

# Ternate-Tidore Spice Islands: A Territory Branding Process

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*Abstract:* - Territory branding strategies have recently been adopted to intensify urban competition for resources, markets, opportunities and attention. This paper examines the new strategy for territory management through branding for a low GDP territory but with remarkable natural resources. Applying the “critical city” approach, analysis through diagnosis will be started by SWOT tools to define vision and mission. Then priority and drivers are formulated to be achieved in the future. Branding, placement and benchmarking are considered as the marketing process which will be followed by strategy implementation in some projects as actions. From the results, the strong territory branding based on its identity can be formulated.

*Key-Words:* - territory branding, critical city, SWOT analysis, North Maluku, Indonesia.

## 1 Introduction

Branding the territory is a new trend in urban strategy, mostly applied to stimulate economic growth. There are several ways to perform a branding process. One of them is the critical city approach proposed by “innovpoint”, a Portuguese consulting company. In this process, several approaches are analyzed to produce strong strategic plans. Afterwards, precise projects and actions will be recommended for its accomplishment. The branding process components allow the territory to build a monitoring and evaluation system.

“Spice Islands” is a phrase that is associated with spices producer territories. One of them is North Maluku Islands, Indonesia. Almost 57% of its economic backbone is from agriculture, especially in spices. However, unclear territory policy brought North Maluku into static economic growth by running out of natural resources. Spices are the everlasting most valuable commodity in the world markedly by its high price, supposedly to help people’s welfare; however, that is not the case. In order to help this territory to have a new planning point of view, this paper will address and analyze North Maluku potentialities for its territory branding process.

## 2 Theoretical Framework

Nowadays, every place has to compete with other places for its share of the world’s consumers, tourism, business, investment, capital, respect, and attention. One of the strategies consists of city, place, and tourism branding. Answorth and Kavaratzis linked this territory branding process

with corporate branding as an effort to grapple with the development of an understanding of cities and their brands [1]. Mainly created to stimulate economic growth, according to CEOs for cities [2, 3], a strong brand can shift the perception of a place that may be suffering from a poor image among external and internal constituents, create a common vision for the future of the community and its potential, provide a consistent representation of the place, enhance its local, regional and global awareness and position, and shed unfavorable stereotypes associated with a place, making it more appealing.

Dinnie (2004), mentioned in Hanna and Rowley [4], has already postulated that territory branding has the ability to transcend and confine a single industry to achieve a more cohesive image. Empirical studies of Zerillo and Thomas [5], One Territory One Product (OTOP) in Thailand and palm oil businesses in the Philippines are some of the territory branding success stories which looked for an opportunity to brand their unique capability to add value. In the end, these examples show that the programs have become the current government for promoting entrepreneurship and creating jobs.

The process of creating a place brand has been formulated in the Core Cities Conference in 2007 as to identify visual, verbal, experiential elements of places to communicate (“what are the main things that you want people to know about your place?”), and develop messages and consider how to put it across to different audiences – internal and external, and forge associations between place and (potential) consumers [6]. A brand is not just a name; logo, website or brochure, a brand is something that exists

in the collective mind of the consumer [6]. A brand image for a city will create or change awareness and create or build consumer demand for a product in an increasingly competitive market place. Marketing territory does not mean producing leaflets and creating websites, but it should represent an urban management philosophy being used for the fulfillment of its inherent potential [7].

The critical city approach and its core and drivers methodology from “innovation point” is one of the guidelines for a branding process (Figure 1). This methodology combines the analysis of what the territory has to offer and the drivers which want to be achieved with marketing, to map what happens outside the territory. This stage serves to answer the question what is the territory or city like from a strategic point of view and to define which direction the territory/city wants to take. After that, in order to achieve a successful future, the strategy plan should be arranged, followed by projects and consistently the definition of action. This framework can also be used as a monitoring tool, in every step in branding, projects, and action [8].

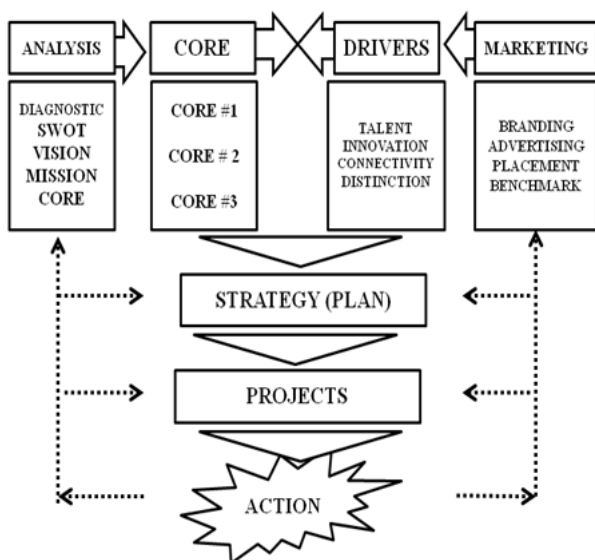


Fig. 1: Critical City: core and drivers methodology

### 3 Why North Maluku? - Diagnosis

North Maluku is one of Indonesia's Provinces, located in 3°9' South Latitude - 2°10' North Latitude and 123° - 129° East Latitude (Figure 2). With area 145,801km<sup>2</sup>, is divided into 7 regencies and 2 municipalities (West Halmahera, Central Halmahera, North Halmahera, South Halmahera, Sula Isle, East Halmahera, Morotai, Ternate City and Tidore City). In 2009, 979,990 inhabitants lived there. Most of them work in agriculture sectors (58% of working age populations: 231,296 persons). The economic backbone is mainly agriculture, 37%,

and agro industry manufacturing, 13%. Even though 50% of all capital goes to agriculture, ±12% of the inhabitants live in poverty and GDRP at Current Market Prices is very low: IDR 4,687 million (2009) which put this territory in the bottom three rank position among Indonesian provinces [9].



Fig. 2: North Maluku, Indonesia Archipelago

Well known as the Spice Islands, the productivity of clove, nutmeg, and cinnamon was established a record value of productivity in 2009, respectively, 5,515ton/20,132ha, 4,412ton/32,287ha, and 121ton/371ha [9, 10]. Other state crops are coconut, coffee, and cacao with productivities of 220,623ton/224,502ha, 404ton/3,517ha, and 12,231ton/34,870ha, respectively [9, 10]. The highest crop number is coconut (two central producers: North Halmahera and Sula Isle), followed by cacao, clove and nutmeg as spices (Figure 3).

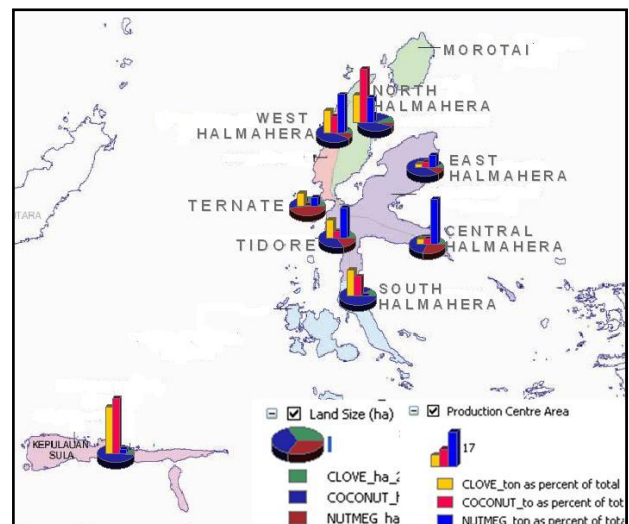


Fig. 3: Production Area of coconut, clove and nutmeg (resumed by the authors) [10]

For many years, farmers have done the traditional harvesting process. Unfortunately, the products are

under standards of Indonesia National Standard such as: water content of nutmeg seed: 10-12%, clove: 14%, and copra: 6%. Those products become so fragile when competing with other products from Africa. For instance, when the world's cacao price was US\$2.500/ton, Indonesia's cacao price was only US\$2.300/ton, while Africa's cacao price was US\$2.700/ton [11, 12]. Farmers should be instigated to do better after harvesting process to gain more added values. An example from an agriculture process with added value is coconut (US\$292/MT): copra (US\$1,117/MT), coconut fiber (US\$310/MT), coconut shell charcoal (US\$345/MT), desiccated coconut (US\$2,700/MT) [13]. The low quality of raw material promotes more added values for the second hand of traders than for the farmers [14, 15]. The long chain of trading caused North Maluku spices to lose their value at the production level. If the farmers can produce high quality products through strong marketing, the margin obtained by North Maluku farmers and local entrepreneurs can be applied to increase their quality of life.

Infrastructures are the main item for distribution and networking, connecting the productive area to the market places, and it has not been equally distributed. However, this province has two cities that have already been built up with complete infrastructures, such as seaport, airport, and road. Ternate and Tobelo are the gates to connect North Maluku to other places, for instance, Tobelo Seaport (regional class IV, 4 ports, length: 50-60m) is the gate to send and receive goods and people from other countries (Philippines, Japan) or other cities in Indonesia. Halmahera, as the biggest island, has already been connected with hot mix road [10]. Electricity has been installed by the Estate Electricity Company. Consisting of 150 units of generating stations to produce 66,028 MWH with low efficiency (only 50%), it supplies mostly for housing. Industry sector is supplied in a small part, 1%. It is one of infrastructures that will be the most important component to run the agro-industry [10]. To increase the electricity capacity, the government has tried to look for other forms of electricity generation, such as geothermal energy, for 7MWe in North Halmahera, 15MWe in Tidore, 75MWe in West Halmahera, and 140MW in South Halmahera (Bacan Island) [16]. Besides converting thermal energy to electricity, with applicative technology, this energy can be used directly in processes such as fruit and vegetables dehydration, thus supporting agro-industry [17].

Supported by existing infrastructures, in 2009, North Maluku approved several investments in agriculture, mining, industry and manufacture. Some of these include: one project in estate crops will absorb 500 employees, one project in mining will absorb 115 employees, and four projects in industry and manufacture will absorb 831 employees. By the end of 2009, only agriculture and mining projects had been implemented. In 2008, the recorded number of Food Companies in North Maluku was 75 (mostly in North Halmahera & Ternate). Those investments give an illustration that North Maluku is an interesting area to invest with agriculture as the basic sector [10].

North Maluku is supported by two universities and a plantation park research office (Figure 4). Those offices have the potentiality to improve human resources capacity, including farmers to promote strong entrepreneurship, organization and to produce high quality products for the agriculture industry. This office provides high quality seeds, applicative technology for farmers, workshops for knowledge transfer, empowering farmer organizations.

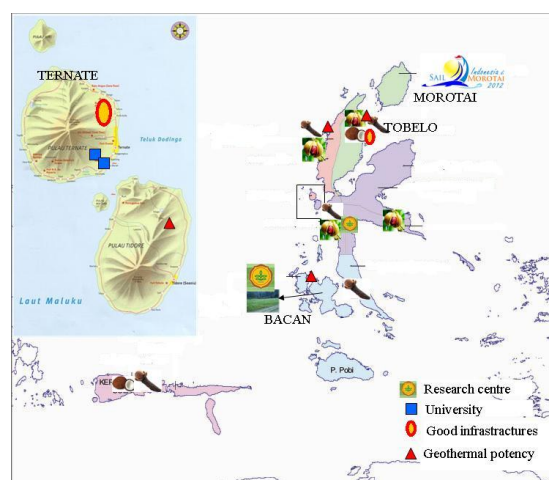


Fig. 4: Main Institutions and Infrastructures (resumed by the authors)

In 2012, Morotai, islands in North Maluku, will hold an international sail event and to prepare it, this office has already promoted a mission called "To Bring North Maluku as Spice Islands as Part of Morotai Indonesian Sail 2012" [18, 19].

As the diagnoses show, the main potentialities relevant for the future development of the territory are Agriculture, Post Harvesting Process, Trading System, Universities, Research Centre, Human Resources, Infrastructures, Electricity, Geothermal Potency, Investment Opportunities, and Events.

## 4 SWOT Analysis, Vision-Mission, Core

The next step is defining the SWOT Analysis (see table 1). It will help in determining the process for strategic plan, goal, and the decision making process. Strength and Opportunity as positive aspects, combined with Weakness and Threat as negative aspects enable to establish the aligned SWOT matrix analysis. The analysis is developed to bridge internal factors and external influences, that will produce SO strategies (use strengths to take advantage of opportunities), WO strategies (take advantage of opportunities by overcoming weaknesses or making them relevant), ST strategies (use strengths to avoid threats), and WT strategies (minimise weaknesses and avoid threats).

Table 1: Aligned SWOT Analysis

<p><b>SO Strategies</b></p> <ul style="list-style-type: none"> <li>• Ternate-Tidore : the spice islands brand</li> <li>• Prototype project in plantation research (Bacan Island)</li> <li>• Preliminary marketing in international event</li> <li>• New technology and standards</li> <li>• Build spices factories in Ternate/Tobelo</li> </ul>	<p><b>WO Strategies</b></p> <ul style="list-style-type: none"> <li>• Use of geothermal energy (direct/indirect)</li> <li>• International event to get more income for first investment</li> <li>• Empower university to produce well skilled and educated people</li> </ul>
<p><b>ST Strategies</b></p> <ul style="list-style-type: none"> <li>• Create a good products with high price to invest in education</li> <li>• Empower farmers and local entrepreneurs organization to make joint investments</li> </ul>	<p><b>WT Strategies</b></p> <ul style="list-style-type: none"> <li>• Good human resources</li> <li>• Good public services</li> <li>• Good infrastructures</li> </ul>

Strong vision will guide people's spirit to achieve the territory goals. Based on the diagnosis and the SWOT analyses, a vision for North Maluku is defined as: **“the spices victory in the past will be the greatest spices factory in the future”**. This vision will guide people to get back on their positive memories from the past, providing strong reasons to reach success again in the future. Since many people must be involved in this sector, agriculture industry can serve as a new field for jobs. Afterwards, the core for this project is decided, choosing agriculture as the first priority to be branded: **“Core: agriculture and agro industry (clove, nutmeg, cinnamon, coconut, cacao)”**.

## 5 Drivers

Drivers can be a tool to determine what the territory should be in the future. Drivers for city vitals are one of the tools that can be applied for other territories [19]. The indicators and parameters can

be defined in accordance with the territory vision. For North Maluku, the driver consists of four dimensions of success: talented, innovative, connected and distinctive (see Figure 5).

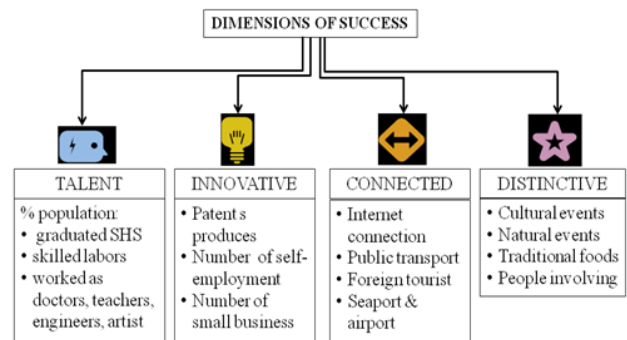


Fig. 5: Dimension of success for Ternate-Tidore, applying “city vitals” concepts [2, 3, 8]

Talent is indicated by high quality population and by the talented people who live there. This talent can respectfully fulfill the territory needs to support the branding process. Innovative is indicated by high quality products and researches. Connected refers to good-linked infrastructures and Distinctive is indicated by regional unique values.

## 6 Marketing Process

Marketing components from critical city approach are branding, advertising, placement, and benchmark. In order to capture the main idea of territory branding for North Maluku, it consists of two parts as the main focus, which are: **“Ternate-Tidore: The Spice Islands”**; “Ternate-Tidore” is representing two important islands associated with North Maluku and has an unique sound like a twin name. “The Spice Islands” serves to explain what is inside the main brand which has a strong association with North Maluku as a spices producer since the 16<sup>th</sup> century until now. The brand will align with this vision, as demonstrated in Figure 6.

Advertising is one way of publicity to make people know about the new brand and to make others (consumers) use it and come to the territory. Some strategies are using events momentum to get broader markets, introducing it to prospective investors to get sponsorships, such as the “Sail Morotai 2012”.

The next step is the placement of the project. Based on strong infrastructures that will have a good connectivity, two cities are proposed to be factory placements, Ternate and Tobelo (North Halmahera). Moreover, those two cities have been chosen since they have more attractions to inward investment, visitors, high skilled workers and promising students. The prototype project is proposed to be



built in Bacan Island, South Halmahera, with the Plantation Park and a small research unit. This park has some facilities to do research and produces high quality products.

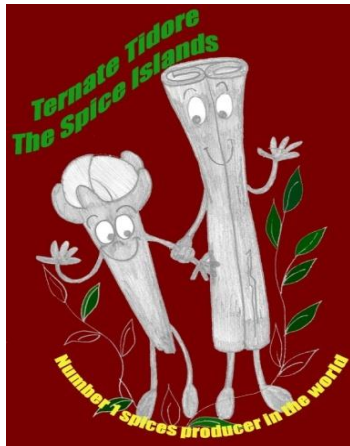


Figure 6: Mascot and Slogan (Authors proposal)

A good management is one of the success key factors and should be taken seriously by the local government. Empowering farmers and local entrepreneurs organization through sharing knowledge and benchmarking to create successful companies is an important strategy to improve human resources quality. A good example is CATA Gourmet, Spanish brand <[www.catagourmet.com](http://www.catagourmet.com)> with several products from Asturias Region which is becoming an export consortium after a decade struggling in competitive market,

## 7 Strategy and Actions

The strategic plan for North Maluku consists of a government side and a people's (farmers) side. As sketched in Figure 7, territory should have good governance and good services, provided by the local government. Supported by robust infrastructures to create conducive investment climate, it will attract sponsors to make investments. At the first time, sponsorship is very important to support research development of high quality products and afterwards, to build strong factories.

The next step refers to the projects which are defined in this paper as a prototype and factory projects. The prototype project proposes Bacan Island with the plantation and Research Park as the placement and the factory projects propose Ternate and Tidore as the placement (Figure 8). The prototype project will disseminate the research results previously applied at a factory scale, while the conducive investment climate will be constructed.

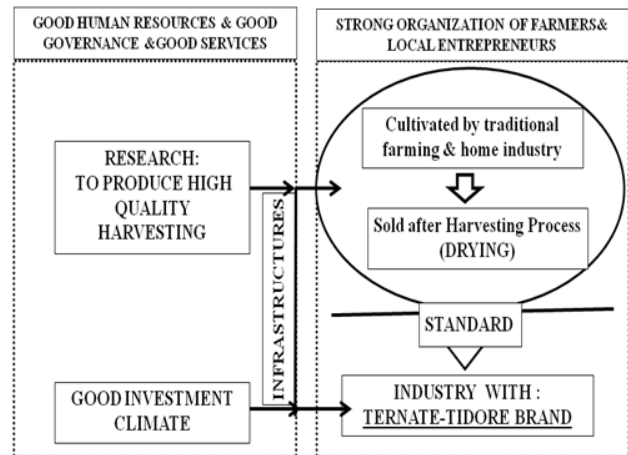


Fig. 7: Strategic plan scheme

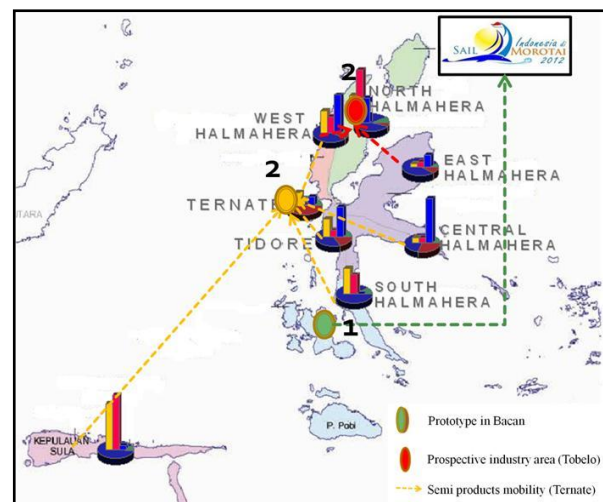


Fig 8: Proposed Projects

Precise targets and goals will then be formulated into actions, which are combined with timeline as the roadmap to guide the stakeholders to achieve their goals in term of place and time scale. Table 2 shows the action steps until 2020, when Indonesia is expected to have a new planning. In addition, taking advance of the international momentum in 2012, it will be first focused on the prototype projects and five years after, the brand will start to be established and become stronger afterwards.

The government, as the key actor, should be persistent to implement the proposed branding strategy in an innovative way. The government should be creative in order to find the best way to communicate to people and to make people understand the projects, in order to get economic and social advantages for people's welfare.

## 8 Conclusion

North Maluku is a rich territory with natural resources (agriculture and mining). On the other hand, static economic growth happened by running out of natural resources to be exported as low price,

low quality products. To stimulate economic growth, in term of urban planning, brand strategy is an innovative way to drive territory development. By applying “Critical City: Core & Drivers Methodology”, North Maluku can be formulated as a territory brand. **Vision:** “The spices victory” in the past will be “the greatest factory” in the future. **Brand:** “Ternate-Tidore: The Spice Islands”. **Respected Impacts:** developed agriculture investment & management by local farmers and developed agro-industry investment and management by local entrepreneurs, good public services by local government, supported infrastructures for people living and industry, natural and cultural events, strong brand and image. The branding will push the territory to be stronger in its economy (for the first time) by consistently performing actions.

Table 2: Actions for Ternate-Tidore brand

Actions	2011	2012	2017	2020
Good governance supported by good human resources (1)	***	***		
Good infrastructures (2)	***	***		
Plantation & small industry prototype (Bacan) (@)	***	***		
Sample product for primary marketing	***	***		
New products & patent	***	***	***	***
Empowering farmers & local entrepreneur organizations (3)	***	***	***	***
Harvesting management	***	***	***	***
Transfer knowledge from successful entrepreneurs	***	***	***	***
High standard quality products	***	***	***	***
Spices factories(1,2,3,+@)		***	***	***
Strong market			***	***

\*\*\*: perform actions

**Acknowledgements:** The authors acknowledge C-TAC - Centre for Territory, Environment and Construction, a R&D unit of University of Minho, and FCT - *Fundação para a Ciência e a Tecnologia*, for the support.

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