

CHAPTER 1 INTRODUCTION

1.1 Background

As an agrarian country with abundant potency for tourism, Indonesia earns benefits from its location in tropical region. One of its provinces that well known to be tourism destination is Yogyakarta. In this province, Sleman had the most benefit due to the position of Mount Merapi. The surrounding area of this gallant mountain is granted with a prosperous agriculture. Farms from many agriculture sectors are benefited from the fertile lands Sleman has to offer. It also includes horticulture industry, plentiful fruits can be planted despite its high altitude.

Table 1.1 The Arrival of Foreign and Domestic Tourists to Yogyakarta 2011-2015

| Year | Foreign Tourists | Domestic Tourists | Total Tourists |
|------|------------------|-------------------|----------------|
| 2013 | 235,893 | 2,602,074 | 2,837,967 |
| 2014 | 254,213 | 3,091,967 | 3,346,180 |
| 2015 | 308,485 | 3,813,720 | 4,122,205 |

Source: Dinas Pariwisata D.I. Yogyakarta (2016)

Tourist from 2011 to 2015 has doubled the number, as shown on table 1.1, both of foreign and domestic tourist has positive growth. With the increasement of 31.28% per year, Yogyakarta has great opportunity and potential to develop its tourism attraction to satisfy the tourists. Assorted attractions can be found in Yogyakarta such as historical/heritage tourism, culinary tourism, nature tourism, and farm tourism.

This research will focus on one company who run a business that combine both major renowned sectors in Yogyakarta which are farm and tourism, hence

the term Farm Tourism. There are various classifications of tourism based nature which in some way could be interchangeable, but in detail can be differentiated from one another (Phillip, Colin, & Kirsty, 2010). Farm tourism is a non-urban tourism conducted on working farm where the tourist activity crisscrossed with the farm activity (Philip, Hunter, & Blackstock, 2008). The working farm part of the farm tourism refers to the farming activity that being practiced. Mostly, farm tourism can be considered as farm tourism is when the farm located in rural or non-urban location with the objective as the escapement place for tourist from the frenetic of urban area. Packages offered by farm tourism should be based on real farm activities which can includes cultural values on the surrounding area of the farm and have social benefit, therefore it is not only about economic matters.

One of the local companies with global nuance that located in Sleman is Sabila Farm. Established in 2005, Sabila Farm has been acknowledged for its existence in farm tourism industry. The main farm production in Sabila Farm is organic dragon fruits. Since it is a farm tourism, Sabila Farm offered various tourism package namely farm tour, in-class education, cooking class, motivation class, and intensive course.

The visitors of Sabila Farm are coming from many provinces in Indonesia, not only from provinces in Java Island, they were coming from all corners of Indonesia. Sabila Farm also welcomed many visitors from all around the world. Majorly these foreign visitors were coming from countries that far away from Indonesia although the neighboring countries in ASEAN such as Cambodia, Malaysia, Timor Leste, and Singapore also have had visited the farm. The foreign

visitors from many continents have come to the farm to enjoy the tourism package offered.

Sabila Farm has done national and international exhibitions to promote organic horticulture productions as well as farm tourism as an alternative to nature-based tourism that has been established. Its contribution and dedication to agriculture has been acknowledged by winning multiple awards. This resulted to many small farms looking up to Sabila Farm to earn more income by adding tourism into the profit streams instead of only relying on farm production.

As a local company, the recognition in global level has been earned by Sabila Farm. This has put Sabila Farm into consideration for farm tourism in Indonesia, and establishes Sabila Farm into a successful company. To keep moving forward and to focus on what is important, Sabila Farm must understand their key success factor. Unfortunately, this is an issue which they have not done any analysis to obtain the information of their key success factor. With the success Sabila Farm has been getting, it is unfortunate they do not understand what are the company's key success factors. In business, this can become a potential future problem if not soon analyzed. The company's competitive advantage against competitors are vital to distinguished them amongst other business in the industry.

According to Ceglinski (2017) there are two competitive advantage categories company can put their focus on. The first is lower cost, it is for company who are willing enter the price war by offering lower price to attracts buyers. The second is differentiation, it is for company who will be unique as they

can be to attract buyers by offering values other company fails to offer despite the price they set.

Thompson, Peteraf, Gamble, and Strickland (2016) stated that to understand which direction company decide to move to and what keep them moving forward they need to understand the driving forces. Firstly, identify what driving forces that exist in the industry. Secondly, assess what driving forces that can affect the company. Lastly, company must create and execute strategies in order to choose where they need to keep moving forward. There are eleven driving forces identification in the industry:

- a. Changes in long-term growth rates
- b. Globalization
- c. The increase of internet capabilities and the rise of application development
- d. Changes in who purchase the product and how they use it
- e. Technological change and the innovation of manufacturing process
- f. The entry and exit of large companies in the industry
- g. The absorption of technical capabilities between companies and countries
- h. Changes in cost and efficiency
- i. The reduce of business risk and uncertainty
- j. The effects of regulations and changes in government policies
- k. The changes in social care, behavior, and lifestyle

Key success factor is the competitive factors that influenced the company's ability to prosper in the market. With the help of key success factors

identification, company can identify what is important and on the true essentials. Company must focus on what make customer want to purchase. By focusing on what is essential for them, company can avoid failure and keep achieving success.

In this research, the researcher tries to find what is happening the agriculture industry. Furthermore, in regard of business, farmers in this era must understand their competitive strategy in order to survive and grow. To understand their key success factor is important to thrive and to be success. One of the farm tourisms in Indonesia will be use as the research object for this research, and the aim is to identify what are their key success factors. A set of analysis tools will be used to analyze the data that will be collected using method that used in qualitative research. The research finding can be beneficial to Sabila Farm as to enrich the company's knowledge of what is important and consideration to what decision the company will take.

1.2 Problem Statement

With the success they have gotten, Sabila Farm had the potential to keep accelerate and achieve more success. Unfortunately, without the understanding of their own key success factors can put Sabila Farm into prone of making wrong decision since they do not know which factors that are important to them. According to Thompson, Peteraf, Gamble, and Strickland (2016), with lack understanding of their key success factors, their competitive advantages, and the driving forces within the industry it can put the company into risk of failing moving forward. Wrong decision can bring company into regression and need more time as well as fund to rise from the fall. Therefore, this research is helping Sabila Farm to identify what are their success factors which they can use to create

and execute competitive strategies to survive in the industry and be even more successful.

1.3 Research Question

The core of this research is to answer the question asked based on the real problem happened. This qualitative research will identify:

What are the key success factors of Sabila Farm in term of farm tourism?

1.4 Research Objective

The researcher has proposed this research to identify the key success factors of Sabila Farm as one of the feasible ways to contribute and help the current economic condition that needs to be seen as an opportunity instead of a threat. To answer the research question, the objective of this research is to identify what are the key success factors of Sabila Farm in terms of farm tourism. This research will identify the information about why their customer chose and purchase their products instead of from existing competitors, the information about their competitive advantage, and the information of what condition they need to avoid in fear of collapse. By having proper and fundamental information of what key success factors they have, Sabila Farm can make correct decision to keep the company moving forwards.

1.5 Research Contribution

This research will contribute to:

- a. Researcher, as the requirement to achieve Bachelor's degree from International Management and Business Faculty of Economy and Business Yogyakarta Muhammadiyah University, and to apply knowledge and experiences learned and earned during classes into the real company.

- b. Sabila Farm, this research can be a suggestion to analyze the key success factors that are already owned by Sabila Farm and to improve their competitive advantages to become a better organic farm tourism destination.
- c. Government and other small horticulture farms, this research can be a case study on how to become success on conducting farm tourism.