

CHAPTER I

INTRODUCTION

1.1. Background

The tourism sector in Indonesia is currently considered as an effective role in increasing foreign exchange. It is inseparable from the development of tourism needs, not only in Indonesia, but worldwide. The growth of human needs in tourism will cause this sector to have great prospects in the future. The tourism sector is able to boost the local economy, and tourism is also positioned as an important means in order to introduce the cultures and the natural beauty of the areas covered (Kreag, 2011). According to Norval in Spillane (1987), a British economist explained that besides tourism benefit education and social culture, it also has more significance in terms of the economy. Many countries consider tourism as an invisible export of goods and services that can strengthen the balance sheet of tourism revenue.

Tourism is a source of income that can be continually updated and rejuvenated, which may include renovation and maintenance on a regular basis. Tourism is a future economic investment that will automatically facilitate the circulation of goods and services at the tourism spot. Furthermore, tourism will improve the stability of the national economy, but of course, success in the development of tourism as above will be able to feel if the factors supporting been well prepared. Tourism industry in Indonesia grows as one of the most profitable industry today. Currently, Indonesia's tourism sector contributes to approximately 4% of the total economy. It has taken a grate rule economically, socially and politically. According to the data from Statistics Indonesia, which is shown in Table 1.1, the total tourist arrivals of Indonesia in 2013 were 8,802,129 people and the number is increasing since then (<http://www.indonesia-investments.com/id/bisnis/industri-sektor/pariwisata/item6051?>, retrieved on 19th April 2017).

Table 1.1. Foreign Tourist Arrivals in Indonesia 2013-2016

Bulan	Tourist Arrivals 2013	Tourist Arrivals 2014	Tourist Arrivals 2015	Tourist Arrivals 2016
Januari	614,328	753,079	723,039	814,303
Februari	678,415	702,666	786,653	888,309
Maret	725,316	765,607	789,596	915,019
April	646,117	726,332	749,882	901,095
Mei	700,708	752,363	793,499	915,206
Juni	789,594	851,475	815,148	857,651
Juli	717,784	777,210	814,233	1,032,741
Agustus	771,009	826,821	850,542	1,031,986
September	770,878	791,296	869,179	1,006,653
Oktober	719,900	808,767	825,818	1,040,651
November	807,422	764,461	777,976	
Desember	766,966	915,334	913,828	
Total	8,802,129	9,435,411	9,729,350	

(Source: <http://www.indonesia-investments.com/id/bisnis/industri-sektor/pariwisata/item6051?>)

Indonesia has many islands in it that can be the tourism destinations. There are big islands such as Sumatra, Kalimantan, Java, Sulawesi, and other smaller islands such as Bali, Lombok, Bintan, Nusa Penida, and many others. Most of the foreign tourists enter Indonesia through Ngurah Rai International Airport in Bali, the island that is most popular as a vacation spot in Indonesia.

Table 1.2 Number of Direct Foreign Tourist Arrivals to Bali 2013-2016

	Year 2013	Year 2014	Year 2015	Year 2016
Total	3,278,598	3,766,638	4,001,835	4,927,937

(Source: <http://www.disparda.baliprov.go.id/id/Statistik3>)

This island is the residence of the majority of Indonesian Hindu minority community and offers various types of tourism related to the Hindu Balinese art and culture as well as a vibrant nightlife and a beautiful rural area. Table 1.2 shows the number of direct foreign tourist arrival to Bali from 2013 to 2016. The total number of foreign tourists that visited Bali in 2015 was recorded 4,001,835

people, which means about 41% of the total tourist arrivals of Indonesia in 2015 (<http://www.disparda.baliprov.go.id/id/Statistik3>, retrieved on 19th April 2017).

People come to Bali for many reasons; there are many beautiful beaches, nature, various kinds of foods from all around the world including Balinese traditional foods, and also to be exposed with the Balinese culture. Culture is one factor that makes the place to be different from other places even in same country as Indonesia has many tribes and cultures depending on the regions. Over the years, Balinese have displayed their artistic accomplishments – particularly music, dance and drama, often in short and simple forms for the delight of tourists. They also willingly invite tourists into their homes and temples to witness a variety of ceremonies such as cremations, weddings and tooth-filings. People come to see Balinese culture, and therefore it must be accessible and tailored to tourist requirements (Howe, 2005). While many performances are a part of their everyday life such as in religious ceremonies, others are performed and designed for the tourists for their entertainment, which is organized by entrepreneurs, businessman, and state tourist agencies for profit. Those performances are performed in hotels, restaurants, or stages owned by entrepreneurs.

Among all the cities in Bali, Ubud city, which is located inside Gianyar regency, is the one that can be represented as the heart of Balinese arts. Furthermore, it is one of the cities that has most residential from foreign tourists. From Table 1.3, we can see that many foreign tourists stay in Gianyar compared to other regencies.

Table 1.3. Room Occupancy Rate at Starred Hotel in Bali by Regency/City, May & June 2016

Regency/City	Room Occupancy Rate (%) 2016	
	Mei	June
Badung	60,49	59,62
Gianyar	61,99	50,23
Karangasem	42,97	37,95
Buleleng	44,43	37,48
Denpasar	59,01	47,07

(Source:http://bali.bps.go.id/webbeta/website/brs_ind/brsInd-20160801122411.pdf, retrieved on 19th April 2017)

In 1930s, a German painter called Walter Spies made his home there and since then Ubud has been the most suitable place for both native and European artists. There are also many tourist spots in Ubud such as ‘Goa Gajah – Elephant Cave’, Sacred Monkey Forest, Tegalalang Rice Terraces, Blanco Renaissance Museum, and others. However, people also come to Ubud to see the traditional dance performances. There are many talented dancers, musicians, painters, and carvers. Temple ceremonies, festivals, dance and music performance are offered somewhere in this city every day of the week (http://www.balitrips.net/place_to_visit/ubud_village.html, retrieved on 19th April 2017). There are some performances organized just to earn profit for the business, as in hotels, however there are also individuals that has other purposes beside earning profit, which is preserving the culture that has been there over the decades.

One of the performance stages that the writer interested is Balerung Stage, located in Peliatan village in Ubud. This place was established for the local Balinese artists to practice and perform dance and music, especially those who are from the village of Peliatan, with the purpose of sustaining and preserving the classical dance and music culture in Peliatan and also development for the further Peliatan style music and dance. Before this stage was build, most of the preserving and development activities of traditional dance and music were being held at Puri Kaleran Peliatan, where Anak Agung Gede Mandera (Picture 1.1) developed and preserved Peliatan style of dance and music (<http://www.balerung.com/about-us/>, retrieved on 29th April 2017).



Picture 1.1. Anak Agung Gede Mandera
(Source: www.balerung.com)

Peliatan village has increased its activities related to dance and music, and there are various dance and music groups founded there over the years; Gunung Sari (1926), Tirta Sari (1978), Padma Nara Swara and Mekar Sari (1986), and Genta Bhuana Sari (1992). Until now, people in Peliatan village especially the younger kids are still interested in learning traditional dance and music, and other modernized creations (<http://www.balerung.com/about-us/>, retrieved on 29th April 2017).

Seeing it is important to preserve the dance and music culture, there was a need for a place and facilities that can support activities that are related to it. Then in year 2000, Anak Agung Gede Oka Dalem (Picture 1.2), A.A.Gede Mandera's second son from his third wife, founded a place called *Balerung Mandera Srinertya Waditra* or also known as *Balerung Stage*. The building was designed by A.A. Gede Oka Dalem himself, and it was established with goals and purposes of; to preserve the special dance and music of Peliatan style, as a venue for teaching the classical music and dance of Peliatan to the younger generation, to produce new dancers and musicians to continue the practice of performing traditional music and dance works for religious and traditional ceremonies as well as social and commercial purposes, to create new works of music and dance that satisfy popular taste, and to preserve music and dance works that are in danger of disappearing such as the distinctive Peliatan style of Legong dance and the village's classical Pelegongan dances (<http://www.balerung.com/about-us/>, retrieved on 30 April 2017).



Picture 1.2. Anak Agung Gede Oka Dalem
(Source: www.balerung.com)

In Balerung Stage (Picture 1.3), there are three different dance and music performances that are being performed regularly. The first one is Mekar Sari, which is performed on every Sunday evening. All the musicians in this group are women from the village, and the purpose of forming this group was to develop not only men's but also women's musical skill and encourage them to maximize their talents. The second group is Genta Bhuana Sari, which is performed on every Tuesday evening. This group was created in 1992, whose members were younger children to young adults. Some of those children and young adults that were in the group from the first time still remain in this group to perform until today. The third one is Tirta Sari, which is performed on every Friday evening. This group is the oldest group among the others, which was created in 1978. This group has the most experience among other groups and also the name is well known. The group has performed in Jakarta, Moscow, several cities in Japan (Tokyo, Kyoto, Hiroshima, Gifu, Osaka, Nagoya, Fukuoka, Okinawa, Ishigaki) and United States (Washington DC, New Mexico New York, San Francisco, Los Angeles). Most of the visitors come to Balerung Stage to see Tirta Sari's performance (<http://www.balerung.com/about-us/>, retrieved on 29th April 2017).



Picture 1.3. Balerung stage
(Source: www.google.com)

Realizing that Tirta Sari group is the most visited show, there is a need for sustainability, as it is also an important resource of money used to maintain Balerung Stage itself and other activities that are being held there. It is important for the group to have loyal customer. Therefore, the writer would like to analyse the effects of Operant and Operand Service Quality toward Customer Loyalty, through Customer Engagement and Customer Satisfaction to the visitors of "Tirta Sari" dance and music performance at Balerung Stage.

The first variable is the Operant service quality, which is the intangible skills used for the transformation and integration of operand resources, generally in the form of dynamic resources, namely human knowledge and skills (Vargo and Lusch, 2004). Operant service quality for Tirta Sari group at Balerung Stage can be get from two sources, which are the performers of Tirta Sari group and supporting staffs of Balerung Stage. Specific factors include performer's quality in performing dance and playing the music, and supporting staffs' quality in servicing the guests.

The second variable is the Operand Service Quality, which is in the form of physical objects such as basic materials, soil, facilities, and others that are used by users and generally in the form of static resources (Vargo and Lusch, 2004). Operand Service Quality for Tirta Sari group at Balerung Stage consists of main and supporting facility. Main facilities are those that have direct influence to the performance, such as the lighting, stage, and sound. On the other side, supporting facilities are those that do not have direct influence to the performance, such as toilet, chairs, and parking lot. Furthermore, Balerung Stage also sells some souvenirs, which can affect the customer's intention to come back again to buy some of it.

The third variable is customer engagement, which is the emotional connection between organizations with its customers where the relationship is more focused on the attachment between consumers and organization's staff (Reiger and Kamins, 2006).

The fourth variable is customer satisfaction, which is a state that occurs when the experience meets or exceeds the needs or desires of the customer (Gallan et al., 2013).

Lastly, the writer would like to see how each result from previous variables affect customer loyalty. Duffy (2003) defines customer loyalty as a customer who has a sense of belonging to a brand and produce positive and measurable financial results in the end. In addition, Fisher (2001) considers customer loyalty to be a process of customers staying with the service providers, using word of mouth to recommend the brands to family and friends, and even influence family's and friends' decisions about the brand. Through the analysis, it

can be proved how all the previous four variables affect customer loyalty of the visitors of Tirta Sari performance at Balerung Stage. The visitors can be those who are coming on private occasion or even those who join the tour program.

1.2. Research Problems

1. Does Operant Service Quality have a significant effect on Customer Engagement of Tirta sari Dance group at Balerung Stage in Bali?
2. Does Operant Service Quality have a significant effect on Customer Satisfaction of Tirta sari Dance group at Balerung Stage in Bali?
3. Does Operand Service Quality have a significant effect on Customer Satisfaction of Tirta sari dance group at Balerung stage in Bali?
4. Does Customer Engagement have a significance effect on Customer Satisfaction of Tirta sari Dance group at Balerung Stage in Bali?
5. Does Operant Service Quality have a significance effect on Customer Loyalty of Tirta sari Dance group at Balerung Stage in Bali?
6. Does Operand Service Quality have a significant effect on Customer Loyalty of Tirta sari Dance group at Balerung Stage in Bali?
7. Does Customer Engagement have a significant effect on Customer Loyalty of Tirta sari Dance group at Balerung Stage in Bali?
8. Does Customer Satisfaction have a significant effect on Customer Loyalty of Tirta sari Dance group at Balerung Stage in Bali?

1.3. Research Objectives

1. To examine if the Operant Service Quality have a significant effect on Customer Engagement of Tirta sari Dance group at Balerung Stage in Bali
2. To examine if the Operant Service Quality have a significant effect on Customer Satisfaction of Tirta sari Dance group at Balerung Stage in Bali
3. To examine if the Operand Service Quality have a significant effect on Customer Satisfaction of Tirta sari dance group at Balerung stage in Bali

4. To examine if the Customer Engagement have a significance effect on Customer Satisfaction of Tirta sari Dance group at Balerung Stage in Bali
5. To examine if the Operant Service Quality have a significance effect on Customer Loyalty of Tirta sari Dance group at Balerung Stage in Bali
6. To examine if the Operand Service Quality have a significant effect on Customer Loyalty of Tirta sari Dance group at Balerung Stage in Bali
7. To examine if the Customer Engagement have a significant effect on Customer Loyalty of Tirta sari Dance group at Balerung Stage in Bali
8. To examine if the Customer Satisfaction have a significant effect on Customer Loyalty of Tirta sari Dance group at Balerung Stage in Bali

1.4. Research Contributions

The result of this research is expected to provide enrich and deepen the existing theory about management strategies. Specifically, the research will be beneficial to the following:

1. Current and future researchers
2. The author

1.5. Research Limitations

This research is focusing on the effect of Operant and Operand Service Quality to the Customer Loyalty through Customer Engagement and Customer Satisfaction of Tirta sari dance and music performance at Balerung stage in Bali. To arrange this research, the limitation is set for customer/audience of any nationalities, 18 – 60 years old and who watch the performance at Balerung stage only. The suitable respondents are those who have watched the performance at least twice in 2 years.

1.6. Research Outline

Chapter 1: Introduction

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

Chapter 2: Literature Review

This chapter summarizes the major studies and findings that have been published on the research topic and this study contributes or adds to what has been already studied. This chapter also states a clear description of theories that apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

Chapter 3: Research Methods

This chapter explains the detailed technical and scientific activities, which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

CHAPTER 4: Data and Analysis

This chapter starts with explaining the object of the study, organizing the findings that address the research questions, and explain more on how these data collected are related to the theory and prior researchers presented at the beginning of the study.

CHAPTER 5: Conclusion

This chapter consists of the summary of the research, conclusions and recommendation that can be used to advance the study of the research topic by its theoretical, methodological, substantive contributions that may be necessary to overcome the limitations of existing empirical facts in the future.