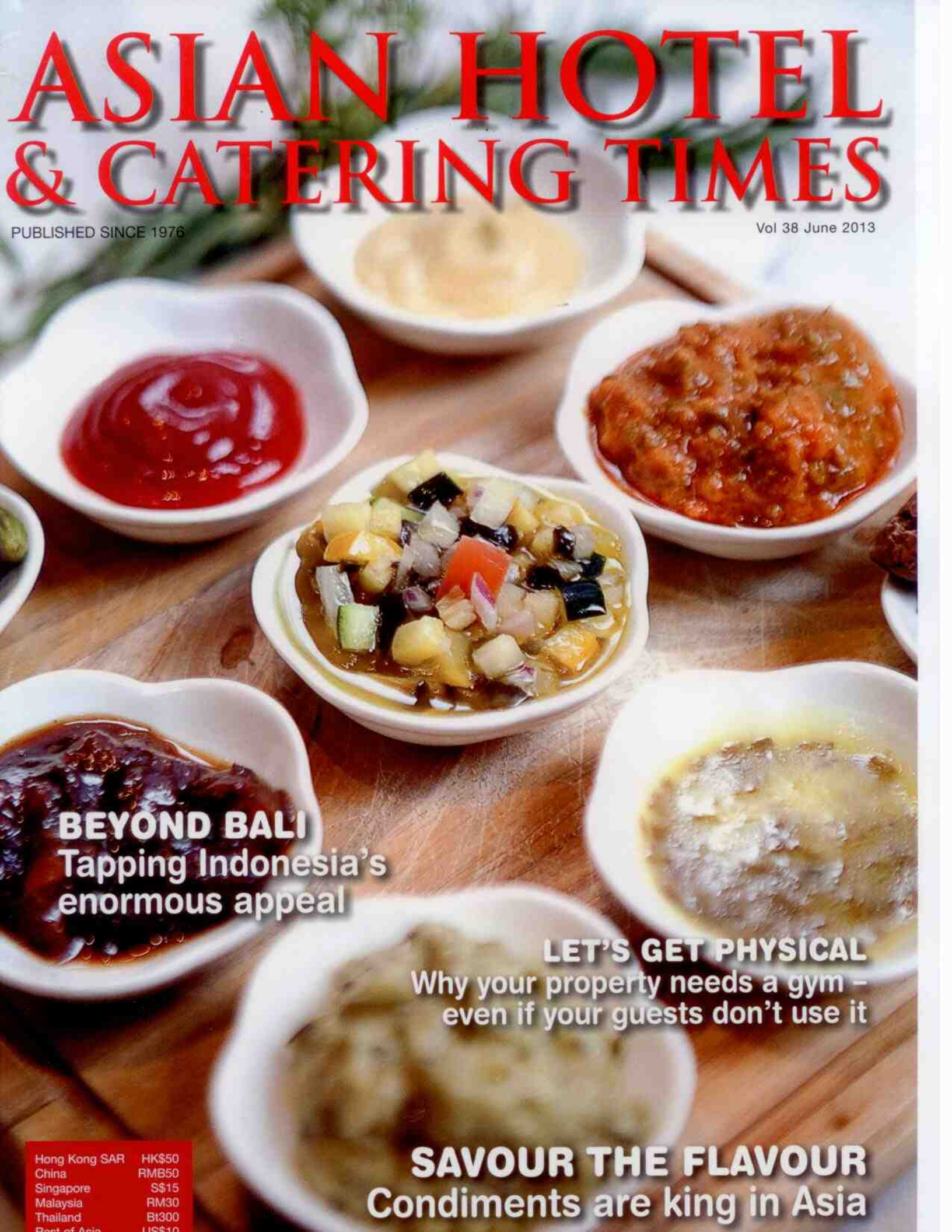


# ASIAN HOTEL & CATERING TIMES

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**BEYOND BALI**  
Tapping Indonesia's  
enormous appeal

**LET'S GET PHYSICAL**  
Why your property needs a gym –  
even if your guests don't use it

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Hong Kong SAR HK\$50  
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Malaysia RM30  
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# Beyond Bali

A sleeping dragon is about to awaken as investors discover the largely untapped tourism potential of the world's fourth most populous nation, *Michael Taylor* writes

Is Indonesia the new China? In tourism terms, the country as a whole is overshadowed by Bali, which is routinely ranked as one of the world's top travel destinations. With 13,667 islands, however, the sprawling archipelago is like a giant sleeping dragon about to wake up to its massive, yet largely untapped, tourism potential, and investors – both domestic and international – are starting to take note.

"Indonesia is currently undervalued and is now positioned where China was 10 to 15 years ago in terms of its economy," says Josephine Lim, regional director for South East Asia, Preferred Hotel Group.

"The country is seeing tremendous growth as it has the right factors to fuel progress, such as a large local population, natural resources, low labour costs and a low currency value. As China is now becoming more expensive with its own rapid growth over the last decade, more businesses are looking to Southeast Asian countries like Indonesia as alternatives for investment and manufacturing."

Take Jakarta, the nation's capital, for example. The city's hospitality industry has been robust over the last 12 months, with the average daily rate (ADR) showing an average growth rate of 10% year on year.

"It is currently a market with remarkable growth potential with strong international corporate business travel into the capital city of Jakarta, and this influx has also benefited other secondary Indonesian cities such as Surabaya, Bandung, Medan, and – closer to Singaporean shores – the Indonesian island

cities of Bintan and Batam," Lim says.

## Price competitive

Compared with other regional gateways, Jakarta still has one of the lowest room rates in Southeast Asia, making it an attractive MICE destination.

"This will also impact the leisure travel market in Indonesia and may in turn fuel the demand for other Indonesian destinations such as Bali and Yogyakarta," Lim says.

According to the Indonesian Hotel and Restaurant Association, at least 45,000 new hotel rooms will be added to the mix this year, an increase of 30,000 from the 15,000 rooms added in 2012.

"This is significantly higher than the general 5,000 to 15,000 additional rooms a year for the past several years," Lim says.

"The new supply would thus increase the total number of hotel rooms to approximately 285,000 nationwide by the end of 2013. It would be interesting to see how this additional room inventory would impact the hospitality industry as a whole in Indonesia over the next two years – in terms of keeping up with the projected increase in demand and the possibility of rising labour costs that may subsequently push ADR upwards."

Eric Faivre, general manager of Alila Jakarta, agrees that the Indonesian hospitality sector is on a roll. And he reflects the view that ADR is headed north.

"The hospitality industry is booming, both for restaurants and hotels," Faivre says. "Statistics show that Indonesia is the fastest

growing country in Asia in this sector."

Alila has two hotels in Jakarta and four in Bali. It has yet to expand into other parts of the country.

"Occupancy in 2012 performed at 72%, and it is expected that 2013 will show a similar figure," Faivre says. "The average rate will continue to go up and is expected to reach IDR 750,000 (US\$77) – 7% or 8% up from the previous year."

Despite the fact many new properties are coming on line, Faivre does not expect this to result in lower room rates. If anything, he expects them to rise.

"New properties will increase the inventory in a market that is already very price sensitive," Faivre says. "Rates are bound to go up because of the increase of the minimum wage as well as utilities."

## Investment opportunities

Inspiration for the three hotels in one Mulia project in Bali, which opened in December 2012, came from the success of the group's flagship property in Jakarta, the Hotel Mulia Senayan, which opened in 1997.

"Bali is more than just a tropical paradise," says Rainata Tjoa, director of communications, The Mulia, Mulia Resort & Villas – Nusa Dua, Bali. "It is a unique destination within Southeast Asia that will continue to be a lucrative destination for high end travellers. It made perfect sense to extend our success from Jakarta to one of the most popular destinations in the region."

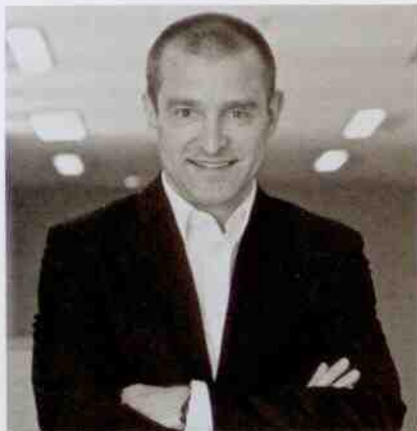
But if Bali is unique, other parts of Indonesia offer tremendous investment



Hotel Mulia Senayan Jakarta



Josephine Lim – the country is seeing tremendous growth



Eric Faivre, Alila Jakarta – the hospitality industry is booming, both for restaurants and hotels



Alila Jakarta – the group has two hotels in Jakarta and four in Bali

opportunities, as well.

"Indonesia offers everything: a magical beach holiday in Bali, astonishing cultural diversity and heritage wonders, fantastic shopping at great prices in Jakarta and Bandung, world class golf with no waiting and reasonable fees at international class courses through the country, marvelous spas with traditional Indonesian health and beauty treatments; marine tourism, diving, cruising, diverse cuisine and overall, a safe, family-oriented environment in an enchanting archipelago of 13,667 islands," Tjoa says.

### 30 minutes from Singapore

KOP Hospitality operates Montigo Resorts, Nongsa in Batam, which is just 30 minutes from Singapore.

"Since its soft opening in June 2012, demand has been very promising, especially during the weekends when guests from nearby Singapore enjoy the resort as a short getaway," says Dalip Singh, managing director at KOP. "We provide easy access as we operate our own yacht to shuttle guests to and from Nongsa. Our plans for expansion include extending our footprint to Bali."

At this time, Montigo Resorts, Nongsa, is the only five-star resort operating in Batam, but it is highly unlikely that it will be the last.

"We would welcome the opening of more international resorts on the island because they would contribute to the visibility of the destination," Singh says. "We strongly believe there's a lot of potential for tourism in this region. In addition, other sites such as Lombok, Lake Toba and Central Java have lots of tourism potential."

### Infrastructural improvements needed

Many factors are affecting investment opportunities in Indonesia's tourism industry. One of the major concerns of investors has long been the country's infrastructure, which sorely needs to be improved.

"The speed of growth of its development should be parallel with improvements in infrastructure such as airports and roads," Singh says.

"The supply of manpower should also be considered. Then there's traveller dynamics, and it's better to have a good mix of travellers from different countries rather than relying



Dalip Singh strongly believes there is a lot of potential for tourism in the region

on just a few markets. These are all in addition to the common topics of safety, security and political stability."

Even as investors start turning their attention to other Indonesian travel destinations, Bali's unique allure will remain.

"Tourists will continue to travel to Bali," Singh predicts. "New markets will continue to emerge one after another with this kind of demand, but multinational investors will continue to be attracted to invest in Bali." **AHCT**