1990). This firm can possess competitive advantages through upgrading. Christian, Fernandez-Stark, Ahmed, Gereffi (2011) divided upgrading into 5 stages of trajectory development. These are:

- *Entry to Value Chain*: Countries start to become a destination for incoming tourists, followed by firms and individuals who then shift to the tourism industry. Finally, firms who are already able to cater domestic tourism start to handle international tourism.
- *Upgrading Within the Tour Operator Segment (Functional Upgrading)*: Improvement comes

from firms in the tour operator segment. From the most basic guides to excursion operators, local arrangers finally become local or national arrangers for incoming agents.

- *Upgrading Within the Hotel Segment (Product Upgrading)*: Following up on the development of its tourism industry at this point, a country starts to build a larger hotel having better quality. The next step is of course developing a “brand” and extending it to create a chain or hotel management company.
- *Adding Tourism Types (Product Upgrading)*: A country will create more products in order to diversify and expand its tourism products by developing different regions or cultivating specific types/needs for more tourism.
- *Adopting ICT (Process Upgrading)*: Firms in the country start to adopt and apply IT for their operations and marketing.

Upgrading in the value chain impacts prioritisation to improve a low value generating activity and turn it into a higher one. In the tourism industry, the relevant process of upgrading is the process of upgrading and adopting new technologies (Guzman, Moreno, Tejada, 2008).

### **Coastal and Marine Tourism (CMT)**

There are several definitions of CMT. The European Commission has defined coastal tourism as beach-based tourism and recreation activities, e.g., swimming and sunbathing, and other activities where the proximity of the sea is an advantage, such as coastal walks and wildlife watching. Maritime tourism covers predominantly water-based activities, e.g., sailing and nautical sports (often carried out in coastal waters) and cruising. Geographically, a coastal area is defined as an area bordering the sea or one that has at least half of its territory within 10 km of the coast. (European Commission, 2014). Marine tourism constitutes a form of tourism that totally connected to and dependent on the sea and the marine environment (Lekakou & Tzannatos, 2001). Hall (2001) defined coastal tourism as a form of tourism where the water/sea element is predominant and is also considered to be the main asset and advantage.

While the vast majority of activities take place in the sea and require consumers to travel away from their place of residence and be actively involved with the sea, their supporting facilities and infrastructure are usually found on land (Orams, 1999). These facilities may vary from ports and marinas (serving cruises, yachts, etc.), to one-person operations (e.g. guides, instructors, etc.), moderate-sized private companies, or even large corporations (cruise-ship companies, etc.) (Orams, 1999; Lekakou and Tzannatos, 2001; Diakomihalis, 2007). As these facilities are usually located in urban areas (thus interacting with other tertiary sector services), most of the marine tourism activities take place in coastal waters at a close proximity to the cities, since they usually represent just ‘day-trip’ recreation. As a result, marine ecosystems close to cities are subjected to increased pressure and “run-offs” not only deriving from an overconcentration of human activities and marine uses related to the cities (fishing, navigation, etc.) but also deriving from tourism actual uses (Orams, 1999). In addition, ports and boats need to limit their carrying capacity (Klein, 2011) for tourist convenience and safety during their visit.

### **The Context: Thousand Islands**

As an archipelago, the government of Indonesia acknowledges the importance of CMT as a tourism asset. This focus is shown by the dominance of CMT in the 2015 - 2019 priority destinations program. Within this program, 7 out of 10 destinations are actually CMT - and include the Thousand Islands.

Thousand Islands is part of the capital city's Provincial Government of Jakarta. It has its own Administrative Regency wherein there are two sub-districts, namely, the Northern Thousand Islands and Southern Thousand Islands, which have a total population of 23,639. The total number of islands is 110, of which at least 6 residential islands are actively promoted as tourism destinations (Tidung, Pari, Untung Jawa, Pramuka, Harapan and Kelapa). Apart from the residential

islands, there are also privately owned resort islands, such as Ayer, Bidadari, H, Macan, Pantara, Pelangi, Putri and Sepa (Thousand Islands Central Bureau of Statistics, 2016).

Data from the Provincial Sub Office of Tourism of Jakarta shows a significant increase (more than double) in the number of international tourist arrivals from 2015 to 2016. However, from 2016 to 2017 there was only slight growth. Overall, despite the government programs designed to target 20 million foreign tourists in 2019, in the past 3 years there have been a stagnancy in the proportion of international and domestic tourists of on average 3 percent and 97 percent, respectively.

**Table 2. Tourist Arrivals at Thousand Islands 2015 - 2017**

Origin	2015	2016	2017
Domestic	801,421	810,027	748,692
International	10,836	24,517	25,444
Total tourist arrivals	812,257	834,544	774,136

Source: Thousand Islands Provincial Sub-Office of Tourism, 2017

Most of the domestic tourists are categorised as organised mass tourists. They visit in groups for corporate outings, as students taking short trips, and friends or family spending weekends together. These activities' relevance is Thousand Islands' close proximity to urban areas as confirmed by Orams (1999).

The CMT in Thousand Islands is essentially community-based tourism. In the early 2000's, the community started offering budget tours to students with lodgings like camping grounds and home stays (which practically were the community's vacant rooms or houses). Quickly, a socio-cultural change occurred with fishermen turning into tour guides and home stay owners. Their traditional wooden boats also became tourism transport. Looking at the potential market, private companies and state-owned enterprises also operated marine transportation to cater to these tourists' needs.

Currently, there are two major departure points that go to Thousand Islands: (1) the Kaliadem port where traditional wooden boats depart only to residential islands; and (2) the Marina Ancol dock where ferryboats set out for the residential islands as well as the resort islands. Both of these ports are located in North Jakarta. Usually the international tourists either set Thousand Islands as their first travel point in Indonesia after arriving in Jakarta or their last stop before leaving Indonesia via the Soekarno - Hatta airport in Jakarta.

### 3. Methods

#### Procedures

This research was designed to occur in two- staged phases. The study started by conducting focus group discussions with lodging operators - one from the resort islands and two from the residential islands - as well as four local tour operators. The discussion identified the actors involved in Thousand Islands and exposed several issues faced by them. Then, literature studies were carried out to review various models of GVC produced by researchers earlier. Up to this time, no comprehensive study that analyses and designs a GVC model of CMT within the Indonesian context has been completed.

#### Data collecting methods

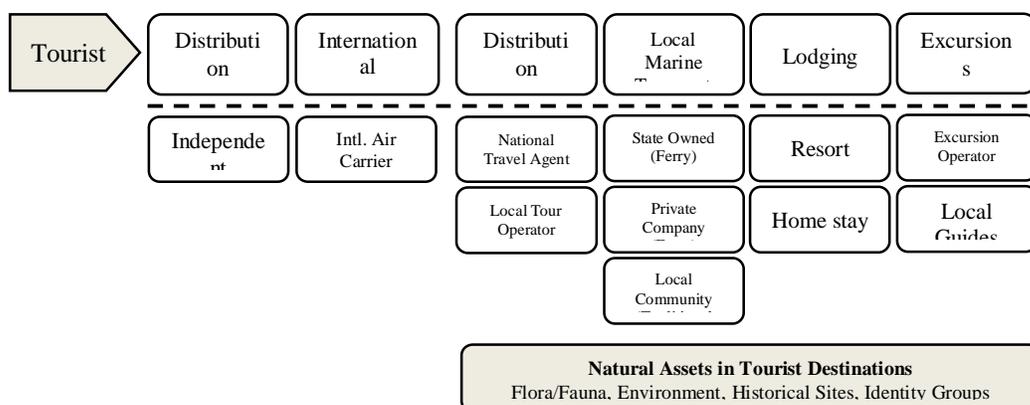
Qualitative methods were chosen because the subject matter was not well recognised and had not been investigated much as yet, so there was a need to develop a certain depth of understanding of the recent phenomena (Saifuddin, 2017). Based on the data gathered from the focus group discussions and the literature review, a list of actors that were involved from government, industry, and the community were interviewed (Timur & Getz, 2008). There were also 9 selected stakeholders interviewed, as Ploszaj (2011) suggested, as whenever a limitation in time exists, only those regarded as important actors should be included in the data collection. These interviews provided a list of actors and their contributions toward building a GVC model. In the last stage, field

observations to the Thousand Islands were conducted to observe the physical facilities there and the tourism experience at the islands that tourists could expect.

#### 4. Results and discussion

##### The GVC Model

Analysing the GVC of Thousand Islands required understanding all the actors involved in the value chain. In general, the stakeholders consisted of those in the government, community and industry. All contribute to the Thousand Island CMT ecosystem in various ways. While most support the development of CMT, each has a different purpose and interest. The government institutions take active roles in regulation and development of infrastructure as well as supporting the human capital. They also represent different layers, from the national (ministry) and provincial to the local (regency) level. The private companies come from the fields of marine transportation, lodging, travel, and property, and there are also multi-sector corporations who participate in certain social responsibility programs. The community categories are shown by their associations such as PIHA and TIAoTS. Out of 27 actors, 7 actors have crucial roles to play in the marine transportation sector. This following model highlights their involvement in the GVC of tourism not mentioned specifically by Christian (2010). Based on this GVC model for tourism (Christian, 2010), this model is proposed for GVC in CMT and in particular for Thousand Islands



Source: Modified from Christian (2010)

**Figure 1. Tourism GVC in CMT**

The value chain in this model is divided into elements from a tourist origin country and the stakeholders in that destination. Activities start from distribution and international transportation using international airlines. Tourists usually arrange a trip to Thousand Islands by themselves independently, as no product distribution occurs through travel agents or tour operators in the origin country. Then, to reach Thousand Islands tourists need to stop by Jakarta first, as it is the main hub.

The distribution and transport at destination happens most intensively in Jakarta where there are many travel agents, from the national to the regional scale, who offer trip packages to Thousand Islands or tourists independently arrange these packages through their resorts. Some of the travel agents position themselves as an exclusive Thousand Islands tour representative. Those agents already have arranged the itinerary for each island and its duration and can cater to various size of a group. Some may opt for a local tour operator instead. Local tour operators in Thousand Islands are usually handled by the community who will arrange boats for a round trip, lodging arrangements, a set of water activities, and other tourism activities or combination of them according to the tourists' requests based on a negotiated price. When this happens, the local tour

operator meets the tourists at the Marina Ancol dock and takes them to the destination for their tourism activities. Meanwhile, tourists who arrange trips independently through a resort usually have a package offer that includes lodging and marine transport from Marina Ancol dock to the resort location.

As marine transport is the only means to reach the island from the city and then do island hopping, this model will only focus on local marine transportation, which is divided again by ownership and boat type; state-owned ferryboat, private company ferryboat, and local community traditional boat. They will serve different markets and operate from different ports.

Ferry boats are more modern, equipped with faster engines, fulfill professional safety requirements, and offer better facilities, such as air conditioning, and can operate up to 28 knots or 60 km/hour. These boats are usually operated by private companies or leased privately. They mostly operate from the Marina Ancol dock. Boarding from Marina Ancol is more expensive than using traditional boats and mainly is targeting the middle and upper class market. Ferryboats are also offered by state-owned and private companies.

On the other hand, traditional boats are powered by modified machines and have wooden structured bodies. Many of these used to be fishing boats, renovated to accommodate passengers. They operate from Kaliadem port, which functions as fishing village, and most are owned by the local community. Traditional boats travel slower than motor powered ferryboats at around 10 to 12 knots or around 20 km/hour, and they are less comfortable, cheaper and serve the middle to lower market.

In Thousand Islands, tourists are involved in CMT activities that require local transport, lodging, and excursions. There are two choices for lodging ranging from a humble hostelry (homestay) to a resort. Resorts are owned by private companies with curated facilities. On the other hand, home stays are located on the residential islands and managed by the local community. Some may not have the ability to run home stays professionally, as they do not use any system nor have had any training in service industry. As a result, some homestays are deemed inadequate, as they are often mismanaged. For example, some homestays will allow room overcapacity that produces an unpleasant experience.

As for activities and excursions, there are some excursion operators who specialize in specific group of activities like water sports. There is a considerably wide variety of **excursions** in the Thousand Islands that range from water excursions, nature and wildlife tours to historical and cultural tourism. Excursion operators often form a partnership with resort islands to facilitate that island's tourism. There are also a lot of independent tour guides specifically around the home stay islands. These tour guides may have specific equipment and supplies or unique skills that enable them to guide their tourists.

Available activities in CMT excursions include jet skiing, diving, snorkeling, sailing, and various water sports; while nature and wildlife tours are available at the Thousand Islands National Park with its unique coral reef ecosystem, hawksbill turtles nature reserves, and mangrove forest and bird watching. Still many of these activities are limited to scientific purposes. A few islands also have historical sites, for example, the Dutch colonial vestiges on Onrust Island, where tourists can visit the local museum and Martello Fortress. Another attraction is cooking traditional food. The local community creates story telling about their own local food specialties. Some of the foods are *kue selingkuh* (literally translated as *cheating cake*) which traditionally is made by fisheries wives for their husbands before they leave home as a reminder to stay faithful. Some festivals are also held like *Pesta Pulang Babang*, a festival that is a celebration when the fishermen return safely, and *Putra Putri Bahari*, which is a local pageant.

### SWOT Analysis of Marine Transportation and Accommodations Availability

As the Thousand Islands will remain one of the priority destinations until 2019, as they have been developed by the government. That means there is all the attention needed to boost the development of various aspects of tourism, including transportation. This focus can be seen from various safety trainings that are regularly held by the Water Police, National Committee of Transportation Safety (KNKT), and the Ministry of Transportation. The procedure to obtain Captain certification from training to testing is easy and well executed. Transportation infrastructures, such as docks and ports, will also be renovated and revitalized. In the future, the government plans to connect the Old City of Jakarta to Thousand Islands as one tourism path

**Table 3. SWOT for Transport**

Strengths	Weaknesses
<p><b>Ferry Boats:</b></p> <ul style="list-style-type: none"> <li>• Offer speed, comfort, and a higher level of safety</li> <li>• Alternative boats supplied by the government</li> </ul> <p><b>Traditional Boats:</b></p> <ul style="list-style-type: none"> <li>• Available for island connectivity</li> <li>• Affordable rate offered to the middle lower market</li> </ul>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>• Problems occurring during the trip in the middle of the sea are fairly hard to address</li> </ul> <p><b>Ferry boats:</b></p> <ul style="list-style-type: none"> <li>• Limited frequency of trips to Thousand Islands</li> </ul> <p><b>Traditional Boats:</b></p> <ul style="list-style-type: none"> <li>• Uncertainty of tickets sales</li> <li>• Incomplete administrative documents</li> <li>• Poor level of safety requirements</li> <li>• Longer travel times</li> </ul>
Opportunities	Threats
<p><b>General:</b></p> <ul style="list-style-type: none"> <li>• Current high government support (training, workshop, infrastructure development, and certification)</li> </ul> <p><b>Ferry Boats:</b></p> <ul style="list-style-type: none"> <li>• Daily regular passengers (50-200)</li> <li>• Quick and clear procedure for getting sailing permission</li> <li>• Availability of local people, as employees</li> </ul> <p><b>Traditional Boats:</b></p> <ul style="list-style-type: none"> <li>• Goods distributions in Thousands Islands could be facilitated by tradisional boats</li> <li>• Traditional boats design could incorporate local cultures</li> </ul>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>• Less support expected from government by 2020 forward</li> <li>• Inability of current docks in Thousand Islands to accommodate big boats</li> <li>• Lack of coordination with government programs</li> <li>• Levels of trash in ocean could endanger trips</li> <li>• Conflict of interest among transportation stakeholders</li> <li>• Trips rely on the weather conditions</li> </ul> <p><b>Ferry Boats:</b></p> <ul style="list-style-type: none"> <li>• Shallow dock (Marina Ancol) damages ship machinery</li> <li>• Additional entry ticket fee to Marina Ancol</li> </ul> <p><b>Traditional Boats:</b></p> <ul style="list-style-type: none"> <li>• Uncertain number of passenger per trip</li> <li>• State-owned boats with competitive pricing in same port as traditional boats</li> <li>• Poor dock services</li> <li>• Local community often refuses to pay the tickets for trips with traditional boats</li> </ul>

Source: authors

These factors have benefitted marine service providers. Ferry boats that have already maintained a clear and efficient way to obtain sailing permission and daily operation flow have served a fixed number of passengers, namely, local government officials, the Mayor, the police and the locals.

Traditional boats are not professionally managed; ship owners have poor management and not established proper regulations. For instance, unfair sales practices have occurred in the past where tourists were forced to buy the return tickets as bundled. The process has been improved since its administration was taken over by a private institution, PT SSA who has set only one channel to buy the tickets and oversees the day- to- day operations. However, the incompleteness of administrative documents and low safety regulations still remain problems. The main advantages of the traditional boats are o their available service for the island- to- island routes. These trips are short and at some islands, ports can only accommodate smaller boats, which make the traditional boats a perfect choice. As a traditional boat is owned by the local community, they can modify these boats to display their cultural uniqueness.

Still, threats of transportation industry mainly derive from poor infrastructure. The development is still continuing and needs time to be completed, while currently, many of the infrastructures remain inadequate. The docks are essential, but only a few islands have docks big enough to accommodate big boats; others are too shallow. This brings us to some other problems. First, the problem limits tourist transportation links, as the routes offered by regular marine services remain limited. They have to stop at a nearby island and rent a small boat privately. Sequentially, it hinders construction since the raw materials and laborers needed to build these ports have to be transported in a small boat.

The ports where both transportation services operate also have some setbacks. The Marina port is now too shallow because it hasn't been cleaned for years and because it is located inside Ancol Dreamland. Thus, passengers often need to buy entrance tickets which will add to their overall transportation costs. Muara Angke port, which is not exclusively operated for passengers, is neither clean nor orderly, and it is also quite unsafe because it has lose control of the access. People can freely roam around the area and even at the access point to the ship. It is very hard to control a neat and safe flow of passengers there.

Traditional boats' other problem is how to handle different categories of customers. They serve tourists, locals, and traders who use the same service and models. It is disadvantageous to carry traders and all their goods free of charge, as both take up more space than tourist passenger. Locals who know the boat owner and the captain of these ships often refuse to pay because they feel that it is the obligation of the ship owner to help friends. These two groups of customers have proven to be troublesome.

Finally, it is worth considering that the opportunity of 10 priority destinations will only exist until 2019. That means that the construction and development needs to be swiftly executed. There are still many improvements left to be done regarding the coordination of each stakeholder, especially with government institutions, to be able to achieve the most efficient and effective result.

Lodging in Thousands Island is mainly divided into two categories, namely, resorts and homestays. Resort islands own most of their facilities and can offer a wide range of facilities and services to enhance the guest experience. Take Macan islands as an example. Their package include snorkelling, access to various sports facilities (tennis, badminton, Frisbee, board games and paddle balls), food, beverages and free flow drinking water. The Association of Homestays is doing a satisfactory job in creating a conducive business environment for the homestays, and that is one of their main advantages. They shares information about guests, available rooms and help each other whenever any problem rises. They also control price levels to avoid price wars. They inspire each other to grow and have made various breakthroughs, such as legalizing homestay permits, joining online platforms, and installing Wi-Fi facilities on the islands.

**Table 4. SWOT for Lodging**

Strengths	Weaknesses
<p><b>General:</b></p> <ul style="list-style-type: none"> <li>• Strong network between lodging owners and travel agents</li> </ul> <p><b>Resort Islands:</b></p> <ul style="list-style-type: none"> <li>• Offer a wide variety of facilities and services</li> </ul> <p><b>Home stays:</b></p> <ul style="list-style-type: none"> <li>• Provide a unique experience living with the local community</li> <li>• Establishment of home stay associations on main island</li> <li>• Agreement with online travel platform</li> </ul>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>• Limitation when buying goods and materials as they are only sold in the city</li> </ul> <p><b>Resort Islands:</b></p> <ul style="list-style-type: none"> <li>• Limited payment methods</li> </ul> <p><b>Homestays:</b></p> <ul style="list-style-type: none"> <li>• Misleading and incomplete information on home stay facilities</li> <li>• Some home stays allow over capacity</li> <li>• Home stay owners do not update room availability regularly in the online platform</li> <li>• A lot of home stays have not achieved the minimum criteria</li> </ul>
Opportunities	Threats
<p><b>General:</b></p> <ul style="list-style-type: none"> <li>• Government support (ecotourism excursion, training)</li> </ul> <p><b>Resort Islands:</b></p> <ul style="list-style-type: none"> <li>• Future construction of 5-star international hotel chain on Lancang Kecil Island</li> </ul> <p><b>Homestays:</b></p> <ul style="list-style-type: none"> <li>• Current high government support (training, infrastructure development, and amenities for homestays)</li> <li>• CSR program from private companies</li> <li>• Technology development makes marketing and sales much easier</li> <li>• Workshop given by universities</li> </ul>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>• Less support expected from government 2020 forward</li> <li>• Wi-Fi installation is obstructed</li> <li>• Clean water supplies are still an issue</li> <li>• Lack of coordination with government programs</li> <li>• Health facilities only for emergencies</li> <li>• Many tourists bring food and beverages from outside</li> </ul> <p><b>Resort Islands:</b></p> <ul style="list-style-type: none"> <li>• Electricity source still depends on diesel generator and solar generating with high operational costs</li> </ul> <p><b>Homestays:</b></p> <ul style="list-style-type: none"> <li>• In some inhabited islands, there are not many tourist attractions</li> <li>• A lot of tourists force homestays to allow overcapacity</li> </ul>

Source: authors

The weaknesses of these lodgings are their inability to convey clear and accurate facility information to the tourist. The main weakness of their operation is the limitation in buying goods and raw materials which they must supply from the mainland. Resort islands only allow bank transfer as a payment method, which can be troublesome for international tourists. While some homestays still allow overcapacity which reduces room demands, but is discourteous to their guests. Homestay owners are still adjusting their online platforms and need to be more careful when using these online platforms, as they must update their availability manually using phones and thus still make errors.

Homestays offer a lot of opportunities that need to be explored. Islands around the National Park gained benefit from this form of resources and support it. The National Park helped to build its surrounding area, providing facilities like huts and benches. Some of the islands have their own uniqueness and attractions as well. Pramuka Island is one of the most resourceful islands. It has a track at the perimeter of the sea, various tourist attractions from nature to religious, a rich culture, and interesting history. On the other hand, on Putri Island, tourists can visit a bridge called *jembatan cinta* or bridges that connect the island with another smaller island. Each island has been

trying to differentiate itself from the other. Homestays also get financial support from governments and CSR from private companies. Some universities have also participated a few times by giving free training related to the tourism industry, such as cooking workshops. Finally, technology helps the marketing of lodging in the Thousand Islands.

The main loopholes in the accommodation industries are public facilities. Clean water provision from the islands has been rapidly decreasing. Electricity has not reached the resorts islands, making them dependent on diesel generator which causes high operational costs. Health facilities are only sufficient for giving first aid. A tourist information center has not been optimised as yet. Lastly, Wi-Fi installations are delayed because it is hard to reach the providers from the islands.

Overall, it is important for the government and all parties involved to pick up the pace and work on more collaboration in order to complete the plan of development as swiftly as possible before 2020. They can start by creating additional events that will attract more tourists.

### **Global Value Chain (GVC) Upgrading**

Economic upgrading currently occurring within Thousand Islands global value chain covers multiples pattern. Those patterns are categorized by Humphrey and Schmitz (2002) into four types of industrial upgrading, namely, *product*, *process*, *functional* and *intersectoral*. Thousands Islands has long ago started to become a popular tourist destination and has moved past the phase of entering the value chain. Currently, Thousand Islands is still undergoing functional upgrading wherein the elements on inbound within the tour operator segment are still being improved. For instance, the distribution channel of tourism products in the Thousands Islands has started to be managed by national travel agents. In the past, the distribution of the product was quite problematic as the package was offered only by local guides on the resort islands and was considerably overpriced. Now, there are many agents offering a full set of packages, including regional transport by boat, lodging, food, activities, and guides. Still, many tourists, especially domestic ones, are still mostly managed by independent local tour operators whose offer a relatively cheaper price of package or a specific activity only.

Other evident upgrading that has occurred functionally is the excursions. Currently, most of the excursions are still led by local guides who are not always trained or educated professionally. They are able to lead certain activities, such as snorkeling or guiding a chartered boat through island hopping, but rarely do they have the ability to escalate the uniqueness of the islands or deliver cultural identities that can be an added value for the tourist experience. It is important to understand the customer's background in order to understand the context of hospitality skills for local community in developing countries (Baum, 2006). Local guide play a significant role to successfully engage with tourist thus the training provided should contain visitor expectation and facilitate the journey both physical, cognitive, social and affective level (Weiler, 2016).

Another ongoing upgrading that is going to happen in the near future is product upgrading by the hotel segment. Today, the Thousand Islands have a large variety of lodging, ranging from small or budget *homestays* to private resorts, but none have reached the level of luxurious accommodations nor expanded into hotel chain management. However, the hotel segment will soon reach that level since a 5-star international hotel chain is predicted to finish two years from now, resulting in 114 villas. It will be the first luxury hotel brand in Thousand Islands. There are a lot of opportunities to add more tourism excursions that show the rich culture and natural resources of these islands. Some of the islands are even building ecotourism on their islands. They offer related activities, such as turtle conservation, implantation of reeds or mangroves. Islands surrounding the national park also offer sightseeing and bird watching. The development toward such natural excursions has been positive proof of good progress being made to add more tourism product types during product upgrading. However, the cultural resources on the islands have not been expanded

well nor properly incorporated through the available tourism products. One way to improve this area is to create more cultural events that will attract more visitors and thereby showcase the cultural values of the locals.

Although it will take more time, tourism in Thousand Islands has started its product upgrading by adopting ICT more recently. There is a strong desire, especially from the local communities to adopt ICT. Some resorts islands have started to build their websites as well, either by themselves or by collaborating with the Ministry of Tourism or other resort islands.

### **5. Limitation and further study**

This work has certain limitations that do need to be recognized. First, the CMT destination was only the Thousand Islands out of 10 Priority Destinations. Therefore, adding more destinations is needed to have a more comprehensive model. Secondly, the actors and government bodies involved varied, so it is recommended that the model should identify the precise relationship among all actors and use other precise easily related methodologies, such as social network analysis.

### **5. Conclusion**

Indonesia as an Archipelago country with thousands of islands has a wealth of marine nature with great coastal marine tourism potential. Understanding the global value chain and the existing actors available in CMT is important for tourism to grow and bring positive impact to that society. The purpose of this study was to find the actors in GVC in CMT and analyse SWOT to identify the precise upgrading trajectory. SWOT analysis would help the tourism practitioners to review and evaluate transportation and accommodations to upgrade CMT in order to attract more international tourist.

The findings of this study will benefit government as policy maker. As this study confirms, actors in this value chain are governments, the local community, and industry. Cooper, Fletcher, Gilbert, Shepherd and Wanhill (1998) categorize the actors in the tourism business into five main elements: Governments organizations, intermediaries, transportation, attractions, and accommodations. With the identified actors, a model of GVC for CMT is proposed. This model shows several actors and government organizations involved, which requires high coordination to integrate the value chain properly and achieve effective results.

This study also makes a useful practical contribution for tourism practitioner, particularly for local community as the accommodations and excursion providers. There are similar characteristics of the tourists in Portugal where most of the visitor are dominated by domestic tourist. Eusebio (2017) found one of the clusters categorised as active visitors are doing the landscape, contact with nature and cultural more than 60 per cent with 76.2 per cent of tourist consumes local food on their visit which at the end will enhance local economies. To achieve it, the local community needs to develop and promote the variety of the activities and visitor attraction offered (Leask, 2016) to create and elevate engagement with tourist.

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