

Portrait of Pricing Determination as an Instrument for Realizing Sustainable Tourism in Indonesia

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ABSTRACT

This research aims to elucidate the overview of price determination as an implementation instrument of sustainable tourism in Indonesia. Stemming from the trend of sustainable tourism and pricing being one of the crucial instruments in tourism management, it requires appropriate pricing methods to align with the objectives of the tourism sector. The method used in this research is qualitative descriptive with a literature study approach. The findings of the research indicate that there are several components and approaches that can be applied in price determination to make it accurate and influential in the sustainability of the tourism sector. Additionally, dynamic pricing can be considered as an option to support sustainable tourism with three aspects encompassing economic, social, and environmental factors.

Keywords: *Pricing, Sustainable Tourism, Economic, Social, Environment*

1. INTRODUCTION

Indonesia, with its captivating natural beauty, rich cultural diversity, and abundant historical heritage, has become one of the primary destinations for tourists worldwide. Overall, the tourism sector continues to experience positive growth due to government efforts to promote tourism destinations, invest in tourism infrastructure, and an increase in both domestic and international tourist interest. Following the conditions post-COVID-19 pandemic, domestic tourism in Indonesia is gradually recovering, with a 19.82 percent increase in domestic tourist travel in 2022 compared to 2021, and a growth of 1.76 percent compared to 2019 (BPS, 2023).

The growth serves as a positive signal for Indonesia to continue improvements, considering that the tourism sector, as one of the contributors to the country's foreign exchange, ranks third. This situation presents an opportunity that must be fully maximized so that Indonesia's tourism resources can contribute even more to the national economy (Hasibuan et al., 2023). For the recovery of national tourism, the government has proposed the concept of sustainable tourism. Sustainable tourism development, as mentioned in the Sustainable Tourism Charter (1995), is development that is ecologically supportive, economically viable, and ethically and socially fair to communities. This means that sustainable development is an integrated and organized effort to enhance quality of life by managing the provision, development, utilization, and maintenance of resources sustainably (Arida, 2017). The trend of sustainable tourism can be an attraction in itself for tourists. Broadly, the scope of sustainable tourism encompasses three main aspects: economic, environmental, and social.

The goal of sustainable tourism programs is to provide long-term benefits for the economy, environment, and society while maintaining the attractiveness of destinations and preserving cultural heritage for future generations. In the economic dimension, the focus is on ensuring that the tourism sector can significantly contribute to sustainable economic development. The environmental dimension aims to ensure that growth in the tourism sector does not harm or threaten the natural environment, which is the main attraction of destinations. The social dimension emphasizes that the growth of the tourism sector can enhance the well-being and social justice of local communities. Without considering the sustainability of the tourism sector, it can have negative impacts, not only damaging communities and the environment but also sowing the seeds of its own destruction (Widiati & Permatasari, 2022).

The rapid growth of the tourism sector often does not align with economic, environmental, and social sustainability. Price determination, which is an important instrument in marketing strategy and tourism management, plays a significant role in realizing sustainable tourism. Tourism stakeholders need to have a deep understanding of effective price determination, from pricing calculation components to pricing methods, in order to optimize revenue and maintain their competitiveness in this continuously evolving industry. When determining the pricing of tourist destinations, a manager or marketing team can refer to market orientation or competitor

orientation (Pratiwi et al., 2024). However, it is more advisable to base pricing decisions on market orientation, considering the relationship between price and quality, market understanding, clarity, value provided to customers, product pricing strategies, competitive dynamics, profit margins, price impact on retailers and distributors, as well as associated costs (Stremersch and Tellis, 2002 cited in Karim et al., 2021).

Price is a crucial factor because visitors have various income levels, so they will seek options that fit their financial situation when visiting. If the price set by tourism managers is commensurate with what visitors receive, it leads to visitor satisfaction and has an impact on repeat visits. Furthermore, the quality of products and services offered must be tailored to the price charged to align with visitors' desires. In their research, Purnama & Marlina (2022) on the influence of price on the intention to revisit Mount Semeru presents results showing that price positively influences the intention to revisit. These findings strengthen the position of price as a supporting instrument for the sustainability of the tourism sector in Indonesia, both economically, environmentally, and socially. Considering this, price determination must be carried out effectively, without neglecting pricing calculation components and pricing methods. The discussion in this article regarding the overview of price determination strategies serves as an instrument of actualization and how prices can influence sustainable tourism programs in Indonesia.

2. RESEARCH METHOD

This research employs a qualitative descriptive method, which involves reflective analysis of various documents found and detailed documentation (Zed, 2014). The approach used is a literature review by seeking information through books, journals, and other literature that can help answer research questions. Therefore, this research contains descriptions, systematic overviews, as well as the characteristics and relationships among the phenomena investigated. Through this approach, the researcher can uncover the portrait of price determination as an instrument of actualizing sustainable tourism.

3. RESULTS AND DISCUSSION

The Components of Price Calculation

In price calculation, several components must be considered to ensure accurate pricing, acceptability by customers, and impact on the sustainability of tourism. Here are some classifications of costs that can be taken into account when determining prices (Hansen & Mowen, 2013):

Raw materials Cost

The cost of raw materials is the amount of money spent by a company to obtain raw materials, thus producing finished goods, and can be easily traced to the respective products. This cost includes the purchase cost of the raw materials themselves as well as other expenses related to procurement, transportation, warehousing, and other acquisition costs.

Labor Cost

Labor costs are a vital component in the operation of any company. These labor costs entail the wages or salaries of workers who transform raw materials into finished goods. Labor costs encompass not only the wages and salaries provided to employees but also all types of benefits and allowances given to them. Additionally, these costs also include investments in employee development, training programs, and employee welfare efforts.

Factory Overhead Cost

All costs that are not included in raw material and labor costs are classified as factory overhead costs. These costs are indirect expenses not directly related to the specific production of a product. The scope of these costs includes expenses such as water, electricity, machine and equipment maintenance, depreciation costs, factory administration costs, and other expenses. Although factory overhead costs are not directly involved in the production process of goods and services, calculating these costs is necessary because they will affect the financial health of the company. Managing them effectively is key to achieving operational efficiency and long-term financial sustainability.

Methods of Price Determination

In determining prices, the most frequently used information is costs because cost data are always available within an entity. Generally, product costs are determined first, then the selling price can be determined. Therefore, the choice of pricing method depends on the needs and objectives of the company. There are two different

approaches in determining the cost of products or services. These approaches consist of Full Costing and Variable Costing (Muslichah & Bahri, 2021).

Full Costing

Full costing is a method of cost calculation that considers all production costs, both fixed and variable costs, used in determining the price of a product or service. This calculation also includes both direct and indirect costs, including raw material costs, labor costs, factory overhead, as well as selling and administrative costs. This method aims to provide a more accurate picture of the actual costs associated with the production of a product or service. The formula for calculation is the markup multiplied by the total cost, then added to the total cost, resulting in the selling price to be charged to customers.

Variable Costing

Variable costing is a method used to calculate production costs focusing on variable costs directly related to the production of goods or services. This method distinguishes between variable costs that change with production volume and fixed costs that remain constant regardless of production volume. The cost classifications calculated using variable costing include raw material costs, direct labor costs, and other direct production costs directly related to production. Meanwhile, fixed costs include indirect factory overhead costs not directly related to production and selling/administrative costs that do not change regardless of production volume. Fixed factory overhead costs are not included in the calculation with this method; instead, they are treated as period costs in which the costs are incurred. The calculation formula is the markup multiplied by the variable cost, then added to the variable cost, resulting in the selling price to be charged to customers.

Dynamic Pricing for Sustainable Tourism

After discussing several methods of pricing calculation, this subsection discusses dynamic pricing that can be applied to sustainable tourism. Dynamic pricing describes a situation where sellers dynamically adjust prices over time based on factors such as time of sale, demand information, supply availability, price variation against consumers, situations, and products (Wamsler et al., 2022). This concept contrasts with static pricing where prices remain constant for a certain period. Among various pricing methods, dynamic pricing is an appropriate method for pricing in the tourism sector.

In the sustainable tourism sector, a pricing method is needed that not only considers economic factors but also environmental and social factors. Therefore, its implementation aims not only to increase profitability but also to promote responsible management of natural resources and strengthen the participation of local communities. Thus, dynamic pricing can be applied in the tourism sector with sustainable trends that are responsible for their impact on the economy, society, and the environment.

When dynamic pricing is applied and paid by customers, it will affect distributive justice and ultimately also influence customer behavioral responses, such as intention to repurchase (Wamsler et al., 2022). These results can strengthen the argument that in the tourism sector, dynamic pricing can be implemented by providing services and products that correspond to the value paid by buyers, so that customers can feel distributive justice and potentially revisit in the future.

In efforts to support sustainable tourism, dynamic pricing can be useful in managing tourist flows, reducing pressure on the environment, and also boosting the economy for local communities. Dynamic pricing can be applied to entrance tickets, accommodations, or other services offered to tourists. For example, to avoid over-tourism and provide opportunities for the environment to recover, entrance ticket prices to national parks or natural attractions can be adjusted based on the time of visit. It can also serve as a tool to stimulate innovation and investment in environmental conservation by offering financial incentives to businesses that adopt environmentally friendly practices.

Price Determination as an Instrument for Realizing Sustainable Tourism

To achieve sustainable tourism, the use of strategies supporting sustainable principles encompassing economic, social, and environmental aspects is needed, including strategies in price determination. With this, the tourism sector can become an engine for economic growth that not only generates financial profits but also considers environmental conservation and social welfare.

In terms of the economic aspect, sustainable tourism is closely related to economic growth and finding ways to advance the economy in the long term while enhancing the welfare of the current generation without compromising the ability of nature, society, and the economy to improve the welfare of future generations (Arida, 2017). Price determination in the economic aspect can be achieved by ensuring that the set prices cover all costs

associated with providing products or services to tourists. Additionally, price determination should strike a balance between maximizing profitability and maintaining long-term sustainability by considering the long-term impacts of pricing policies on brand image, business environment, and customer relationships.

The social aspect is influenced by humans as supporters of the community in terms of interaction, interrelation, and interdependence. Key concerns in the social aspect include population stability, fulfilling basic human needs, preserving cultural diversity, and involving local communities in decision-making (Arida, 2017). This can be achieved by considering the well-being of local communities and workers involved in the production or provision of products or services through the application of fair pricing (Fauziyah et al., 2023). Pricing determination supporting social sustainability should also consider how income from tourism or product sales will flow back to the local community through community development programs, training, or other social projects.

Price determination for environmental sustainability involves setting prices for products or services while considering their impact on the environment and various natural resources. The environmental aspect is directly related to natural factors on Earth, so environmental degradation is clearly visible and felt (Arida, 2017). The prices set should reflect the internal and external costs to the environment arising from the production, distribution, and use of products or services. This includes pollution costs, degradation of natural resources, and the impacts of climate change. The tourism sector can also set prices that support the conservation of natural resources and biodiversity, which can be done through allocating revenue from the sale of products or services for environmental conservation projects or ecosystem restoration.

4. CONCLUSION

Pricing determination, which is a crucial instrument in tourism management, plays a significant role in realizing sustainable tourism. Several components need to be considered to ensure accurate pricing, acceptance by customers, and impact on the sustainability of tourism. These components include raw material costs, labor costs, and overhead factory costs. There are two different approaches in determining the cost of products or services, namely full costing and variable costing, depending on the needs and goals of the company. In efforts to support sustainable tourism, dynamic pricing can be useful in managing tourist flows, reducing environmental pressure, and boosting the economy for local communities. Dynamic pricing can be applied to entrance tickets, accommodations, or other services offered to tourists. Price determination in the economic aspect can be achieved by ensuring calculations for all related costs and also balancing sustainability and profitability. In the social aspect, fairness in pricing determination and providing benefits to local communities are required. Then, in the environmental aspect, the prices set should reflect the internal and external costs to the environment arising from the production, distribution, and use of products or services. By considering these factors, supporting the tourism sector to implement a sustainable system through three aspects: economic, social, and environmental.

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