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## **Destination Marketing Strategy in Bali Through Optimizing the Potential of Local Products**

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### **ABSTRACT**

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This study was designed to study destination marketing strategy in Bali through optimizing the potential of local products. Seventy nine of hotel managers were interviewed based on cluster sampling method to gain their point of view. The results show that destination must build their images around unique attributes that provide them sustainable competitive advantage including its attraction which should be designed to meet the needs of the target market and should be served by local products. The results also show that hotel managers thought that foreign tourists always preferred imported products, meanwhile previous statistical results indicate that foreign tourists significantly look for local products. There is a need to encourage hotel managers to change their perception and attitude about local and imported products. In fact, hoteliers expressed willingness to use local products as long as these meet the quality standard. As tourism involves four types of activities, namely something to see, something to do, something to buy, something to learn, destination product development could be focused in the above activities through offering foreign tourist, such as to stay in hotels, homestays or villas owned by Balinese; to eat in restaurants owned by Balinese by choosing the authentic local foods that are using local meat, seafood and vegetables, exotic local fruits and beverages; and to buy products that are produced by the Balinese. By promoting vacation on the real Balinese atmosphere such as stay in accommodations owned by the Balinese supported by the authenticity of local Balinese foods, fruits and beverages, these will strengthen the local economy, so the benefit of tourism development can be more beneficial to the local Balinese. The results suggests that destination management related to improvement of service and hospitality are really important through improvement of human resource by giving training to their employees, educate consumers, and manage consumer expectations. Physical evidence can be easily associated with the product by the customer. This includes the atmosphere of the service operation and any tangible evidence used to market the product. Marketing through authenticity is precise approach for success in destination marketing of Bali tourism. Destination marketing strategy should then be focussed on promoting the physical evidences of the authenticity of the local products and excellent services offered to the visitors as well as participation of stakeholders in developing authenticity of local products at reasonable price which will differentiate the destination distinctively.

Keywords: destination marketing, authenticity, local products, Bali.

## Introduction

### Background

The island of Bali has made its culture and people as brand image of its tourist product thus Bali has become one of the attractive destinations in the world. Tourism has become the leading economic sector and a driving force in the economic development of Bali Province. As Bali's economy has been developed mostly through tourism, it has resulted in changing in economic sectors of Bali Province from agricultural sector to service sector. The contribution of agricultural sector to the Gross Domestic Product (GDP) of Bali has decreased dramatically from 61.21% in 1969 to 16.84% in 2012 while the contribution of service sector (trade, hotels, and restaurants) have increased from 9.52% in 1969 to 30.66% in 2012. Meanwhile, the contribution of industrial sector (such as handicraft industry, etc.) has fluctuated but showing a growth trend from 1.67% in 1969 to 9.97% in 2010 (Erawan, 1994; Bali Statistical Office, 2013). Even though the contribution of agricultural sector has decreased, it still has a crucial role in Bali's economy, as source of jobs and income, raw materials for industry, and foreign exchange earnings, and tourist attractions (Antara, 1999; Wiranatha, 2003).

Tourism in Bali has been developed significantly. The number of direct arrivals of foreign visitors to Bali increased dramatically from 23,340 visitors in 1970 to reach 3,278,598 visitors in 2013 (Bali Government Tourism Office, 2014). However, there were several downturns in number of foreign visitors visiting Bali due to Bali bombings on 12th October 2002 and in 1st October 2005. The Bali bombs had the greatest impact on number of foreign visitors to Bali than other crisis in the history of tourism in Bali (Putra and Hitchcock, 2006). Efforts were undertaken by the government to convince foreign visitors to visit Bali after the Bali bombing tragedy, it was resulted in gradual increases of foreign visitor direct arrivals since year 2007. During the period of 2007 up to 2013, the average growth rate of direct arrivals of foreign visitors to Bali was 14.9 % per year (Bali Government Tourism Office, 2014). As a world-class tourist destination, Bali is

supported by the availability of various tourism facilities within the region. There were 2,212 units accommodation with total of 46,025 rooms registered in Bali in 2012. These included 156 units star-rated hotel (20,269 rooms), 1,031 units of Non star-rated hotels (21,114 rooms), and 1,025 unit homestays (4,642 rooms). However, Bali Hotel and Restaurant Association (PHRI Bali) accounted 3,346 units accommodation (62,407 rooms) in Bali in 2011, that was consisted of 165 units star-rated hotel (22,161 rooms), 1,371 units of Non star-rated hotels (28,585 rooms), 1,760 unit homestays (9,282 rooms), 15 condotels (1,793 rooms), and 35 units rental house (586 rooms). It could be more accommodation available in Bali than the above numbers as many more accommodations unregistered or operate illegally in Bali in year 2013.

In addition, the average tourist expenditure and length of stay had also increased. The average expenditure of foreign tourists per person per day increased from US\$ 137.90 in 2009 to US\$ 158.87 in 2011. The length of stay of foreign tourists also extended from 8.75 days in 2009 to 9.27 days in 2011 (Bali Government Tourism Office, 2014). Regarding the growth of number of tourists, the average tourist expenditure, and the length of stay, it seems that tourism in Bali will keep being promising as a source of household income for Balinese inhabitants, contribute to the national exchange rate as well as increase the number of job opportunities. Tourism stimulates development of other sectors which has implications on increasing business and job opportunities. Income earned from visitors will become a source for local income. The amount of local income generated per unit of visitor expenditure will become multiplier for regional's economy through backward and forward linkages (Fridgen, 1996). Even though tourism brings about development for Bali's economy for many years, however, the economic impacts of tourism development has not been convinced to be fully beneficial for Balinese community (Dermawan, 1999; Susrami Dewi, 2009).

One of the reasons could be tourism leakage that occurs when the industry imports both products and services to support tourism industry in Bali. In economic terms, leakage is defined as losses from the national income

flow which have been generated during the transition from the local/national consumption income cycle to the spending chain (Adrian, 1991; Lundberg, Krishnamoorthy and Stavenga, 1991). Imports of products and services to support tourism industry are the major sources of leakage that limits the positive impact of expenditure on a destination (Harrison, 2008).

In Bali, tourism facilities such as big accommodations and big travel agents have been mostly owned by investors from outside Bali (national or international investors). In these cases, the economic benefits of tourism is likely to go mainly outside Bali or other countries, with a small proportion trickling down to the local Balinese community (Dermawan, 1999). The amount of import leakage of international standard hotels in Bali was estimated about 40% (based upon Nusa Dua Project) and the import leakage of small economy standard hotels was assumed about 20% in 1977 Rodenburg (1980). Meanwhile, a research on tourism leakage based on micro analysis of accommodation sector in Bali found that tourism leakage of accommodation sector in Bali in year 2012 were 8.8% at nonstar rated hotels, 12.0% at 1,2&3 star-rated hotels, 22.7% at 4&5 star-rated non-chain hotels, and 51.0% at 4&5 star-rated chain hotels. The average leakage of all types of hotels was 18.8% (Suryawardani *et al.*, 2014). By promoting vacation on the real Balinese atmosphere such as stay in accommodations owned by the Balinese supported by the authenticity of local Balinese foods, fruits and beverages, these will strengthen the local economy, so the benefit of tourism development can be more beneficial to the local Balinese.

### Research Objectives

Objective of this research is to study destination marketing strategy in Bali through optimizing the potential of local products, as destination marketing are attributes of the destination related to the values and actual needs of prospective tourists and have the opportunity to encourage an image which will stimulate tourist's interest to visit a destination. It also has a strong position on the tourism market place. A successful destination marketing will be able to influence

the destination preference and intention to travel of the potential visitors.

### Literature Review

#### Optimizing Benefits Through The use of Local Products

The use of local products to substitute imported products is one of the reason to gain more benefit to the local people as the impact of tourism development. The use of imported products results in tourism leakage as it can decrease in multiplier effects of tourism which means that decrease in tourism benefit of economic development (Ünlüönen, Kiliçlar and Yüksel, 2011). Tourism multiplier is a ratio measuring the triple effects of tourist spending on the local. A higher multiplier suggests a greater augmentative impact of tourist expenditure on local economy (Lundberg, Krishnamoorthy and Stavenga, 1991). So that, reduce leakage is crucially important to increase economic benefits of tourism in a destination. Causes of leakage are namely: (i) import goods and services for consumption or investment in tourism; (ii) payments for foreign tour operators and agencies; (iii) payment to foreigners for management contract and royalties; (iv) profits which are paid to foreign stakeholders; (v) interest paid for external credits in the tourism sector; (vi) exchange costs for tourism investment; (vii) advertising in international marketing and promotion expenditures; (viii) commissions paid to foreign banks, credit cards and for agency used by tourists; (ix) savings of foreign employees; (x) education abroad and training costs of tourism employees; (xi) saving of employers, employees, and entrepreneurs; and (xii) taxes paid to government (Hudman and Hawkins, 1989).

There are also 'invisible' leakages, such as the physical effects of tourism, the depletion or destruction of a country's infrastructure, natural habitats, environments and historical as well as cultural heritage have a leakage effect on tourism receipts. According to UNEP, there are two main ways of leakage, namely import leakage and export leakage. Import leakage occurs when tourists demand standards of equipment, food, and other products cannot be supplied by the host

country, especially in less-developed countries. Much of the income from tourist expenditures leaves the country again to pay for these imports. On the other hand, export leakage arises when overseas investors who finance the resorts and hotels take their profits back to their country of origin (UNEP, 2011).

The average import-related leakage for most developing countries was between 40% and 50% of gross tourism earnings for small economies, and between 10% and 20% for most advanced and diversified economies (UNEP, 2009). Meanwhile, UNWTO estimated that on average of 55% of gross tourism revenue received by developing countries leaks out, but in some cases, leakage has reached as high as 90% (UNWTO, 2012). Leakage tends to be highest when the local destination economy is weak and lack of the quantity and quality of inputs required by the tourism industry (Meyer, 2007). The amount of leakage depends largely on how the tourist receipts are re-spent within the economy. The more receipts re-spent within the local economy, so that the smaller the leakage and the higher the multiplier will be. In the case of developing countries at their initial stage of tourism development, financial, structural and operational supports from foreign countries are important. Therefore, tourism leakage is thus unavoidable (Meyer, 2007). Reduce leakage is important in order to increase economic benefits of tourism in a destination.

To optimize economic benefits of tourism, leakage should be minimized (Gu, 2000). Leakage can be minimized by developing stronger links between tourism and other sectors in the local economy. Moreover, government policy needs to concentrate on strengthening the economic linkages between tourism and agriculture to support import substitution (Meyer, 2007). A study by Lacher and Nepal found that by using precise strategy based on the authenticity of a destination, therefore economic leakage can be reduced, improve economic development, balance distribution in all sectors and improve community participation in tourism development (Lacher and Nepal, 2010). In addition, it should be focused in using more local employees to reduce leakage. Even though the capability of local employees in developing countries are generally low in

terms of education, work experiences and the ability in communicate, therefore, tourism industry use educated employees for special position in management (Hemmati and Koehler, 2007).

### **Pull and Push Marketing strategy**

Decision on marketing channel system is the most critical faced by management and the role of marketing channel must not just serve the markets, they must also make markets (Kotler and Armstrong, 2004). Channels decisions involve relatively long-term commitment to other firms. Push and pull marketing strategy are really important in managing channels. Push strategy is a promotion strategy that focused on using the sales force and trade promotion to push the products through channels. The producer promotes the products to wholesalers, the wholesalers promote to retailers, and the retailers promote to consumers. Pull strategy is a promotion strategy that call for spending a lot on advertising and consumer promotion to build up consumer demand (Kotler and Armstrong, 2004; Kotler and Keller, 2006).

### **The Nature of Country of Origin**

Country of origin is one of the most important factors affecting competitive market. Studies show that country of origin is one of the factors that most concerned by marketers as indicator of quality and respect of its impact on consumer purchase intention (Lin and Chen, 2006; Ghazali *et al.*, 2008; Roth and Diamantopoulos, 2009). Although there are many parameters considered by consumers when decide to buy something, such as brand, colour and design, some researchers cannot ignore country of origin as an extrinsic factors in evaluating products. Country of origin is closely linked to country image. The earliest definition of country image comes from the pioneer (Roth and Diamantopoulos, 2009) who defined it as the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and traditions (Roth and Diamantopoulos, 2009) revealed that country of origin is overall perception of consumers

form of the products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses. Country of Origin is usually abbreviated as "COO", which refers to the country that manufactures, designs or assembles a product or brand with which it is associated, meanwhile Geographical Origin express overall perception of consumers about product from a particular (i) consumer group, (ii) industry representatif, or (iii) island representatif.

There are various factors that have an impact on country of origin cues like product knowledge and country image. It has become a significant phenomenon in consumer behaviour studies. Availability of heterogeneous food product has been convinced that marketers need to understand customer' experience on attributes. According to (Akerlof, 1970), food labeling is viewed as a critical mechanism to help ensure consumers to correctly match with products, enable producers to adapt production to meet consumer demands and expectations. Product labels is an important determinant to facilitate the resolution of market failures associated with the supply of high-quality goods. One particular category of labels that has recently received extensive attention among trade representatives are "geographical origin" labels. Informing consumers of the origin of food products via labeling is motivated by the recognition that geography is often correlated with a product's overall quality or, in the stronger case, geography may even be a determinant of a product's ultimate realized quality (Akerlof, 1970). Loureiro and McCluskey (2000) also revealed that Country of origin has been identified an important cue that might be used by global marketers to influence consumers' evaluation of the brand which effect on consumer' perceptions and purchase intention. The quality of agricultural products, consumer groups, industry representatives, and domestic and trade representatives have increasingly considered the potential role of geographical origin labels as consumer information and marketing tools.

## **Methodology**

### **Research Location**

A survey on foreign tourists was undertaken during the period of April to June 2013 in four main destinations in Bali, i.e. Kuta, Nusa Dua, Sanur and Ubud. Locations of this research were selected purposively with consideration that the above destination are the main tourist destinations in Bali.

### **Sample Design**

There were 79 accommodation managers from various accommodation types interviewed in order to obtain their points of view regarding the use of imported products. The selection of accommodation managers was undertaken based on proportional to size sampling method, involving three clusters of accommodation, namely: (i) 1,2&3 Star-rated hotels, (ii) 4&5 Star-rated hotels either chain or non-chain hotels, and (iii) Non-star rated hotels. The Probability Proportional to Size (PPS) sampling method proposed by Kish (2004) and Yamane (1973) was applied in this research. Probability Proportional to Size (PPS) is a sampling procedure under which the probability of a unit being selected is proportional to the size of the ultimate unit. All units in the population have the same probability of selection irrespective of the size of their cluster (Yamane, 1973; Kish, 2004).

### **Data Analysis**

A qualitative analysis was undertaken to obtain points of view of hotel managers regarding the use of imported products. There were several different points of view gained from different types of hotel managers. The points of view of hotel managers are outlined into several parts, as follow: reasons to use imported products; quality and availability of local products; point of view of hotel managers about cause and impact of leakage in tourism and willingness in reducing the use of imported products and give the priority on local products.

## Results and Discussion

### Points of view of hotel managers regarding the reason for using imported products

The results show that points of view of accommodation managers on the importance of imported products have not met the tourists' need on local products. The manager tends to behave by giving too much respect to the quality of imported products in comparison to the local products. Therefore, they prefer to serve imported products to foreign tourists. Hotel managers are willing to reduce the use of imported products as long as quality and continuity of local products meet foreign tourists's demand. The reasons were as follow:

#### (1) Quality reason.

Quality of imported products was the main reason for using imported products. Most of Star-rated hotels either 4&5 Star-rated chain or non-chain hotels as well as 1,2&3 Star-rated hotels tended to use imported products. Hotel managers from Star-rated chain hotels said that products must have a high standard of quality in order to fulfill the requirement of chain hotel standard. They thought that imported meats, dairy products and alcoholic beverages have a better quality in comparison to the local products. They firmly explained that Star-rated hotels need a high quality of imported food, alcoholic beverage, and utensil as well as other equipment in order to fulfill the quality standard requirement. In term of utensils and equipment, most of 4&5 Star-rated either chain or non-chain hotels used imported products for utensils, cutlery, beds and bath equipment as the compulsory for high standards quality of international chain hotel and this kind of imported products have better quality than local products. On the other hand, most of Non-star rated hotel did not use imported utensil and equipment. Furthermore, some imported room decorations had been used by 4&5 Star-rated hotel. They used a combination of modern and local style for room decoration because they also desired to show the authentic Balinese arts.

#### (2) Competition among hotels on presenting better quality of products and services.

According to the hotel managers, there were a lot of Star-rated hotels available in Bali which offer variety of attractive restaurant's menus. They said that imported meat, dairy product and alcoholic beverage were compulsory for chain hotels in presenting a high quality cuisine. They argued that imported products have excellent quality and better than local products.

#### (3) To avoid complaint.

Hotel managers thought that foreign tourists preferred imported products. According to the hotel managers, most of foreign tourists would like to consume imported meats, dairy products, and alcoholic beverages as they obtain in their home countries. The imported meats are particularly beef and lamb which have fatty and smooth texture, as well as fresh and durability dairy products, and variety of alcoholic beverages that had not been found in local products. By providing those imported products, it will meet the tourists' need. This study found that 4&5 Star-rated chain hotels had the highest demand for imported products, followed by 4&5 Star-rated non-chain hotels and 1,2&3 Star-rated hotels. Meanwhile, most of Non-star rated hotel preferred serving local products to their guests. This finding was gained from the information given by hotel managers in all types of hotels.

### Points of view of hotel managers regarding the reason for using local products

The reasons were as follow:

(1) Most of local foods could not fulfill the requirement by hotels either in term of quality or quantity. The hotel managers explained that some meats, especially beef and lamb need to be imported. However, they usually use some other local meats, such as chicken and pork, as the quality of these kinds of meat can fulfill tourist's need. Fish products are also available abundantly in Bali, because Bali as a small island is surrounded by sea with many kinds of fish product.

(2) Availability and seasonality of horticulture products. Bali has variety of authentic fruits. However, availability of local fruits did not continue due to seasonality of the fruits. This situation encourages hotel managers to use imported fruits, such as apples, oranges, grapes, cherries, almond, etc. However, availability of local vegetables was sufficient to fulfill demand of hotels, even though 4&5 star-rated hotels imported several vegetable products which were not available locally or could not fulfill by local producers, such as dried spinach, sundried tomato, asparagus, fettuccini, sunflower lettuce, baby romaine, celery seed, berloti bean, etc. Furthermore, most star-rated hotels imported alcoholic beverage and dairy products in order to fulfill the requirement of hotels, as the variety and quality of local alcoholic beverages and local dairy products were not sufficient to fulfill the demand of tourists.

(3) Local furniture, room decoration and building style. Managers of all type of hotels had similar points of view on the use of local furniture, building style, room decoration and architecture. The said that tourists mostly prefer authentic Balinese furniture, room decoration, building style as well as Balinese architecture which were artistic and unique.

#### **Points of view of hotel managers regarding willingness in reducing imported products and giving the priority on local products**

Regarding the willingness in reducing imported products, most of hotel managers agreed to reduce the use of imported products and to give priority on local products as long as the quality and availability of the local products could fulfill tourists' need. Moreover, most of hotel managers really concerned regarding the use of local components in tourism by serving local products to foreign tourists. For example, creating variety of restaurant's menus by using local products was one of the solutions to improve the role of local products in tourism. However, most of hotel managers were really concern about the quality of all types of product, such as foods, beverages, dairy products, food stuffs, fruits and vegetables. They realized that the quality of local products were mostly poorer in comparison to imported products. They also suggested that the

availability of local products as a substitute for imported product was also crucial. Some suggestions had been given by some hotel managers to improve the quality of local products, such as: (i) to improve the ability of farmers in producing better quality of local products (including livestock and horticulture products such as fruits and vegetables) by giving the farmers a better education and training; (ii) to give some funding to farmers in order to improve the quality of farming system; and (iii) to suggest the local government to pay more attentions on development of agricultural products to fulfill requirement of quality standard needed by hotels in order to fulfill tourists' need. From points of view of hoteliers, enhancing the quality of human resources is also really important by working together between government, hotel associations, farmers and agricultural industry in order to improve quality of local products.

#### **Destination Marketing Strategy Through Optimizing The Use of Local Products**

Optimizing the use of local products and reduction in using imported products and foreign employees are the way to promote the local products. Integrated communication and coordination between government, tourism industry and communities are urgently needed. There is a crucial need to improve the quality of human resources through better education. Moreover, hoteliers and government need to work together to create and improve the quality of tourism products, especially food and beverage. This requires such improvement the quality of agricultural products and livestock, as well as increasing the supply of local wines and liquors. There is also a need to create substitute products for replacing imported products in order to fulfill tourist's demand. As Gu (2000) said that leakage can be minimized by developing stronger links between tourism and other sectors in the local economy.

Considering the results that foreign tourists significantly looked for local products, therefore the use of local products need to be encouraged in accommodation sector through the responsibility of hotel managers who are in charge in the operational of accommodation. In this point, "push marketing strategy" is



crucial to be implemented as push marketing strategy is a promotion strategy that focused on using the sales force and trade promotion to push the products to consumers (Kotler and Armstrong, 2004). This means that hotel managers need to optimize in offering and creating menu in hotels and restaurants based on authenticity of local products such as fisheries products as Bali has abundant fresh fisheries products due to geographically Bali is surrounded by the coast. In addition, local authentic fruits and vegetables are also potential local Balinese agricultural products which need to be offered and promoted to the foreign tourists. However, the results show that foreign tourists prefer imported meat, beverages and dairy products. In this point, “pull marketing strategy” is crucial to be implemented by offering substitute products as pull strategy is a promotion strategy which focused on build up consumer demand (Kotler and Keller, 2012). The availability of substitute products to replace imported products are really important. In fact, Bali has some beverage products which can be used as substitute products, particularly wines and alcoholic drinks which are locally produced in Bali. In fact, there has already been the use of country of origin in Balinese beverages such as “Bali Moon” which has been one of the famous alcoholic products consumed by foreign tourists during their visit in Bali. Another famous beverages products is “Hatten Wine”. Improvement quality and variety of local wines and alcoholic drinks are also crucial to be focussed on. However, import of meat cannot be avoided as local meat doesn't meet foreign tourists' need.

In terms of products development, country of origin and labelling strategy are important factors affecting the competitive market, although there are many parameters considered by consumers when decide to buy the products, such as brand, colour, design, etc. Country of origin is closely linked to the country's image which is created by variables such as representative products, national characteristics, traditions and overall perception of consumers form of the products based on their prior perceptions of the country's production and marketing strengths and weaknesses. In addition, the use of food labeling as a critical mechanism to help ensure consumers to correctly match with products,

enable producers to adapt production of the products to meet consumer's demands and expectations. Regarding this research, creating more country of origin of Balinese products and labels are crucial to be developed to strengthen Balinese products positioning on fresh fisheries and authenticity of fruits and vegetables products. Efforts and more integrated researches in marketing need to be focussed in this topic.

Variety of alternatives food labels of Balinese agricultural and food products need to be developed. For fisheries products, alternative food labels could be as follows: (i) “Bali bagus” which the meaning of “Bali with good quality of products” , (ii) “Bali fresh from the sea”. Furthermore, labels could also be possible regarding the original production of products in a district or village in a region of Bali, such as “Lovina Fresh Grape” for Balinese original grape products and “Bedugul fresh farm” for the labels of vegetables, (iii), “Bali coconut” is another possibility as abundant coconut trees are available in Bali to strengthen the labels of Balinese products. In this terms label “Bali Coconut”, it is also possible to use this label not only for Balinese coconut but also for Bali as a destination as Bali typically famous with beautiful beaches covered by white sand. Coconut typically growth surrounding the beaches. As an example of the use of the label “coconut” can be seen in the advertisement on some of France's television channel, such as BRTV, Gulli, etc. It can be seen that the label “coconut” used by one of the famous destinations in the world, namely ‘Tahiti’ which used label “Tahiti Coconut” for labelling their coconut to promote coconut product and beaches destination of Tahiti. Another example is how France use the concept of country of origin approach for labelling and promote their destination, such as “vin de Bordeaux” which means “wine from Bordeaux” as a label of one of the original wine productions produced by one of the regions in France. So that, domestic and trade representatives have increasingly considered as the potential role of geographical origin labels as the quality trade representatives have increasingly considered the potential role of geographical origin labels as consumer information and marketing tools.

Role of government in developing and protecting local products is very important. Regarding the role of Bali government in minimizing tourism leakage, head of Bali Government Tourism Office, Ida Bagus Kade Subhiksu, said that there is no regulation regarding import restrictions of goods, such as food, beverages, furniture and other items to protect local agricultural products. Government of Bali Province has only appealed to hoteliers to optimize the use of local products such as fruits and vegetables. Problem has emerged, that the availability of tropical fruits cannot fulfill the demand due to seasonal in nature. Demand for local fruits has increased not only to fulfill demand for tourists, but also for making offering by Balinese community. In other hand, there was insufficient supply to fulfill the demand. So that, imported fruits cannot be avoided. He realized that to minimize leakage, cooperation between government, industry and farmer is crucially needed (Personal Communication, 4<sup>th</sup> April 2013). Several efforts have been undertaken by government of Bali province to protect and develop local products especially local fruits. Empowerment of local products has been undertaken by Bali government through “Regulation of Bali Government No. 3/2012 regarding Empowerment, Protection and Development of Small-scale Industry”. Ketut Wija, one of key Bali Government’s officials said that this regulation requires involvement of tourism industry and other related industry to give chance for local products to be promoted to and served for tourists. It was realised that the quality of local products was lower than imported products. So that, some efforts have been undertaken to improve the quantity, quality and continuity of local products. He also revealed that local community should participate in developing fruit farms in Bali that can produce fruits similar to imported fruits. The tourism sector could also be enhanced through stronger linkages with regional handicraft producers and artisans. Building synergies with such producers could enable them to become significant suppliers of interior design elements, such as handicrafts, paintings, and other furniture. This will be able to reduce leakage significantly. International trade policy regarding protection of local products is crucial. Government needs to give subsidies to the local industries as well as to

the farmer, cattlemen, fisheries and craftsmen to improve competitiveness and quality of local products. Subsidies are also needed in term of improvement of quality of local employees through a better education and training.

Positive perception and perfect relationships between the perceived quality of local products and the preference of foreign tourists for those local products proving that Bali tourism has competitive physical products which can be promoted to foreign tourists. Beside these kinds of local products, Bali tourism is really famous with its authentic culture. Seven Ps of marketing strategy are the basic concept used in explaining the important of destination marketing strategy for sustainable tourism in Bali, which includes products, people, price, promotion, place, process and physical evidence. Physical products is one of the destination product components, which include physical items such as attractions, facilities, transportation, infrastructure, accommodation, foods and beverages.

Suyawardani (2013) found that positive perception and perfect relationships between the perceived quality of local products and the preference of foreign tourists for the local products proving that Bali tourism has competitive products which can be promoted to the foreign tourists. She also found that perfect positive relationships between the perceived quality of local products and the preference of foreign tourists on the local products which demonstrate that foreign tourists have a positive attitude towards local products available in Bali. Marketing the destination through promoting excellence events and authenticity of local products are crucial as destination attributes have emerged from destination’s attractiveness. Destination marketing strategy should then be focussed on promoting the physical evidences of the authenticity of the local products and excellent services offered to the visitors, and the participation of stakeholders in developing authenticity of local products at reasonable price which will differentiate the destination distinctively.

According to Wiranatha (Personal Communication 3<sup>rd</sup> March 2012), tourism involves four types of activities, namely:

- a. Something to see (scenery, culture performances, heritage sites, etc.)
- b. Something to do (tourists activities). A wide range of different activities for tourists is being offered, such as an observation of wildlife, fauna and flora at national parks, trekking, rafting, cycling, enjoy white sand at the beaches, jet ski, surfing, diving, and snorkeling. Ecotourism trips could also be possible which are mainly based on nature experience. Religious/spiritual, spa & wellness are other attractive activities as Bali has been known as inspiring island which serves natural healing, reduce stress and emotional cooling down. Night life could also be gorgeous activities for young people. However, challenges have been faced regarding the social impact for the local Balinese.
- c. Something to buy (to buy local foods, local fruits and vegetables, local beverages as well as authentic Balinese handicrafts). Doing shopping is also favourite activity for many target markets. Increasing varieties of local culinary and handicrafts is really important. To create and develop varieties of the local culinary and handicrafts will support and strengthen the local economy.
- d. Something to learn (workshops or courses about Bali). Balinese can set up a whole range of workshops or courses that could be offered to prospective tourists, such as: Balinese and Indonesia language, Balinese cooking, Balinese Hinduism, making of offerings, making of monster's doll (ogoh-ogoh), jewelry making (silversmithing and goldsmithing), traditional irrigation system (subak), painting, Balinese dance, wood carving, basket weaving, shadow puppet making, weaving (tenun ikat), batik making, and gamelan playing. Creating and developing varieties of courses about Bali for foreign tourists will support and strengthen the local economies, as foreign tourists would be able to increase their length of stay in a destination.

Destination product development could be focused in the above activities through offering foreign tourist to: (1) to stay in accommodations (hotels, homestays or villas) owned by Balinese; (2) to eat in restaurants owned by Balinese by choosing the authentic local foods that are using local meat, seafood and vegetables, exotic local fruits and beverages; and (3) to buy products that are produced by the Balinese. By promoting vacation on the real Balinese atmosphere such as stay in accommodations owned by the Balinese supported by the authenticity of local Balinese foods, fruits and beverages, these will strengthen the local economy, so the benefit of tourism development can be more beneficial to the local Balinese.

Another destination product development is the quality improvement in all aspects supported by government and tourism industry of Bali regarding the availability, quantity and quality of local products in order to give better services and hospitality to the tourists who visit Bali. Authentic is the word which can be used to promote Bali as a cultural destination by optimizing the competitiveness of vibration of Balinese culture as Bali has been known as one of the famous destinations in the world due to its unique cultural activity and beautiful of natural scenery. The competitiveness of authenticity products of Bali which is expressed by the existential authenticity either intra-personal dimension includes sport and adventure and inter-personal dimension involves the body feelings, i.e. relaxation, rehabilitation, recreation, entertainment, refreshment, sensual pleasures and excitement. The use of the word "authenticity of the local products" as promotional tools of the uniqueness of Balinese culture is precise as suggested by Wang (1999:32) that "... authenticity is still relevant to some kinds of tourism such as ethnic, history or culture tourism, which involve the representation of objects or situation in the past ..." This idea is supported by the fact that Bali culture is unique and famous especially for its rich and vibrant arts. Hinduism as the main religion is the major influence behind its culture. Traditional ritual of Balinese can almost be seen daily, celebrating the cycle of birth, death and reborn. Annual art festivals support Bali as an attractive destination to be visited. Music,

drama, dance and costumes become a feast for the senses during temple festivities. Various forms of dance and music have made Bali's arts and culture scene one of the most diverse in the world.

People is also important destination product components. People/participants include all of human actors who involve in the delivery of products or service which can influence the visitor perceptions. The role of human resource management is really important in managing service performance outcomes which has the main purpose to satisfy consumers as different consumers have varieties of needs and wants (Langeard *et al.*, 1981). The involvement of local communities in tourism development cannot be overlooked due to their crucial roles in bridging up the gap between government and the use of resources in a tourist destination. The local community can create an effective environmental utilization based on indigenous, local knowledge, economic and social empowerment to protect cultural heritage and nature-based experiences and undertake cross-culture appreciation to visitor (Clarke, 2002). Local community is usually willing to participate in tourism development and regarded as legitimate stakeholders in tourism development because their interests affect the decision process of policy makers.

Price is a critical and important factor of marketing mix and plays an important role to influence demand in the competitive market. The role of price in tourism marketing is to reflect products as services which are the costs allocated to the responsible service and should be considered at short-term and long-term strategic including costs for environmental conservation and corporate social responsibility. Pricing strategy in marketing mix of tourism industry is to put the premium price or setting up the price higher than similar products or services in order to represent exceptional quality and distinction service provided by tourism industry. It is suggested that determination of the premium price through putting higher price of foods and beverages in the price list of menus served by hotels and restaurants in Bali which use imported products. High difference of price between dishes using imported products and local products will influence tourist's point of

view and decision making process in choosing the type of dishes. However, educate the local chefs is crucial by giving training in term of creating dishes by using local products and served in the international way is really important to improve competitive of the local products.

Promotion in tourism industry is effort to inform, persuade, and communicate products or services to the consumers. The function of promotion is also as a marketing communications that represent the brand's voice and allow it to build relationships with customers and to communicate sustainability solutions provided by the company through its products and services and other stakeholders as a whole (Kotler and Keller, 2006; Belz and Peattie, 2009). All of the promotional mix is equally important including advertising, personal selling through words-of-mouth promotion, public relations and interactive promotion by using medias, such as online communications and social media.

Effective promotion related to the potential target market regarding Bali tourism has been undertaken by individual or companies by using varieties of promotional tools. Promotion is also a powerful tool to educate visitors related to the strengths and weaknesses of tourism products of Bali in order to avoid complain regarding the quality of local products and services.

Regarding this study, effort to promote the new created brand called "BALITRULY" as creating tourism product development of Bali to strengthen the achievement of sustainable tourism can be undertaken by using all of the above promotional models, such as advertising, personal selling through words-of-mouth promotion, and interactive promotion by using the medias such as online communication and other social medias. An example of the interactive promotion that was undertaken in Bali regarding the implementation of marketing strategy to minimize tourism leakage in Bali was undertaken in Gianyar Bali by the Government of Gianyar Regency of Bali Province on 12th April 2015 through a talk show about "Delicious Farm to Table" and was promoted through interactive promotion covered by TV Channel, Newspaper and other social medias. The purpose of this event was

to promote Balinese culinary through empowerment of the local products. The theme was “Localicious Farm to Table” means that delicious of Balinese culinary by using local products. The speakers were the famous master of Chef of Indonesia, namely Hendry Alexie Bloem, Deddy Soekartin and Haryo Pramoe, Kelana and Nadja Azzura. In this event, there was a commitment of the Indonesia Chef Association (ICA) to use local meat in every cuisine cooked by the member of ICA. It was a great effort optimize the use of local meat (Bali Post, 2013).

Place or marketing channels, is a wide range of independent organizations involved in the process of making a product or service available for used or consumed (Kotler and Keller, 2006). Place is also described as distribution channels and determine where is the service of product going to be located. The choice of such channels is important as the variety of channels used. In the tourism industry, Reid and Bojanic (2009) reveal that place in tourism provide a guideline about different tourist spots. It also provide the appropriate tour time and distance from various spots, give ideas different travel routes, selecting attractions and support facilities along different travel routes, and informing potential tourists about alternative travel routes. Regarding this study, availability of local transportation owned by the local Balinese has emerged, such as local taxis which are owned and managed by the association of local people, such as in some destinations, namely Nusa Dua Taxi and Canggu Taxi, etc. Traditional boats and rowboats which are owned and managed by local Balinese have been found at the destination of Lake Batur, and islands of Lembongan, Penida and Ceningan. These type of transportations are really good business to the local people in these destinations. It shows that effort to empowerment of local community has been undertaken which means that the economic impact of tourism development can be more beneficial for local economy.

Process describes how the service is assembled and delivered to visitor. In the tourism context, process might describe such activities as follows: collaboration between tourism industry and local community are

really important. Local community can take responsibility as suppliers in delivering foods, beverages and other merchandise, such as souvenirs. It will not only reduce transportation costs and negative externalities but also build collaborative social capital and economic capacity with suppliers in the local community. Supplying local produce and merchandise might also enhance the authenticity of the tourist’s experience, adding value and satisfaction. In addition, visitors can learn how the tourism product is produced and delivered to the customers. Feedbacks from customers are really important for the quality improvement.

Physical evidence means the situation in which the service is delivered in the nice and warm interaction between the firm and customers that facilitate performance or communication of the service (Belz and Peattie, 2009). Physical evidence in the tourism industry is important at both the individual firm level and at the broader destination level (Zeithaml, Bitner and Gremler, 1996). Regarding tourism in Bali, type of tourism products which give more benefits to the local Balinese community are really important to be offered to the tourist such as cultural tourism, rural-based tourism, agrotourism, mountain tourism and marine tourism. For example, offering tourist’ activities such as attractive experience and learning about art and culture of Bali in the area of Ubud which will give them unforgettable memories. This place is really famous as the centre of art and culture of Bali such as Balinese dance, painting and wood carving. Tourist can also enjoy nice view and scenery based on typically traditional Balinese life as well as enjoy exotic traditional food in many traditional restaurants. In addition, rural-based tourism can also be seen in the “Penglipuran” which is a place of traditional Balinese life in a typically Balinese traditional village. Moreover, agrotourism has been found in the area of Bangli which has the tourism product namely “Agrotourism of Balinese Coffee Plantation and Processing”. Other destinations called Munduk and Sidemen which are really famous destination to be visited. Tourist can stay with the Balinese family at their homestay and enjoy rural life of Balinese daily life in a wonderful view of mount Agung and marvelous rice field

plantation. Bali is also really famous with the white sand of beaches for sun bathing, coral reefs for diving and snorkeling, big waves for surfing, etc. Other attractive destinations in Bali are small islands namely Lembongan, Ceningan and Nusa Penida which have typically marine tourism activities and the plantation of seaweededs.

Destination cannot easily change their physical attributes like the landscape or climate, so they must build their images around unique attributes that provide them sustainable competitive advantage. The destination including its attraction should be designed to meet the needs of the target market. Therefore, the diagnosis of the destination's strengths and weaknesses is helpful in designing the tourism offerings and marketing programs as destination image refers to an impression a person holds about a destination. Therefore, it is important for a destination to increase visitation to promote a coherent image (Langeard *et al.*, 1981). Images can be formed through advertising and promotion, news accounts, discussions with friends or relatives, travel agents, and past experiences. Destination management related to improvement of service and hospitality are really important through improvement of human resource by giving training to their employees, educate consumers, and manage consumer expectations. Physical evidence can be easily associated with the product by the customer. This includes the atmosphere of the service operation and any tangible evidence used to market the product.

Lastly, it can be said that marketing through authenticity is precise approach for success in destination marketing of Bali tourism. Destination marketing strategy should then be focussed on promoting the physical evidences of the authenticity of the local products and excellent services offered to the visitors as well as participation of stakeholders in developing authenticity of local products at reasonable price which will differentiate the destination distinctively.

### **Conclusion and Recommendation**

Points of view of accommodation managers on the importance of imported products have not met the tourists' need on

local products. The manager tends to behave by giving too much respect to the quality of imported products in comparison to the local products. Therefore, they prefer to serve imported products to foreign tourists. Hotel managers are willing to reduce the use of imported products as long as quality and continuity of local products meet foreign tourists's demand. Push and pull marketing strategy are crucial to be developed through offering original menu based on authenticity of Balinese fisheries, fruits, vegetables and substitute products in hotels and restaurants. Development of local products based on Geographical Origin label is crucial through integrated communication and coordination between government, industry and Balinese communities.

As tourism involves four types of activities, namely something to see, something to do, something to buy, something to learn, destination product development could be focused in the above activities through offering foreign tourist, such as to stay in hotels, homestays or villas owned by Balinese; to eat in restaurants owned by Balinese by choosing the authentic local foods that are using local meat, seafood and vegetables, exotic local fruits and beverages; and to buy products that are produced by the Balinese. Promoting excellence events and authenticity of local products are crucial as destination attributes have emerged from destination's attractiveness. Destination marketing strategy should then be focussed on promoting the physical evidences of the authenticity of the local products and excellent services offered to the visitors, and the participation of stakeholders in developing authenticity of local products at reasonable price which will differentiate the destination distinctively.

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